



# PINAR SÜT MAMULLERİ SAN. A.Ş

2012 1Q Earnings Presentation

# Pinar Süt Highlights



- Innovator and pioneer
- More than 200 SKUs
- R&D expertise

## Product Portfolio

- #1 brand that comes to mind\*
- Best brand in dairy \*\*
- Most sincere milk brand \*\*\*
- Among top 4 brands Turkish consumers feel closest to\*\*\*\*
- Best fruit juice brand \*\*\*\*\*
- One of the top ten most reputable brands \*\*\*\*\*

## Brand

- Hygienic and EU standard production
- Technical Expertise and sectoral know-how

## Production

- Healthy, pure and standardized products
- ISO 9001-2008
- ISO 14001
- ISO 22000 HACCP
- FSSC 22000

## Quality

- YBP – Turkey's biggest nationwide cold and frozen distribution chain
- More than 150.000 sales points
- Technical know-how and expertise
- Synergy in the distribution of dairy and meat products

## Distribution Network

- Supply from more than 30000 producers
- Continuous quality control in each step
- Strong relations with farmers
- More than 200 contracted farms producing in EU standards
- Farms which are free of illness and approved
- Training and consultancy services

## Supply

# Market Dynamics



- ▶ Annual raw milk production is 714 million tons in the world; about 13 million tons in Turkey, Source:Tetrapak, National Milk Council
- ▶ Turkey is 15<sup>th</sup> in world's league,
- ▶ Growth is expected in the milk production/import of developing and growing countries.
- ▶ Global milk market reached to 269 billion litres by growing CAGR %2,2 during 2006-2010

Source:Tetrapak

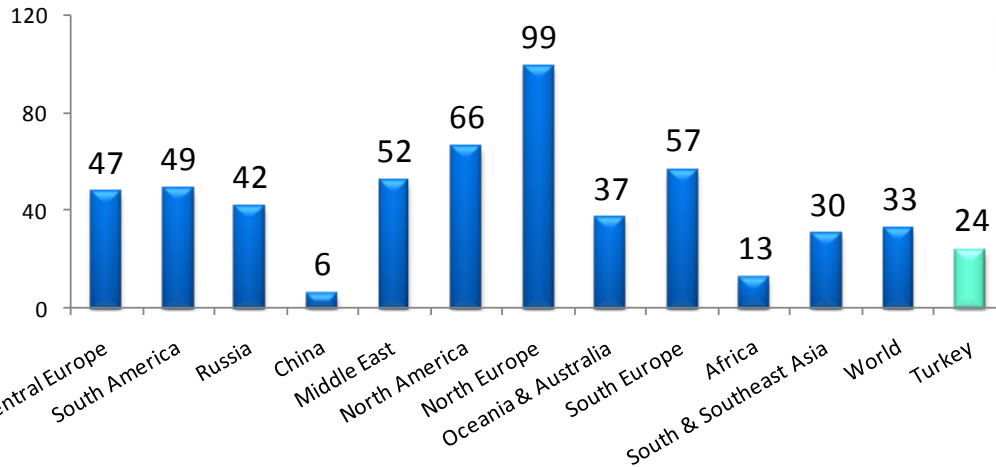
## IMPORTERS

China	↑
Russia	↑
Southeast Asia, Mexico, MENA, India	↔

## EXPORTERS

Brazil	↑
Ukraine	↑
New Zealand	↓
European Union	↓
Australia, Argentina, Belarus	↔

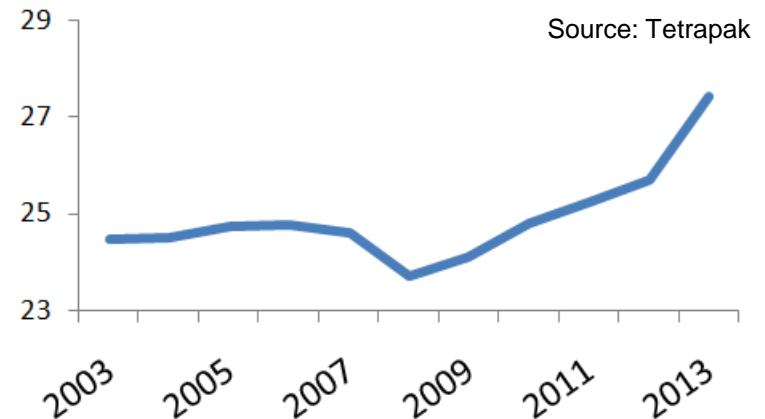
## Per Capita Milk Consumption (lt)



Source: Tetrapak

Source: Innovation Center For U.S. Dairy

## Per Capita Milk Consumption in Turkey (lt)

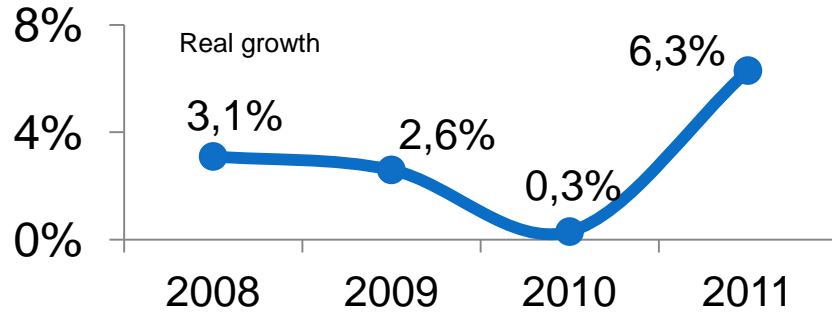


Source: Tetrapak

# Market Dynamics - II

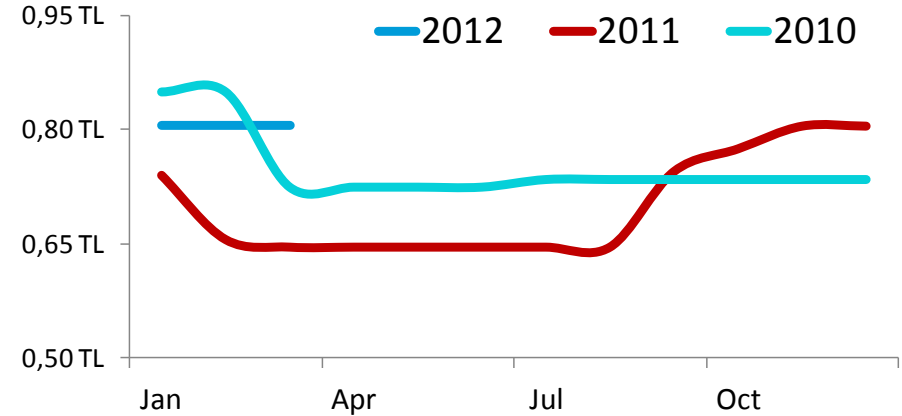


## FMCG Value Growth (ex. tobacco)



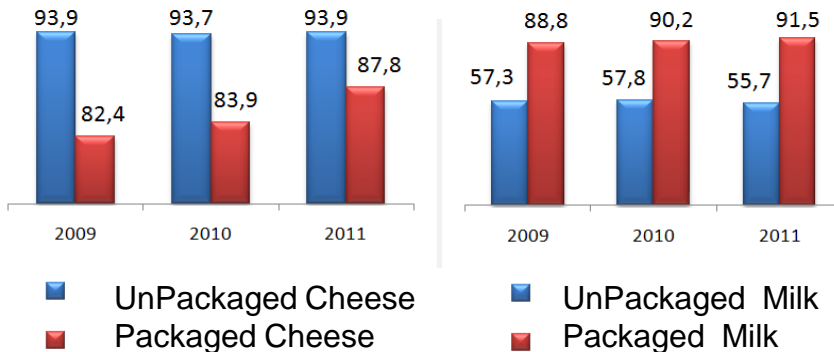
▶ Food category which has increased its share within FMCG from %46 to %48 through a value growth in 2011  
Source: Nielsen

## Raw Milk Base Price in Turkey (TL/lt)



Raw Milk Base Prices for Producers

## Milk and Cheese Penetrations



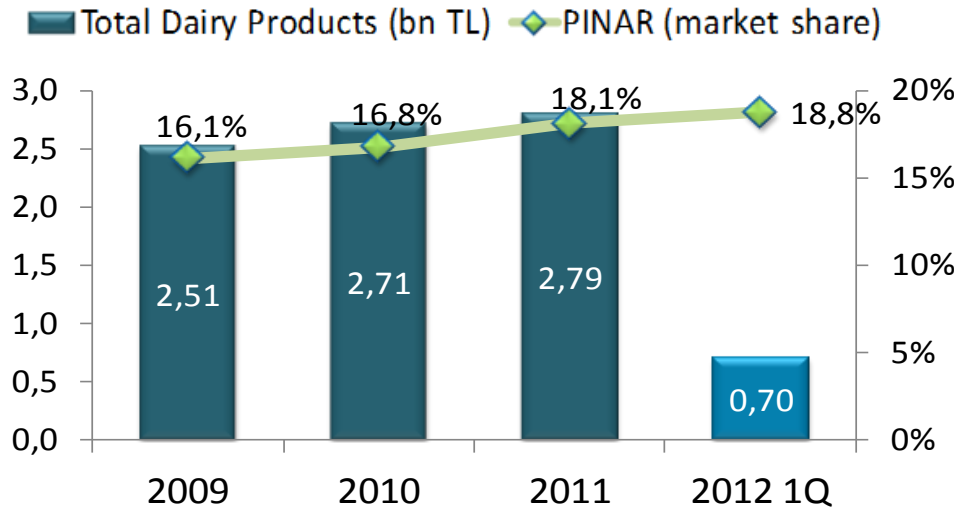
Source: IPSOS

- ▶ Trend for packaged dairy goods,
- ▶ Economic segment as the first step for those transferring from unpackaged to packaged dairy food,
- ▶ Trend towards value-added/organic/natural products,
- ▶ Growth in "Away from Home" market,
- ▶ Increased price competition in the market.

# Ahead of competition – I



- ▶ There are national (e.g. Sutas, Ulker) and multinational (e.g. Nestle) competitors.



Products	Market Share	Position
UHT Light Milk	<b>63%</b>	Leader
Total UHT Milk	<b>31%</b>	Leader
Organic Milk	<b>100%</b>	Leader
Enriched Milk (Kids)	<b>55%</b>	Leader
Butter	<b>17%</b>	Second
Homogenized Yoghurt	<b>10%</b>	Third
Spreadable Cheese	<b>43%</b>	Leader
Fresh Cheese	<b>80%</b>	Leader
Labaneh	<b>59%</b>	Leader
Cream Cheese	<b>20%</b>	Leader

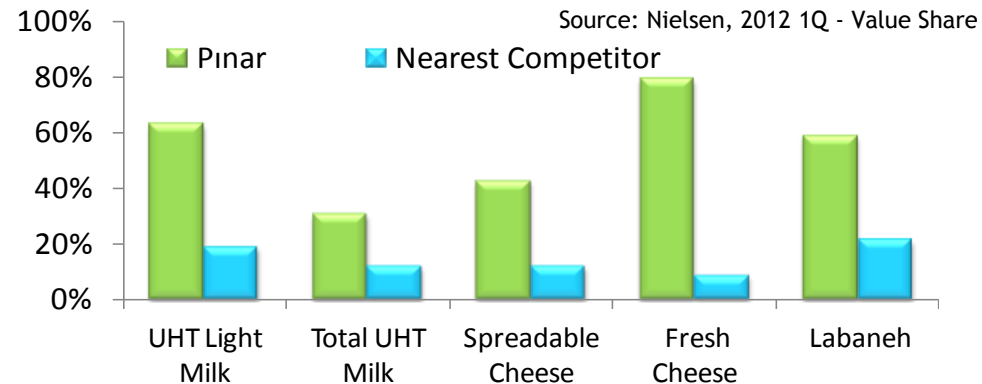
Source: Nielsen

Total dairy products are included milk, yoghurt, spreadable cheese, butter and ayran.

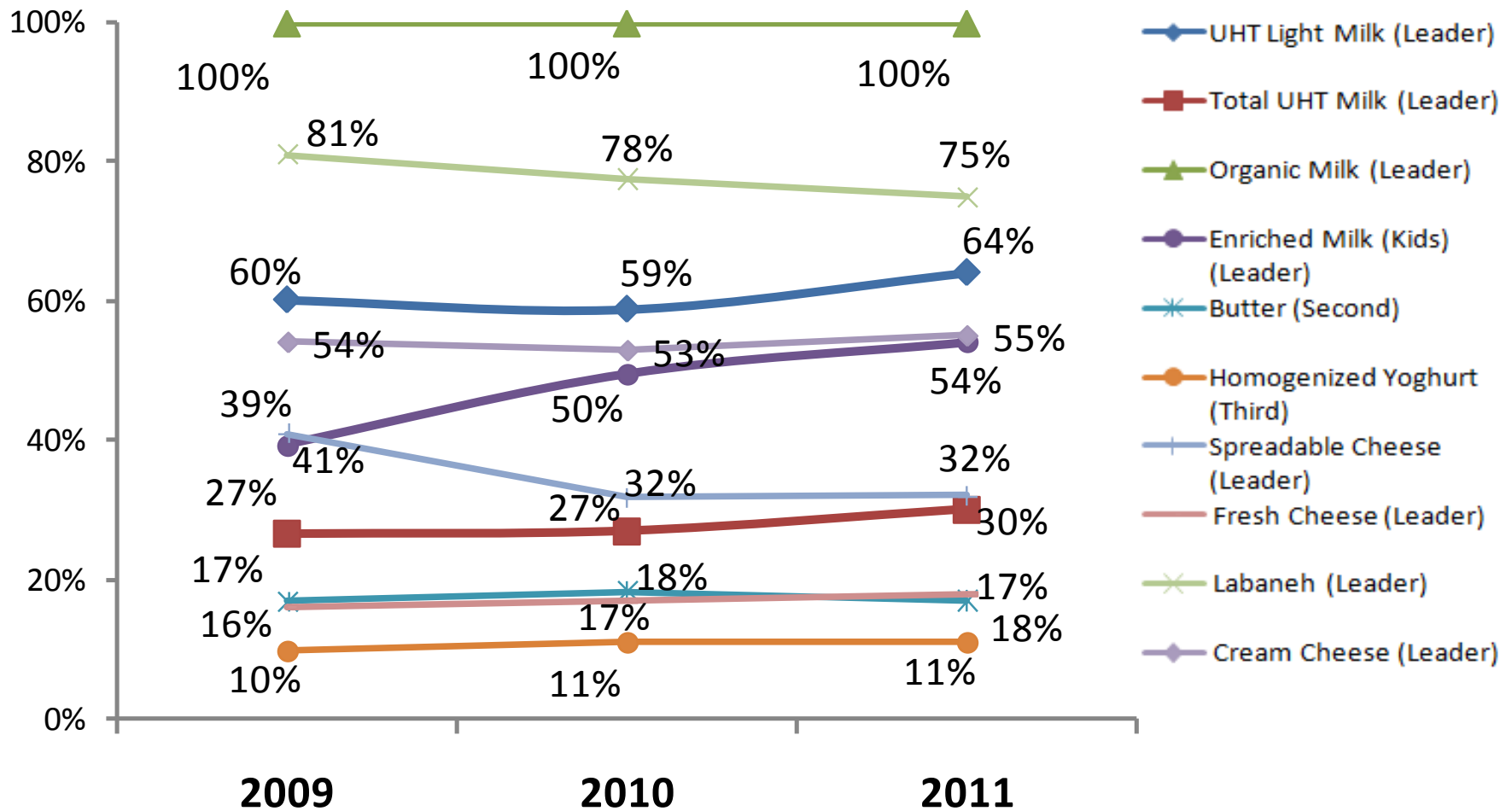
- ▶ Measurable dairy market has grown by 5,1% in 2012 1Q, compared to 2011 1Q. (Nielsen)

- ▶ In 2011 penetration of Pinar (milk and cheese) has increased to 57,2%. (2010: %54,8) (IPSOS)

- ▶ Our marketing activities continued in 2012.



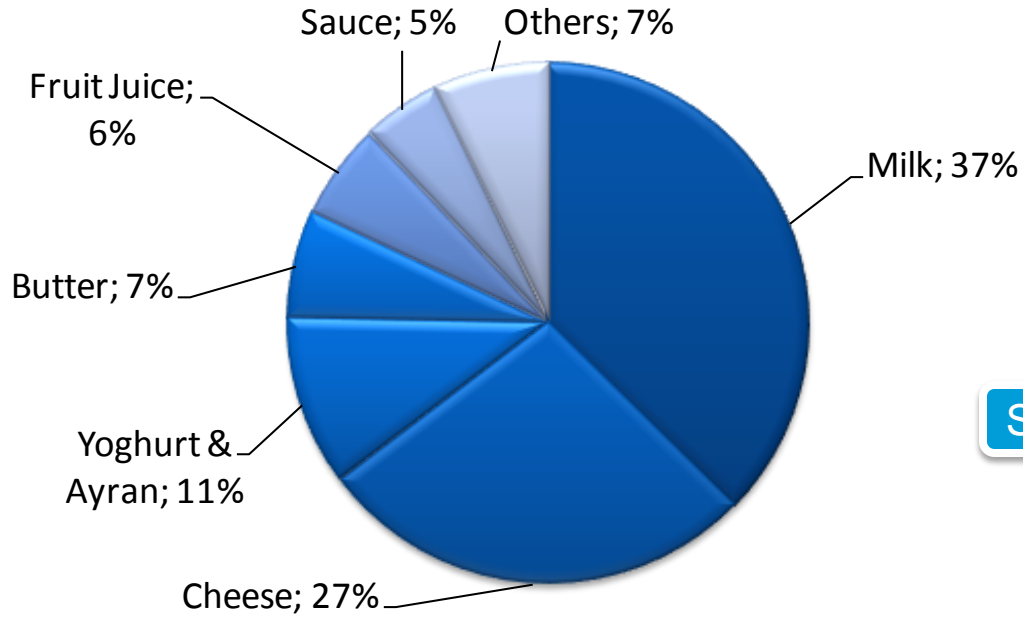
# Ahead of competition - II



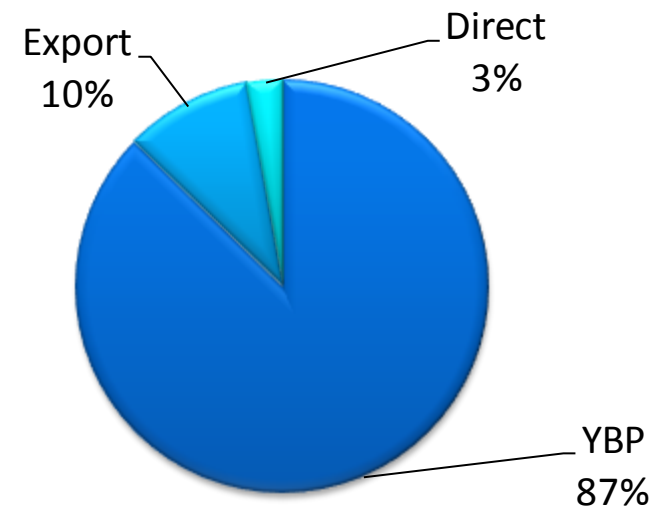
# Product Groups & Sales Channels



## Products Groups (2012 1Q)



## Sales Channels (2012 1Q)

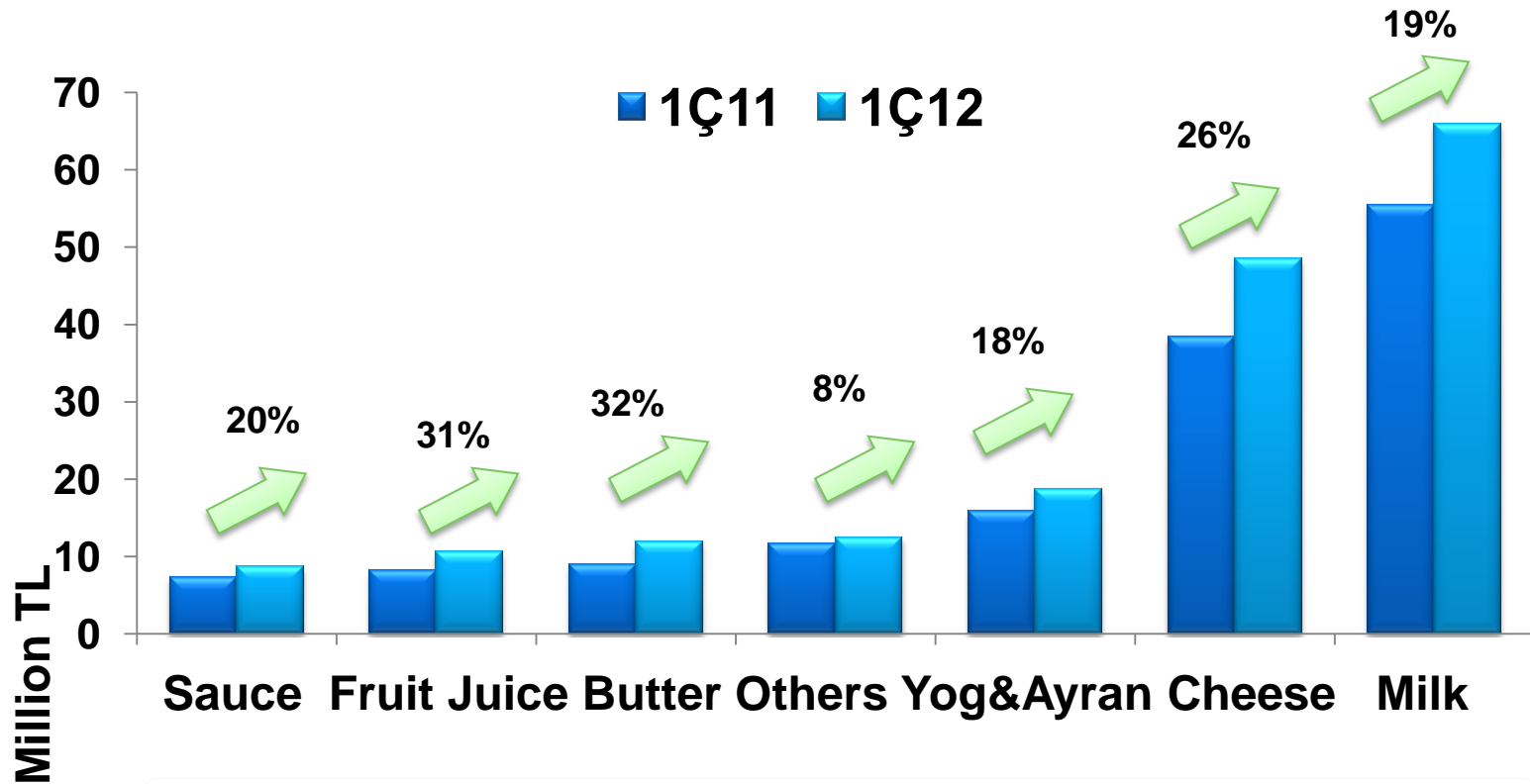


Net Sales

# Growth in Sales



## Growth Rates of Product Groups



Net Sales has grown by **22,1%** in 2012 1Q, YoY.



# Export

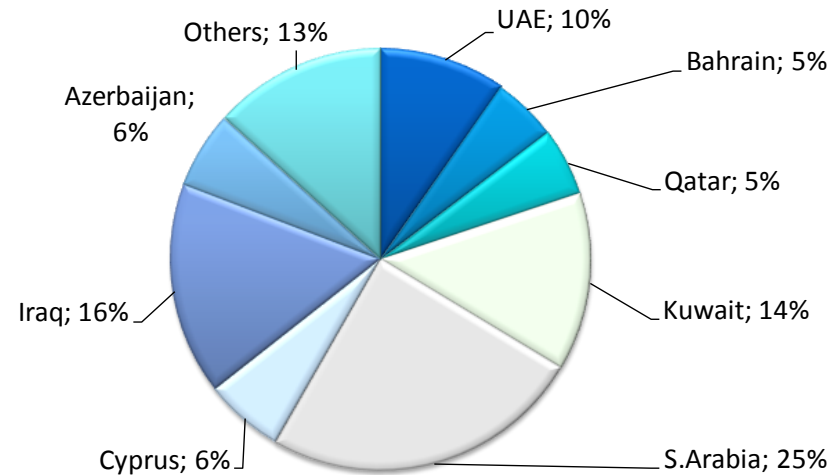


- ▶ Pinar realizes 17% of Turkey's Dairy Products Exports by itself
- ▶ Export to 29 countries from Middle East to Europe, from U.S.A. to Asia
- ▶ Market leader in Saudi Arabia and Kuwait with Packaged Labaneh Cheese with 45% market share
- ▶ Moreover, long-life milk, white cheese, Pinar Beyaz, whole cream, fruit juice, yoghurt and ayran is exported to Gulf countries.
- ▶ Export sales have tripled from 2002 to 2010
- ▶ As one of the most valuable Turkish brands, part of the

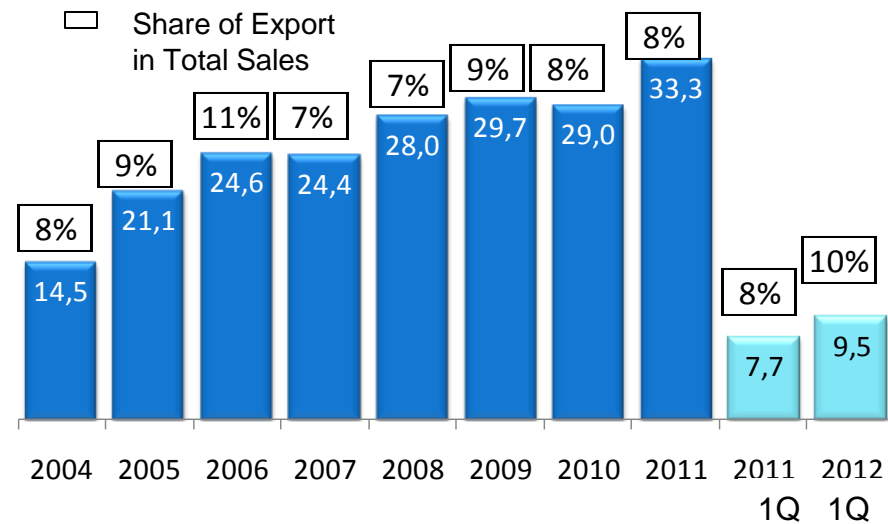
**TURQUALITY** project supported by the Turkish government..

- ▶ Turquality® is the first and unique branding program in the world supported by Turkish Government in order to create competitive Turkish brands worldwide.
- ▶ The vision of Turquality® is "Create 10 world brands in 10 years".

Foreign Sales by Countries (2012 1Q)



Foreign Sales by years (Million USD)



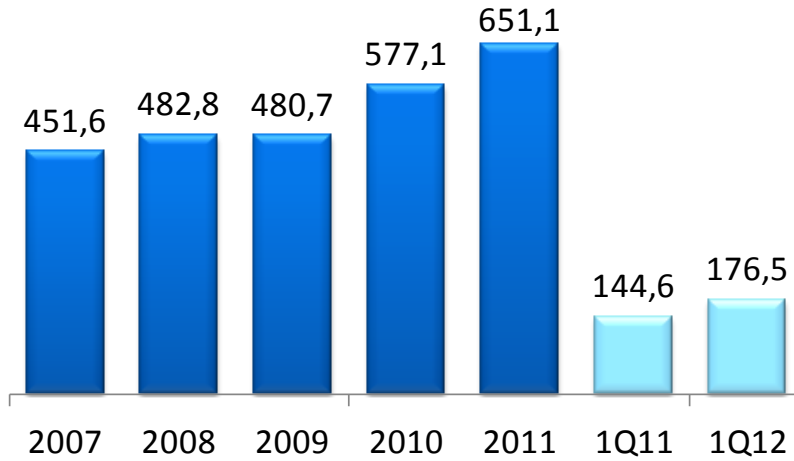


## FINANCIAL RESULTS

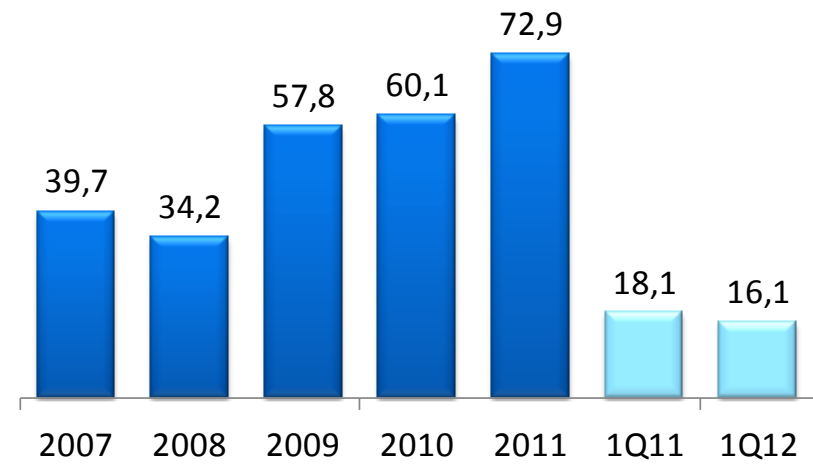
# Sales and Profitability



## Net Sales (Mn TL)

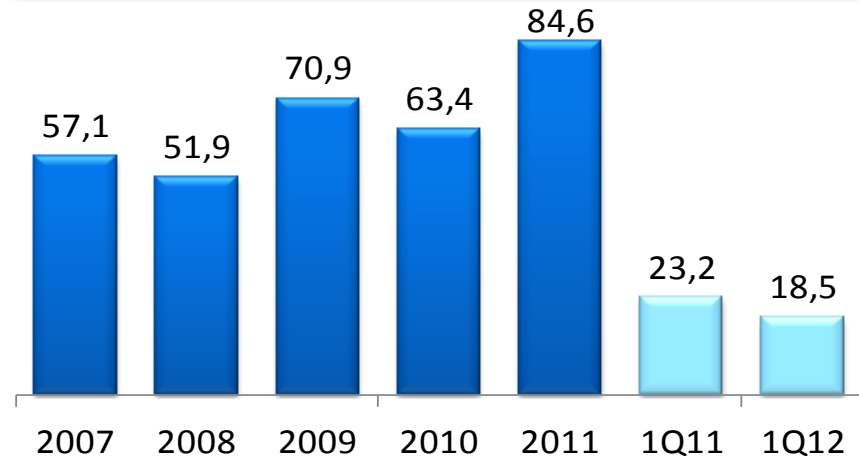


## Net Profit (Mn TL)



- ▶ The growth in net sales was due to price and volume increase in 1Q 2012, YoY. Volume grew by %12.
- ▶ Following our strategy of growing beyond the market, our marketing investments have continued in 2012.
- ▶ In 1Q 2012, the raw milk prices remained at the level of the last quarter of 2011.
- ▶ Competition in the market is continuing.

## EBITDA\* (Mn TL)



# Income Statement

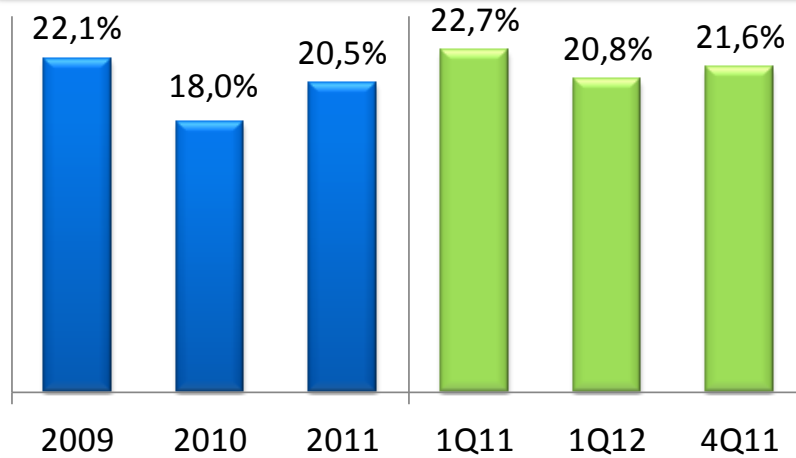


(Million TL)	31.03.2012	31.03.2011	Difference	% Change
<b>Net Sales</b>	<b>176,5</b>	<b>144,6</b>	<b>31,9</b>	<b>22,1</b>
Cost of goods Sold	(139,9)	(111,8)	(28,1)	25,1
<b>Gross Profit</b>	<b>36,6</b>	<b>32,8</b>	<b>3,8</b>	<b>11,6</b>
R&D Expenses	(1,6)	(1,1)	(0,5)	42,4
Sales, Distribution and Marketing E	(13,6)	(6,8)	(6,8)	100,4
General Administration Expenses	(6,7)	(5,7)	(0,9)	16,4
<b>EBIT</b>	<b>14,8</b>	<b>19,2</b>	<b>(4,4)</b>	<b>(23,1)</b>
Share of Results of Investments in				
Associates	1,9	2,2	(0,3)	(14,9)
Other Income	1,3	0,7	0,6	79,8
Other Expenses	(0,2)	(0,2)	0,0	(18,1)
Financial Income (Net)	1,8	0,2	1,6	741,9
<b>Profit Before tax</b>	<b>19,6</b>	<b>22,1</b>	<b>(2,6)</b>	<b>(11,5)</b>
Tax	(3,5)	(4,1)	0,6	(14,4)
<b>Net Profit for the Period</b>	<b>16,1</b>	<b>18,1</b>	<b>(2,0)</b>	<b>(10,9)</b>
EBITDA	18,5	23,2	(4,7)	(20,1)
<b>Total Assets</b>	<b>634,7</b>	<b>538,0</b>	<b>96,7</b>	<b>18,0</b>
Equity	459,1	403,1	56,0	13,9

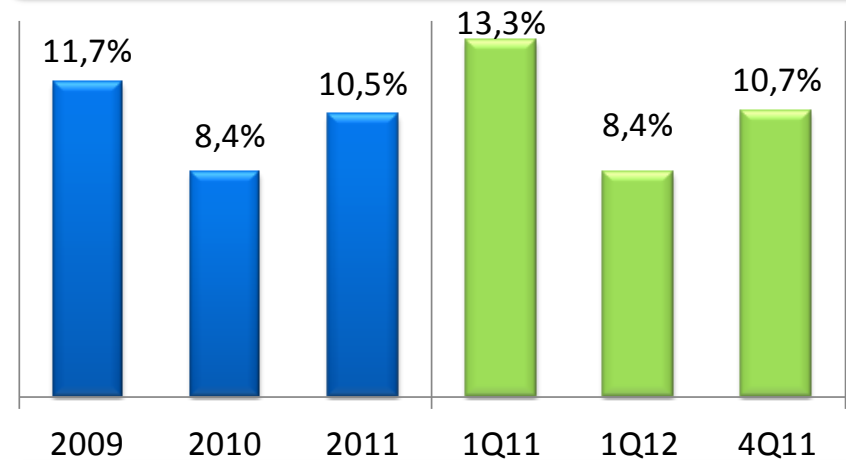
# Profit Margins



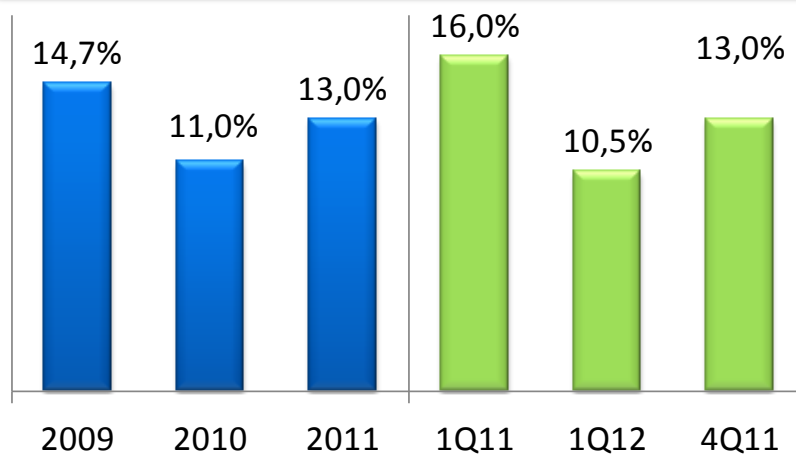
## Gross Profit Margins(%)



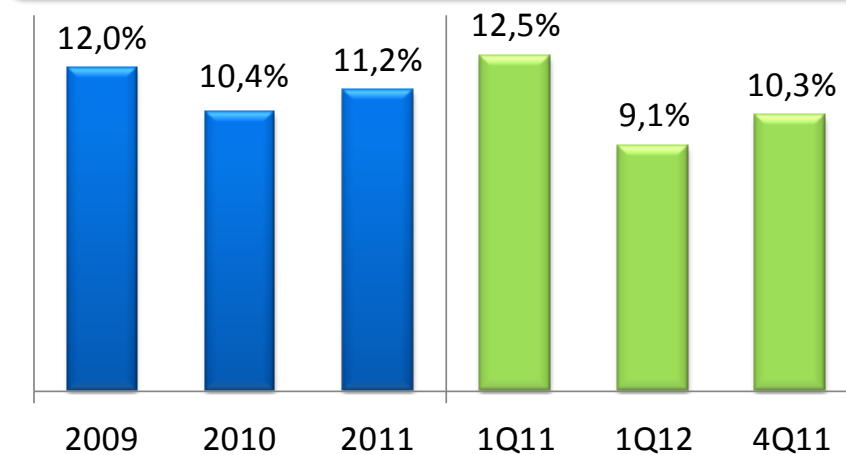
## Operating Margins\* (%)



## EBITDA Margins \*\* (%)



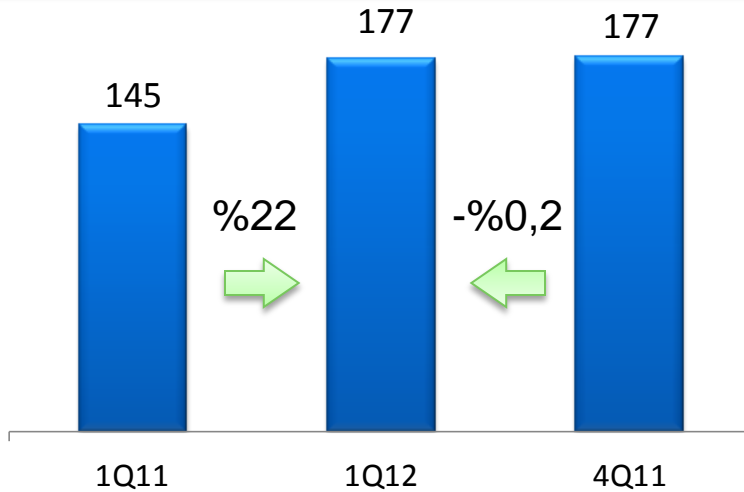
## Net Profit Margins (%)



# Quarterly Results



## Net Sales (Mn TL)



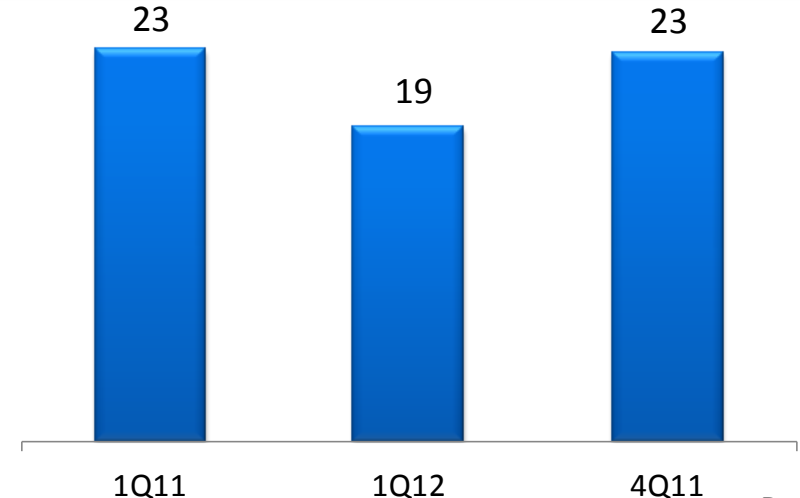
▶ The net sales grew by %22,1 in the first quarter of 2012, YoY.

▶ Percentage of General Administration expenses was decreased in 1Q 2012, YoY.

▶ The raw milk prices remained at the level of the last quarter of 2011 while it was above the 1Q 2011 level.

▶ In accordance with our strategies, we have focused on market investments and achieved growth in sales and market shares. In 1Q 2012 the marketing expenses was above 1Q 2011.

## EBITDA\* (Mn TL)



# Basic Ratios, Net Financial Debt & Net Working Capital



March 31, 2012    December 31, 2011

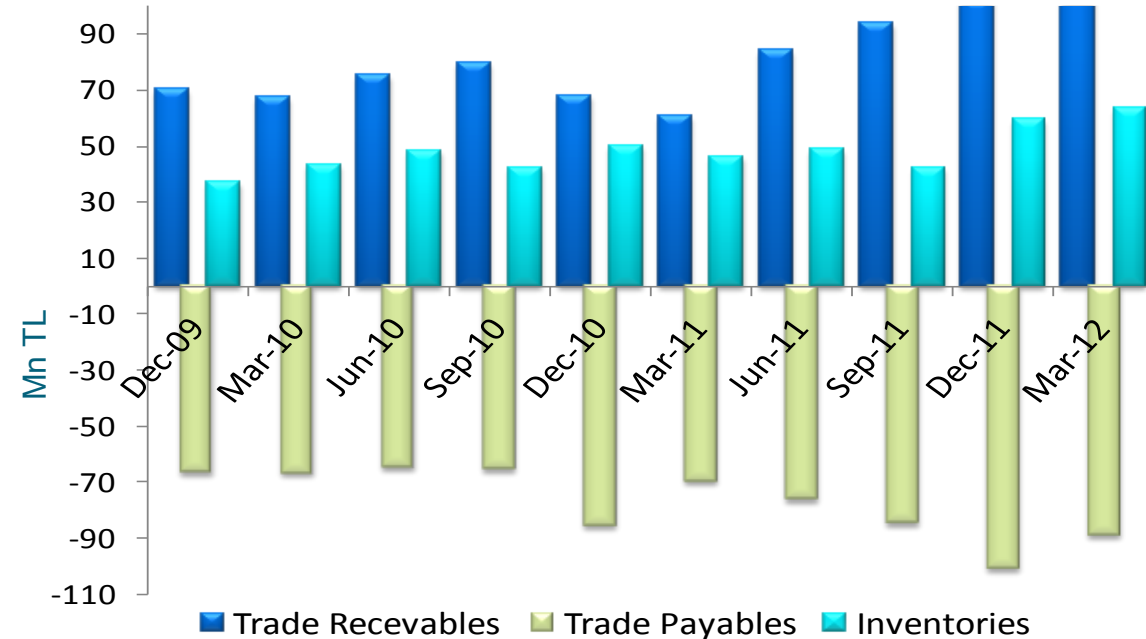
(Million TL)

March 31, 2012

December 31, 2011

	March 31, 2012	December 31, 2011
<b>Current ratio</b>	2,01	1,81
<b>Leverage ratio</b>	0,28	0,30
<b>S/T Fin Debt/T. Fin Debt</b>	0,57	0,58
<b>Net Financial Debt/EBITDA</b>	0,41	0,36
<b>Total Fin Debt/Equity</b>	0,07	0,08

	March 31, 2012	December 31, 2011
<b>Cash &amp; Cash Equivalents</b>	0,91	4,99
<b>S/T Bank Borrowings</b>	19,39	20,45
<b>L/T Bank Borrowings</b>	14,60	15,07
<b>Net Financial Debt</b>	33,08	30,54



- ▶ Continuous focus on risk management and productivity
- ▶ Effective working capital management
- ▶ Strong balance sheet and liquidity management

# Overview of 1Q 2012



- ▶ Raw milk prices diminished in 1H2011 , however gone up somewhat in the second half. Raw milk prices remained at these level in the first quarter of 2012.
- ▶ Following our strategy of increasing our market shares we have focused on marketing investments and increased our market shares in 1Q 2012.
- ▶ New products and new variations in packaging have been launched.
- ▶ Cost savings, measures to decrease expenses and projects improving efficiency in production have continued. (OMI-Lean Six Sigma Projects)



Growing above market growth rates in the segments we operate in, with ;

- ▶ Effective price management
- ▶ Product portfolio targeting consumers in various segments
- ▶ Widespread distribution network
- ▶ Efficient utilization of social media
- ▶ Concentration on “Away From Home” channel
- ▶ Increasing export sales also in countries falling outside Gulf region
- ▶ Continued marketing investment.

## 2012 TARGETS

**Growth in Net Sales:** %18-%20

**EBITDA Margin:** %11-%12

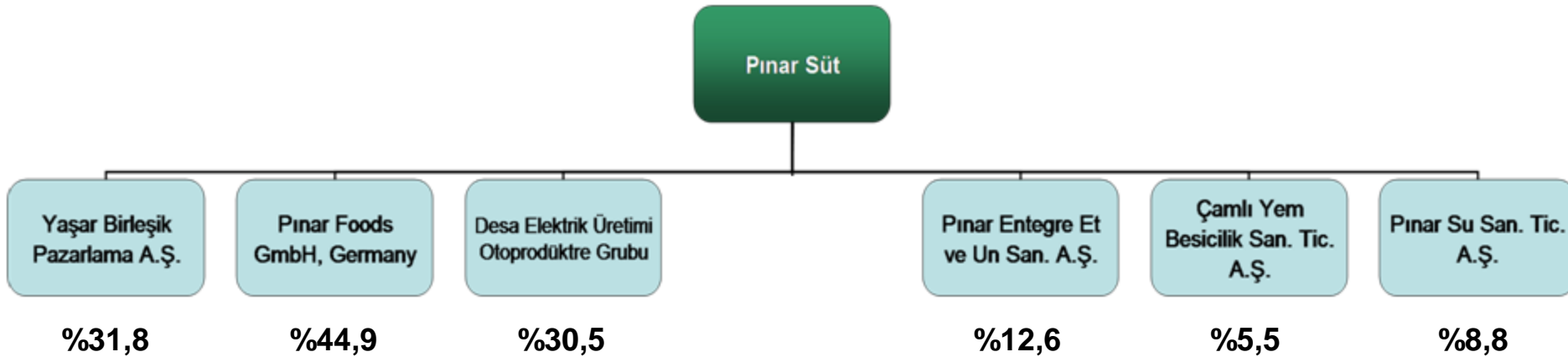
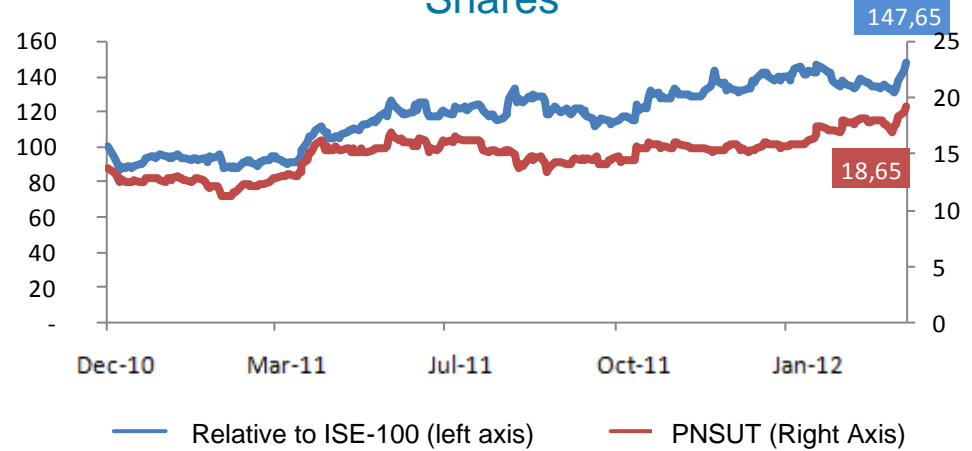
**Capex:** 40-50 Million TL

# Ownership & Participation Structure

## Share Performance



### Relative and Absolute Performance of Pınar Süt Shares



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Company's financial statements are available on [www.kap.gov.tr](http://www.kap.gov.tr) and [www.pinar.com.tr](http://www.pinar.com.tr) websites.

## Investor Relations Department

Tel: 90 232 482 22 00

Fax: 90 232 484 17 89

[investorrelations@pinarsut.com.tr](mailto:investorrelations@pinarsut.com.tr)

**Thank you**

# APPENDIX

# Company History



## Pioneer and Leader of Modern Turkish Dairy

1975...

The first UHT milk and packaged dairy products plant in Turkey was founded (biggest milk production facility in the Middle East): PINAR SÜT



1982

Milk, cheese, butter, yoghurt and milk with tarwberry began to be exported the Central European and Middle East countries and the TRNCyprus.

1997

Pınar SÜT new plant founded in Eskişehir



2003

Agreement with Sodima SAS for the production of fruit yoghurt under Yoplait brand was introduced to Turkish customer

2005

First organic milk in Türkiye, Pınar Organic Milk, probiotic products, were introduced

2008

Pınar Süt, Lean Six Sigma has been started to applied for the first time in the F&B sector in Turkey

2010

Pınar Kido with Biscuit, Pınar Çocuk with Honey and Kahvaltı Keyfi white cheese are introduced

2011

Cream Cheese with cheddar and thyme-olive

Organic Yoghurt

1975 '80 '85 '90 '95 '00 '02 '04 '06 '08 '09 10 11

1978

Pınar Sliced Kaşar Cheese and Cream Cheese were introduced

1983

Pınar Fodder was established

1985

Labne was introduced in the domestic market

1984

Production of Labne, milk, ayran, butter, yoghurt, cheese, mayonnaise, cream. Export of many products to Kuwait, Cyprus and Germany began.

1980

Kraft-Pınar Cooperation was established

1999

Functional milk was introduced

1994

Light mayonnaise was introduced

2001

UHT plastic bottled milk introduced

2004

Pınar Kafela, Karamela and Çikola were introduced

[www.pinarmutfagi.com](http://www.pinarmutfagi.com) was established

2007

YOPI is introduced

2008

Milk for children, Pınar Çocuk is introduced

2009

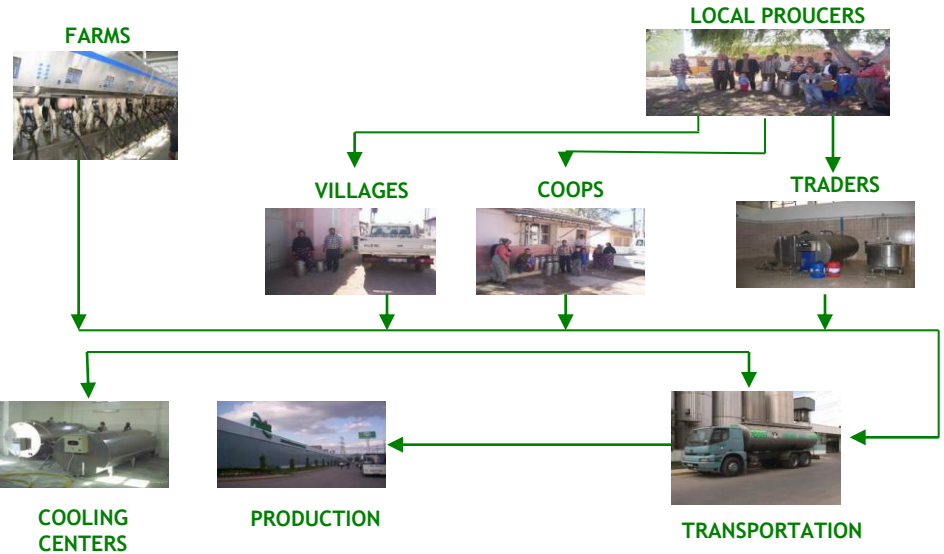
Pınar Lemonade

# Supply - Raw Milk Collection Process



Keen focus on milk collection processes:

- ▶ Route optimization; increase in truck fill rate and L/km rate (TL 1m cost savings)
- ▶ Successful Raw milk supply constitutes an important entry barrier to potential competitors



ORGANIC MILK

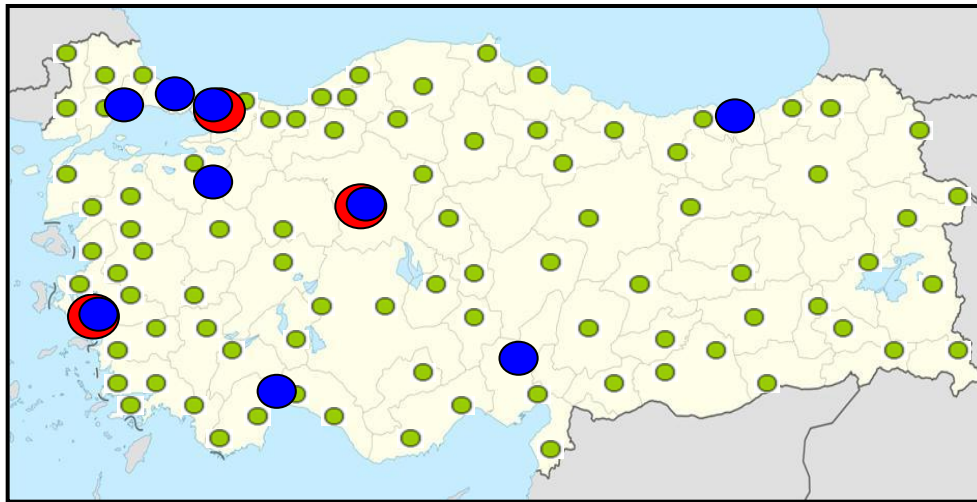


- ▶ Competitive advantage due to strong long term relationship with milk suppliers since 1975
- ▶ Agreements with suppliers to ensure a steady raw milk supply
- ▶ Continuous quality and control in each step of milk collection (fully complied with EU requirements, 6000 tests in raw milk laboratories on daily basis )
- ▶ Raw milk from 327 cooling centers through advanced collecting systems twice a day
- ▶ 53 % total of milk is obtained from circa 217 units farms.
- ▶ As of June 2005, the first and only organic milk production in Turkey.

# Sales & Distribution



- ▶ Yaşar Birleşik Pazarlama; Turkey's biggest nationwide cold & frozen distribution chain
- ▶ The distribution of food & beverage products are realized in  $-18^{\circ}\text{C}$  vehicles for frozen products,  $+4^{\circ}\text{C}$  vehicles for fresh products and classic vehicles for the rest
- ▶ The know-how and strong track record in the cold chain applications with a cold and frozen distribution chain and storage conditions is a considerable asset for the Group
- ▶ Strategically located distribution network throughout Turkey, by latest technology and flexible organization; over 155,000 sales points with a dedicated sales personnel
- ▶ Group sales reflects homogeneous regional dispersal all around the Turkey



● Directorate HQ      ● District Offices      ● Dealers

## YBP Ownership Structure

