

Earnings Presentation of 2012 H1

Speaker: Mr. Hikmet Altan, CFO, Yaşar Holding A.Ş.

Let me continue with Pınar Su. I will try to give you a quick summary of the first half results of Pınar Su. Slide 1 shows the market dynamics.

In Turkey, there are currently 296 water establishments holding Ministry of Health license. The average capacity utilization rate of the overall sector is around 40%. This figure may seem low, but as you know, capacity investments in the water sector are made according to summertime use; as capacity utilization drops in wintertime, average figure remains in the region of 40%-50%. We see that water consumption per person was approximately 133 liters in 2011 in Turkey. This is based on figures released by Suder, the Packaged Water Manufacturers Association. The sector's total export is worth USD 25 million.

When we look at 2010 and 2011, we see that the growth in the packaged water sector remained below the growth in GDP. While GDP growth rates were 8.9% and 8.5% in 2010 and 2011 respectively, the expansion in the packaged water sector remained at 6% and 4.5% in the same periods.

According to Nielsen figures, we see that the PET market grew 22% on turnover basis and 10% on volume basis in the first half of 2012. In this market, Pınar Su controls a market share of around 7%. This shows that we increased our market share on an annual basis, even if slightly. Looking at the market, we see that global companies like Nestle, Danone, and Coca Cola increased their investments, while mergers and acquisitions and investments in spring water continued. The most common trend in the sector is the tendency to increase the number of water springs to optimize logistics costs. For this reason, there are numerous small-scale local manufacturers in the market.

When we look at Pınar Su sales numbers, we see that 19-liter PC bottle sales represent 46% of total sales, while PET sales account for 53% and glass bottles for 1%. Exports make up nearly 8% of total Pınar Su sales. Germany takes the lead among export destinations with 46%, followed by UK with 20%. As you know, we renewed our glass bottles in 2012.

We launched the new glass bottle line with the seasonal concept. We used the cartoon characters, the Smurfs, on our 0.5-liter products. This sector is scene to some new concepts and new products particularly in packaging. We will continue with such steps in the years coming.

Now let's talk about our financial results: our net sales were up 24.4% and amounted to TL 47.3 million, while our gross profit went up 38% to TL 23.3 million. As a result, our profit for the period amounted to approximately TL 700,000 in the first six months. I would like to underline that our sales, distribution and marketing costs continue at the same speed as for all our Pınar branded products and companies, and that we keep investing in our brand as we always did.

When we analyze growth, we have arrived at TL 47.3 million in 2012 from TL 38.0 million in 2011, securing a total increase of 24.4%, split as 12.1% increase in volume, 11.7% in price and product mix, and 0.6% in exchange rate. The equal rate of increase attained in volume, and in price and product mix indicates that we have actually captured the ideal rate of increase.

When we take a quick look at the 2012 1st half review, we see increased profit based on the advantages presented by the resin prices that did not go up in particular, coupled with the exchange rates that did not increase in the first half of the year. We observe that mostly small and local brands continued with the aggressive price competition in the market. As I said before, there are nearly 300 brands. Our marketing investments also continue. We are anticipating that companies which stand out with their quality and trustworthiness will keep growing in the medium and long term.

In terms of our strategies and targets, we aim to increase our market shares both in our PET and PC businesses. Based on a process- and cost-oriented approach across the entire value chain, we will maximize our profitability through improving our processes employing tools such as lean sigma, while strictly adhering to quality. We will maintain our distribution model that provides optimum cost according to spring location. In the exports department, we are targeting to grow our exports, particularly to the European market. We are, in fact, not saying anything different about our year-end 2012 targets than what we said before. We are targeting to achieve a growth of 20-25%, with an EBITDA margin in the region of 5-7%.

Thank you for your time and attention.