

# For 40 years contributing to the health of successive generations...



## Chairperson's Message

Pınar has been Turkey's source of "Health", "Flavor", and "Innovation" – a "Source of Life" itself – for forty years. The wholesome, superior-quality, nourishing, tasty, and natural products that it produces under trustworthy conditions in modern facilities using state-of-the-art technology have become indispensable parts of its consumers' everyday lives.

## growth

2013 was a year in which there were achieved many successful results further contributing to Pınar Süt's sustainable profitability and growth.

Esteemed shareholders,

### In our 40th year, we continue to grow thanks to the confidence of our consumers.

Fulfilling its mission to contribute to the health of successive generations, Pınar has been Turkey's source of "Health", "Flavor", and "Innovation" – a "Source of Life" itself – for forty years. The wholesome, superior-quality, nourishing, tasty, and natural products that it produces under trustworthy conditions in modern facilities using state-of-the-art technology have become indispensable parts of its consumers' everyday lives.

Year after year our country's dairy industry has been developing steadily in terms both of total output and of processing capacity and know-how.

Livestock farming is an industry of vital importance for our country not just because of its contributions to good health and balanced nutrition, to the development of associated economic activities, to rural job creation, to the improvement of economically underdeveloped areas, to increased agricultural productivity, and to the export trade but also because it is a sector that is critical in Turkey's bid for EU membership.

Government incentives granted to dairy farming in recent years as well as livestock farming policies in general have brought about a substantial increase in our country's raw milk production. That production continues to expand in parallel with growth in livestock head counts and with improvements in lactation. Total dairy output, which grew by 11.17% year-on in 2011, was up by another 15.58% in 2012 and reached 17,401,262 tons.

According to monthly milk and dairy product statistics published by TurkStat, the Turkish Statistical Institute, the total amount of milk harvested from registered cows and collected by integrated dairy plants was

7,932,485 tons in 2012; in the course of the next twelve months, that figure increased by a mere 0.08% to 7,938,605 tons however.

The three most serious problems confronting our sector are consistency in raw milk quality, informal (unregulated) production and distribution, and the high costs involved in producing and collecting registered raw milk.

There needs to be a system that rewards farmers who improve the microbiological and chemical quality of their raw milk and supports efforts to achieve such improvements. Feed is one of the livestock industry's most important inputs and it should go without saying that feed quality and costs have a huge impact on milk quality and prices. This is why our country's animal feed policies are in need of a rethinking so that feed raw materials may be obtained at prices compatible with global levels.

Misleading statements encouraging the consumption of unregulated milk that have been appearing in the media of late have unfortunately been confusing and misleading the public. Made by totally unqualified people, these groundless assertions cause misgivings about milk consumption in general in people's minds. It behooves the entire sector to unite in combating such disinformation.

### A year of many successes...

2013 was a year in which there were achieved many successful results further contributing to Pınar Süt's sustainable profitability and growth. Thanks to the correct strategies to which it adhered in 2013, our company defended its leading position in the milk and dairy products sector with turnover shares of 29.2% in long-life plain milk, 61.1% in light milk, 54.5% in fortified children's milk, and 38% in spreadable cheeses while in flavored milks we also rose to first place with a 19.5% share of that segment's turnover. Pınar Süt gross sales in 2013 were worth TL 1.1 billion, 9.74% higher than what

they were in 2012, while its net profit for the period grew by 17.45% year-on and reached TL 67.4 million.

### A new Pinar Süt dairy plant in southeastern Turkey

Successfully transforming its technological muscle and sectoral knowledge and experience into competitive advantages, last year we laid the foundations of a third Pinar Süt dairy plant in Şanlıurfa.

State-of-the-art energy-efficient and eco-friendly automation and production technologies have been incorporated into this plant. Designed so as to allow production to be tailored and diversified as requirements dictate, the project will significantly boost Pinar Süt's annual raw milk processing capacity.

As a member of the Yaşar Group, Pinar Süt benefits from the sales and distribution clout of Yaşar Birleşik Pazarlama in distributing its products to every part of Turkey. The logistical advantages and competencies arising from this latest investment in the southeast will further strengthen that ability. Additionally informed by such missions as increasing local employment opportunities and making the most of the efforts of thousands of local dairy farmers, this investment also has the substantial advantage of being closer to Iraq and Gulf countries, which number among our leading export markets. Our goal is to complete this project and commence production at the Pinar Süt Şanlıurfa plant before the end of 2014.

Pinar is active in no fewer than 28 markets abroad, principally Saudi Arabia, UAE, and Kuwait in the Gulf region; TRNC, Iraq, and Azerbaijan in the Near East; and Germany and UK in Europe. With the removal of a number of obstacles that prevented it from shipping milk and dairy products westward, Pinar Süt became entitled to export milk and dairy products to EU countries in 2013. Pinar celebrated three decades of its presence in the Gulf region with a new advertising campaign and our company's labaneh products remain the market leaders in those countries. Having launched advertising and communication campaigns in Northern Iraq and Azerbaijan, Pinar Süt enjoyed high rates of growth in both markets last year. Our country's total exports in 2013 were up by 16.6% year-on as measured on a USD basis.

### The School Milk Campaign continues

In keeping with its principle of backing social responsibility projects, last year Pinar Süt continued to take part in the School Milk Campaign that was launched in Turkey in 2012. Under this project, 24,931,424 cartons of milk were distributed to 520,191 children attending 4,685 schools in the country's southeastern provinces.

Recognizing the School Milk Campaign as an important part of its mission to contribute the health and wellbeing of successive generations of children., Pinar Süt will continue to support this project.

### Pinar Institute: Contributing to the wellbeing of society as a whole

The Pinar Institute was set up in 2012 in order to contribute to the development of a healthy society by supporting scientific projects and taking part in educational activities. Another of its objectives is to serve as a trusted reference on issues related to food and nutrition.

The Pinar Institute collaborates with the National Food Technologies Platform (UGTP) in the undertaking of joint projects. The institute has also formalized its relationship with the European Food Information Council (EUFIC) as a full member of that body.

### New standards further bolster our strength

Having previously been awarded ISO 22000 Food Safety Management System and FSSC 22000 Food Safety Management System certifications in recognition of its compliance with international standards, in 2013 Pinar Süt qualified for TS 18001 Occupational Health and Safety Management System and TS EN ISO 50001 Energy Management System certification as well. Never one to rest on our laurels however, we continue our efforts to improve our compliance with international standards and to raise the bar by which our quality is judged in order to be even more deserving of our consumers' confidence.

### Eco-friendly materials and technologies

Pinar Süt makes the most productive use possible of national and natural resources, complies with all environment-relevant laws and regulations in the conduct of its operations, and carries out all of its activities in line with prescribed management system policies.

A Pinar Süt team headed by a Carbon Leader has calculated and reported the Company's "corporate carbon footprint" as of 2013. Based on these findings, we have identified a goal of reducing our footprint by at least 15% between now and 2020.

Confident of the dedicated efforts of its team, enjoying the trust of its customers, and supported by its shareholders and business partners, Pinar Süt will continue to make an increasingly greater contribution to the health and wellbeing of future generations. I therefore take this opportunity to thank all of our stakeholders for making our success as a company possible.

### İdil Yiğitbaşı

Chairperson of the Board of Directors

Successfully transforming its technological muscle and sectoral knowledge and experience into competitive advantages, last year we laid the foundations of a third Pinar Süt dairy plant in Şanlıurfa.