

# PINAR SÜT MAMULLERİ SANAYİİ A.Ş.

Earnings Presentation, 2013



# Highlights



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

## Product Portfolio

- Most admired company in Turkey\*
- Closest brand to mothers\*\*
- Best fruit juice brand\*\*\*
- One of the top ten most reputable brands\*\*\*\*
- One of the top ten superbrands in Turkey\*\*\*\*\*

## Brand

- 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

## Production

- Healthy, pure and standardized products
- ISO 9001-2008
- ISO 14001
- ISO 22000 HACCP
- ISO 18001
- ISO 50001

## 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 25,000 producers
- Continuous quality control in each step
- Strong relations with farmers
- More than 210 contracted farms producing in EU standards
- Farms which are free of illness and approved
- Training and consultancy services

## Supply



**Yaşar**

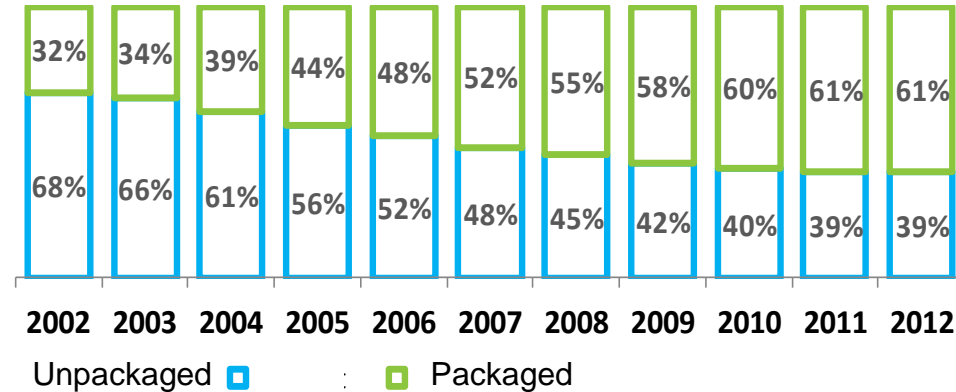
daha iyi bir yaşam için

\* GFK&Capital \*\* Mom-Z Platform \*\*\*TMME-2013 \*\*\*\* GFK&Repsman 2013 \*\*\*\*\* Superbrands

# Market Dynamics

- Annual raw milk production is 770 m tons in the World (+%2,7 growth in 2012), and around 17,4 m tons in Turkey (2012 growth %15,6 ) (Source: USK, FAO, TÜİK),
- The amount of milk produced in our country is increasing in parallel to the amount of animals and productivity in milk production. Cow milk comprises 91,4 % of the total production. Turkey, with its production of 15,4 mn tons of cow milk, is 8th within IDF countries.
- Per capita milk equivalent consumption in the world is 109,1 kg per capita on average; per capita drinking milk consumption is 100-300 kg in developed countries and up to 70 kg in developing countries.
- Per capita milk consumption in Turkey, calculated as milk equivalent, has reached 223 kg in 2013, compared to 2012, showing an increase of 10%.
- Per capita drinking milk consumption in Turkey is estimated to be 33,1 kg.
- The total number of cows milked is 5.4 m with an increase of 14.8% in Turkey. The lactation yield in cow milk production is 2.942 lt with a 1.47% increase.
- The total number of animals reached 49.8 m with an increase of 11.2% in 2012. Breakdown; Cattle %27.9, Sheep %55.1, goats %16,8 and water buffalo 0.2%

## Share of Packaged Milk

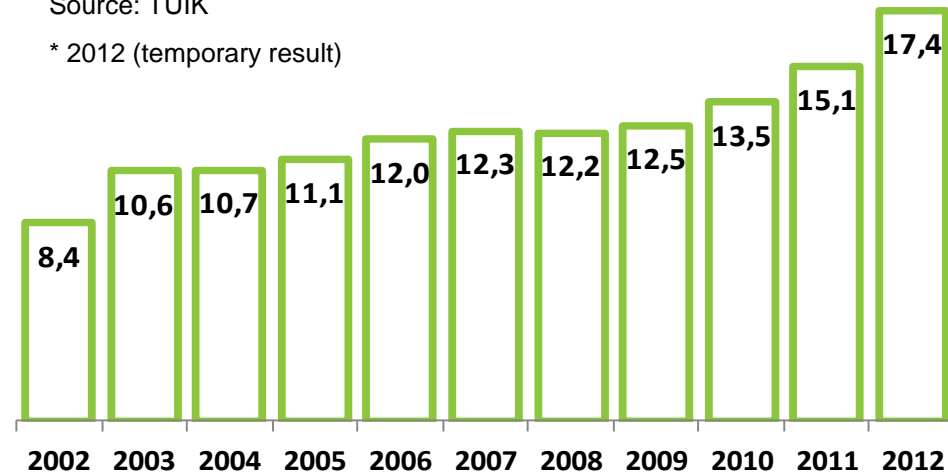


Source: Tetrapak

## Milk Production in Turkey (million tons)

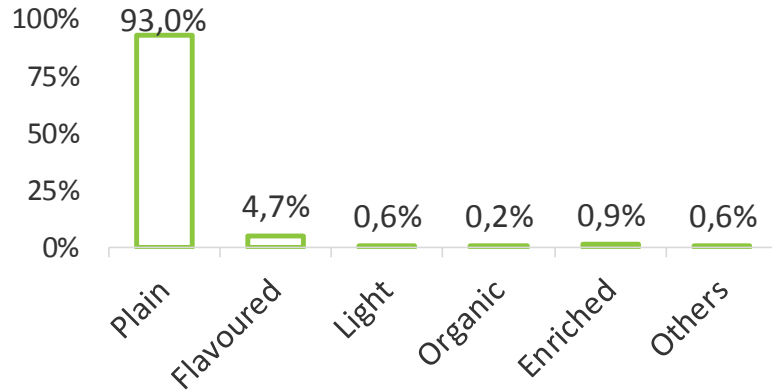
Source: TÜİK

\* 2012 (temporary result)



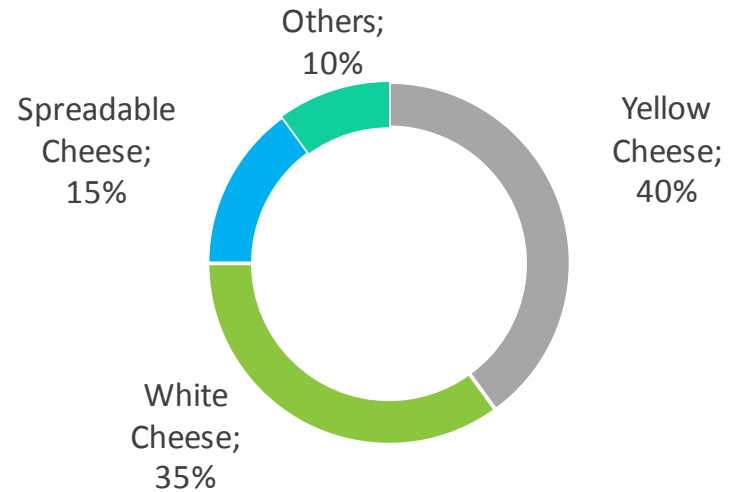
# Market Dynamics - II

## UHT Milk Market (Volume)



Source: IPSOS, 2013

## Total Cheese Market (Value)

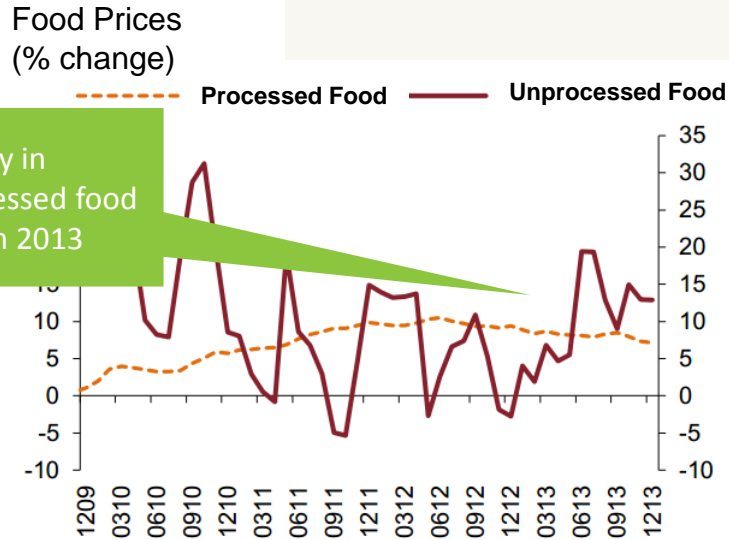


▶ Total size: 1.3 bn TL

Source: Nielsen, 2013

# Market Dynamics - III

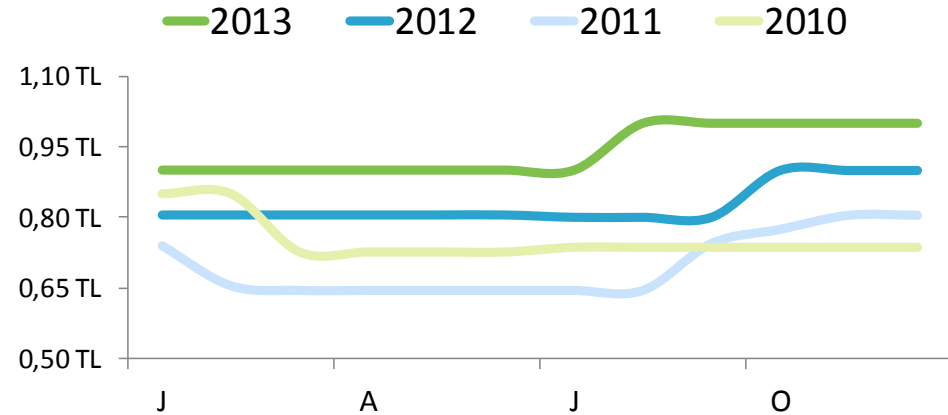
## Price of Food Products



Volatility in unprocessed food prices in 2013

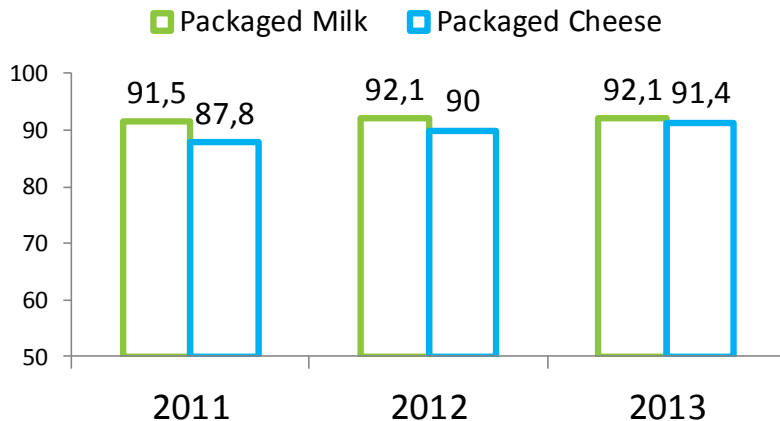
Kaynak: TÜİK, TCMB.

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



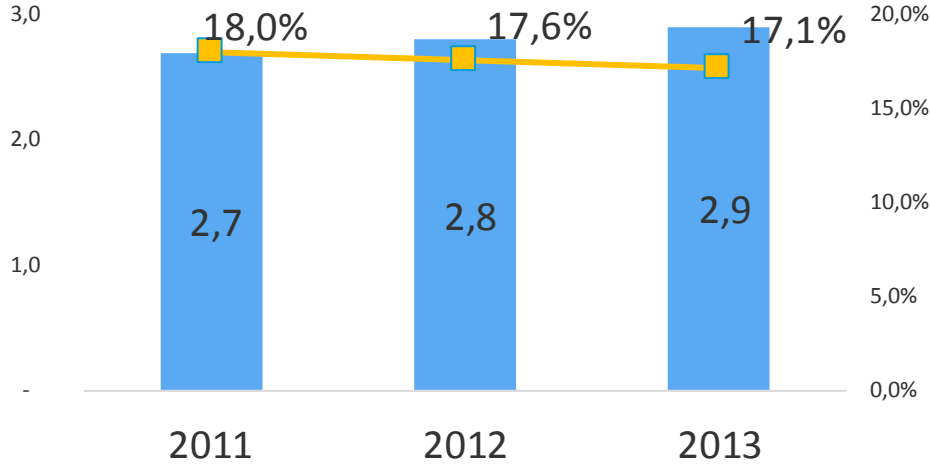
Row Milk Base Prices

## Penetration of Packaged Milk and Cheese



- Increasing raw milk prices
- School Milk Project including 4.685 school
- The penetration of packaged milk is at the level of 2012 while packaged cheese penetration is increasing.
- Communications investments made by the producers.

# Market Shares - I



■ Total Dairy Products (bn TL) ■ Pinar Market Share

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

Source: Nielsen

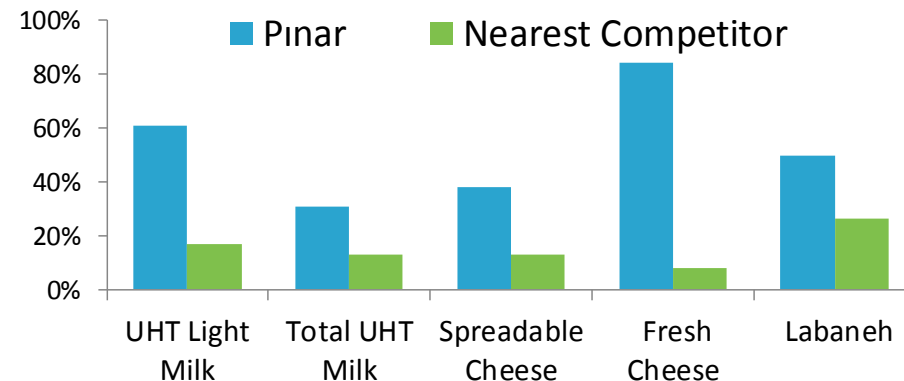
- Measurable dairy market, has grown by 2,5% in terms of value and shrank by 2% in volume terms in 2013.
- Food category has decreased its share within FMCG from %47 to %46,3 in 2013.
- Pinar Süt has a share of 29.2% market share in this, which is 2 times more than the nearest competitor.

(Nielsen)

Product	Share	Position
UHT Light Milk	<b>61%</b>	<b>#1</b>
Total UHT Milk	<b>31%</b>	<b>#1</b>
Organic Milk *	<b>92%</b>	<b>#1</b>
Enriched Milk (Kids)	<b>55%</b>	<b>#1</b>
Butter	<b>18%</b>	<b>#2</b>
Homogenized Yoghurt	<b>11%</b>	<b>#3</b>
Spreadable Cheese	<b>38%</b>	<b>#1</b>
Fresh Cheese	<b>84%</b>	<b>#1</b>
Labaneh	<b>50%</b>	<b>#1</b>
Cream Cheese	<b>23%</b>	<b>#1</b>

Source: Nielsen, 2013 - Value Share

\* Estimated

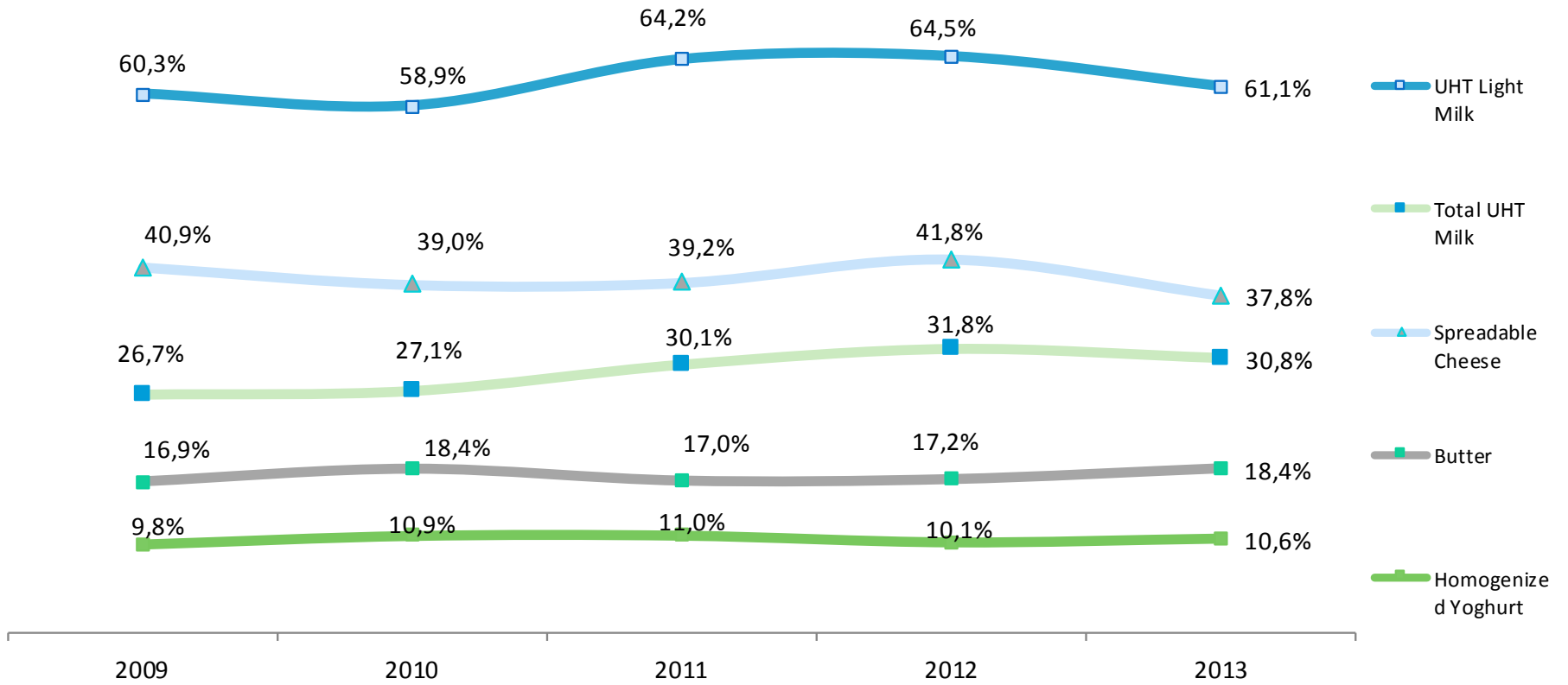


Source: Nielsen, 2013 - Value Share



daha iyi bir yaşam için

# Market Shares - II



Source: Nielsen, - Value Share

# New Products



**Chocolate Latte**



**Kremilla**

**Custard**



# Campaigns - I



## Fruit Juices



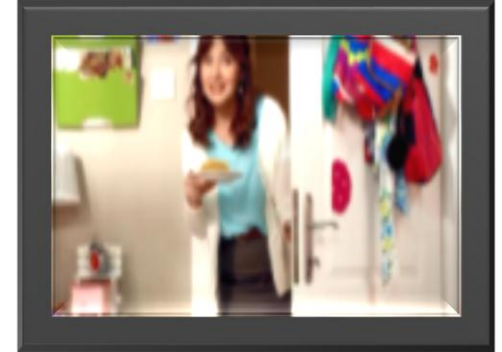
## Television



# Campaigns - II



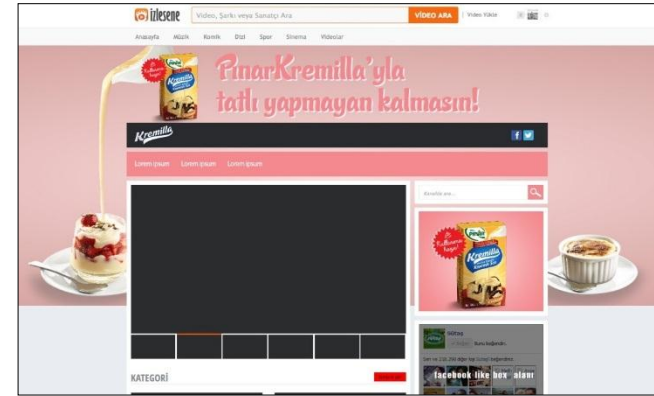
## Pinar Cream Cheese, Pinar Beyaz Chocolate and Pinar Labaneh



# Campaigns - III



## Kremilla



Outdoor

izlesene.com



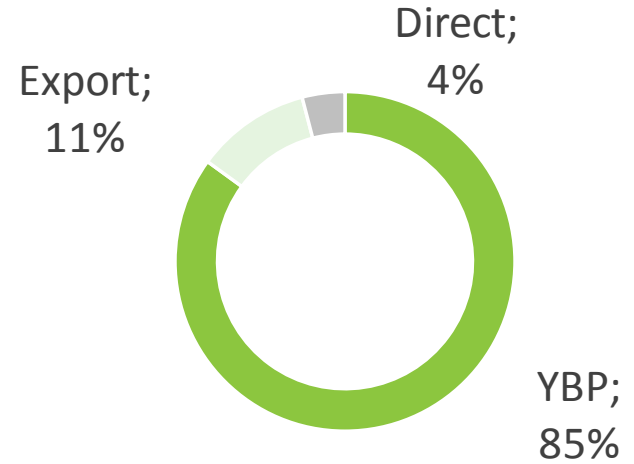
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# Export

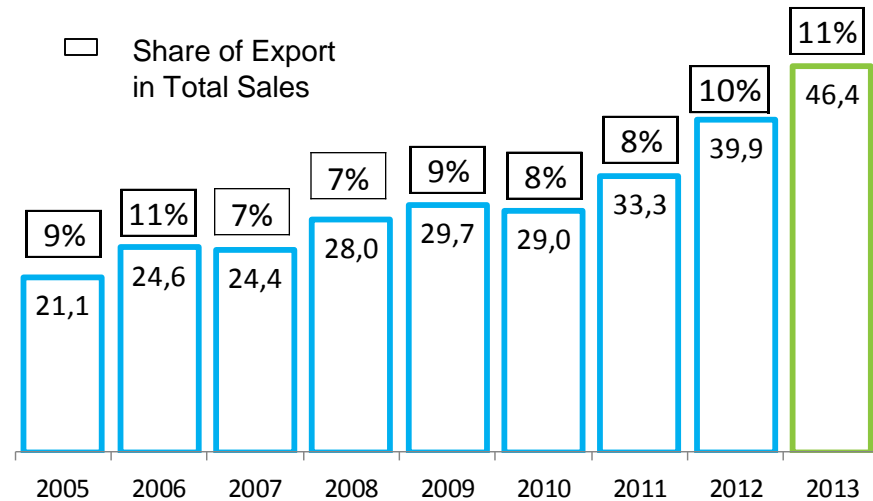


- Pinar realizes 16% of Turkey's Dairy Products Exports itself
  - **Export income was increased by 16.4 in USD.**
- Exports to 28 different countries which are Middle East, Europe, USA and Asia. In 2013 Morocco and Greece joined into Pinar Süt exporting countries.
- Pinar Labane Cheese have high market shares In Saudi Arabia, Kuwait and UAE which are respectively %28, %51 ve %36.
- Moreover, long-life milk, white cheese, Pinar Beyaz, whole cream, fruit juice, yoghurt and ayran is exported to Gulf countries.
- As one of the most valuable Turkish brands, part of the **TURQUALITY®** project supported by the Turkish government
  - Pinar Süt is among the first companies included in Turquality Project. The first 5 years of project completed succesfully; taking part in second 5 year was obtained.
  - The vision of Turquality® is "Create 10 world brands in 10 years".

## Breakdown of Net Sales (2013)



## Foreign Sales by Years (million USD)



# Şanlıurfa Investment



- Pınar Süt Şanlıurfa plant, which will be established on a land of 100 thousand m<sup>2</sup>
- Raw milk collected from Şanlıurfa and cities around it
- The milk and dairy products will be produced in the factory. The product range will be expanded depending on the needs.
- The benefits from the region's proximity to the export markets will be provided.
- Investment incentives of Region-6
- Foundation of the facility laid on May 12, 2013. The plant to commence its operations by the end of 2014.



# PINAR SÜT MAMULLERİ SANAYİİ A.Ş.

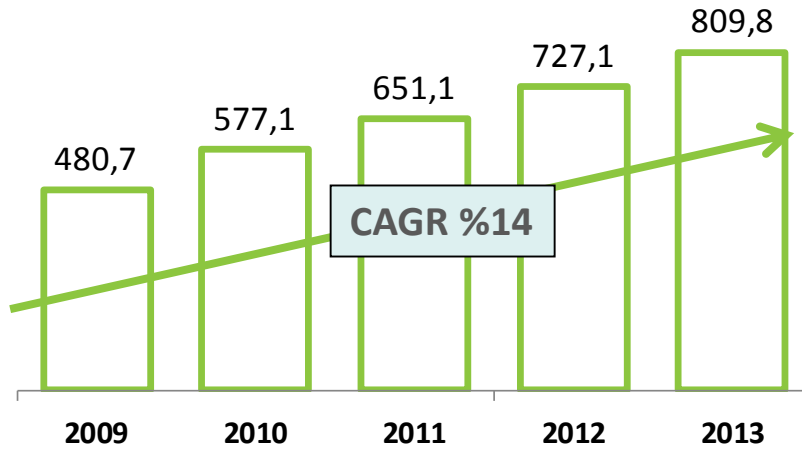
## Financial Results



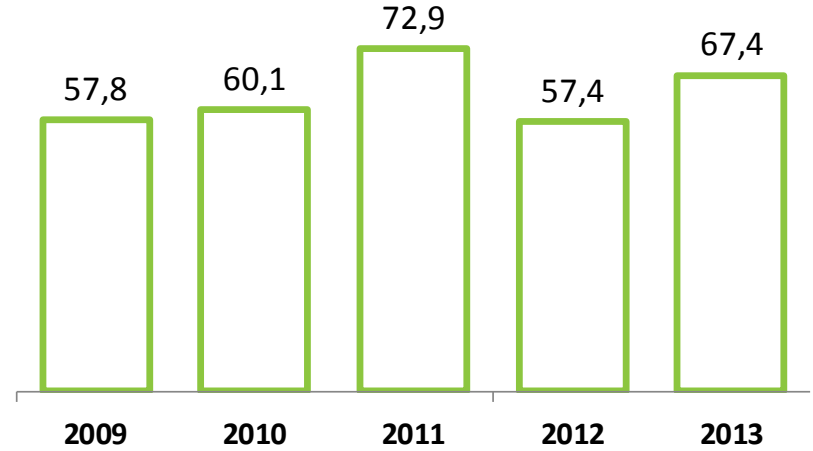
# Sales and Profitability



## Net Sales (mn TL)

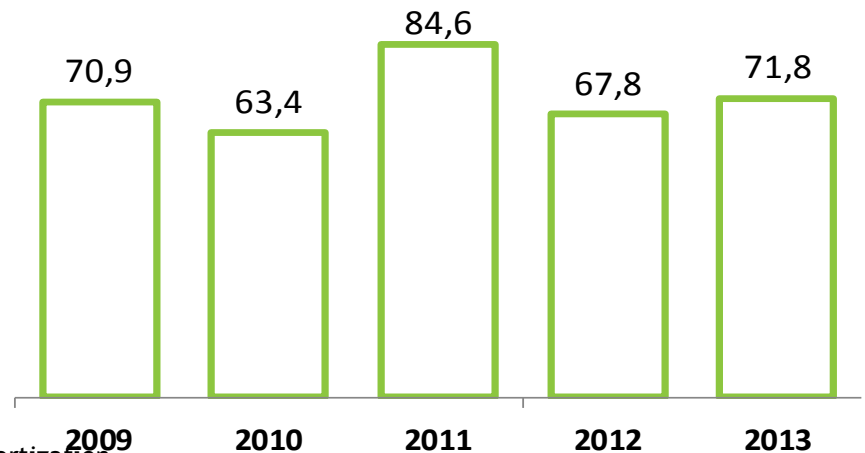


## Net Profit (Mn TL)



- In 2013, the net sales have grown by %11,4, in both value and volume terms. Growth in volume terms is by %3,2.
- In accordance with our strategies, we have focused on market investments.
- The rising raw milk price was balanced via improvement in the operational costs.

## EBITDA\* (Mn TL)



**Yaşar**

daha iyi bir yaşam için Earnings before Interest, Tax, Depreciation, and Amortization

# Income Statement



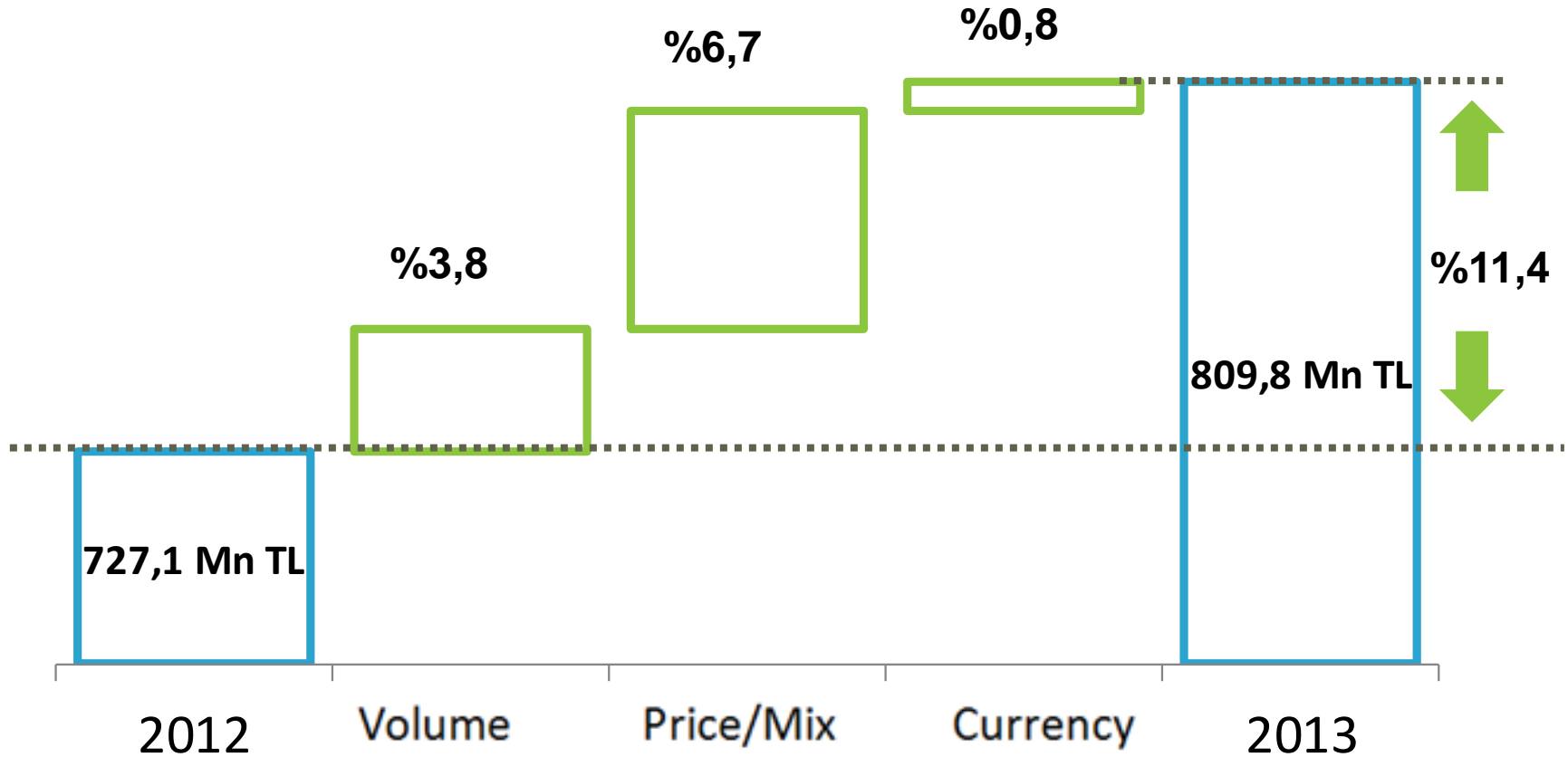
(Million TL)

December 31, 2013    December 31, 2012    Difference    % Change

	December 31, 2013	December 31, 2012	Difference	% Change
<b>Net Sales</b>	<b>809,8</b>	<b>727,1</b>	<b>82,7</b>	<b>11,4</b>
Cost of goods Sold	(659,0)	(582,2)	(76,8)	13,2
<b>Gross Profit</b>	<b>150,9</b>	<b>145,0</b>	<b>5,9</b>	<b>4,1</b>
R&D Expenses	(8,2)	(7,2)	(1,0)	13,5
Sales, Distribution and Marketing Expenses	(60,3)	(54,9)	(5,4)	9,8
General Administration Expenses	(27,9)	(29,8)	1,9	(6,5)
<b>EBIT</b>	<b>54,5</b>	<b>53,0</b>	<b>1,5</b>	<b>2,8</b>
Share of Results of Investments in				
Associates	5,7	3,1	2,6	81,3
Other Income	11,6	15,8	(4,2)	(26,4)
Other Expenses	(12,7)	(3,0)	(9,7)	327,5
Financial Income (Net)	0,2	(3,9)	4,1	104,1
<b>Profit Before tax</b>	<b>59,3</b>	<b>65,1</b>	<b>(5,8)</b>	<b>(8,9)</b>
Tax	8,1	(7,7)	15,8	(206,1)
<b>Net Profit for the Period</b>	<b>67,4</b>	<b>57,4</b>	<b>10,0</b>	<b>17,5</b>
EBITDA	71,8	67,8	4,0	5,9
<b>Total Assets</b>	<b>683,3</b>	<b>616,9</b>	<b>66,5</b>	<b>10,8</b>
Equity	479,8	435,7	44,1	10,1



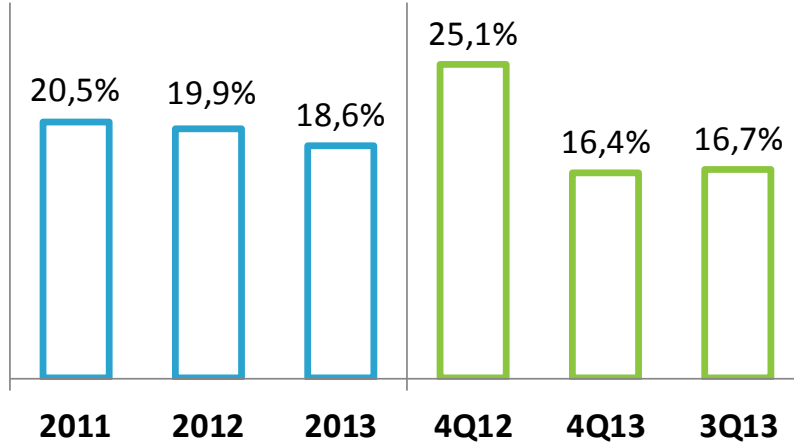
# Growth Analysis



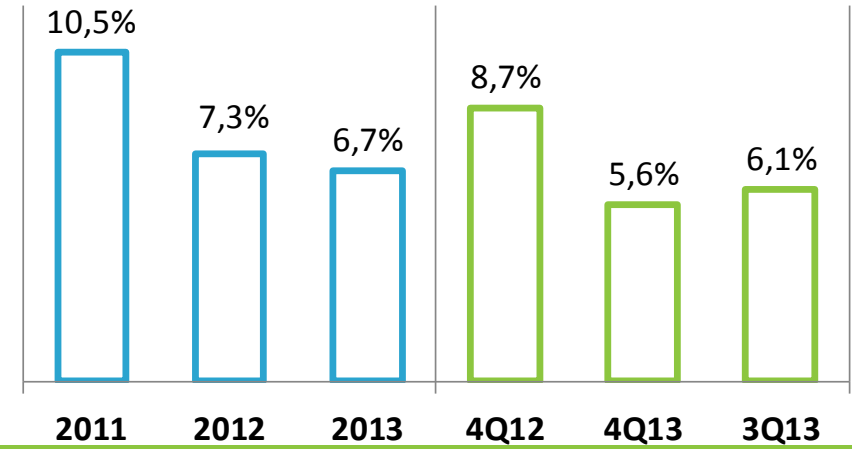
# Profit Margins



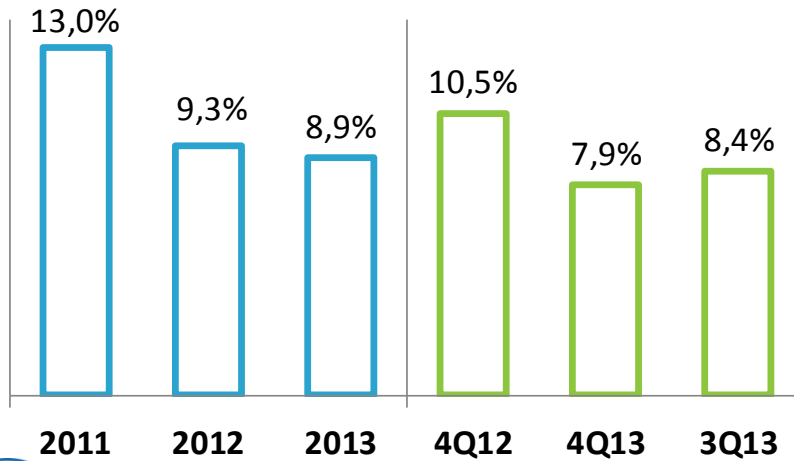
## Gross Margin



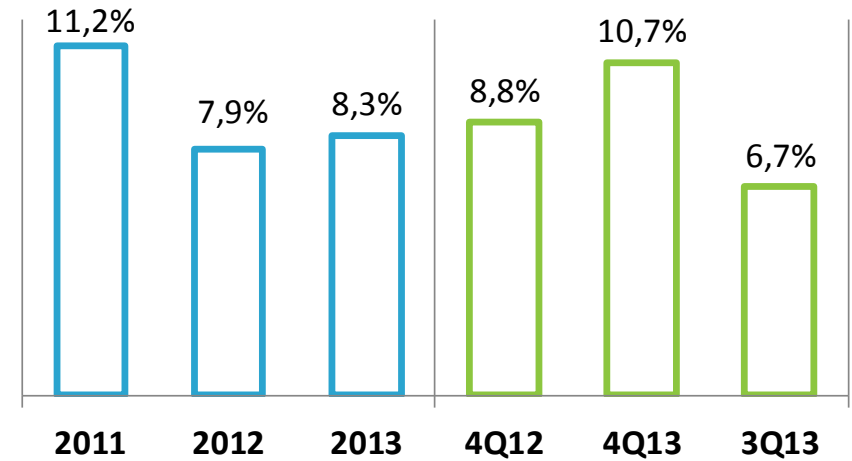
## EBIT\*



## EBITDA\*\*



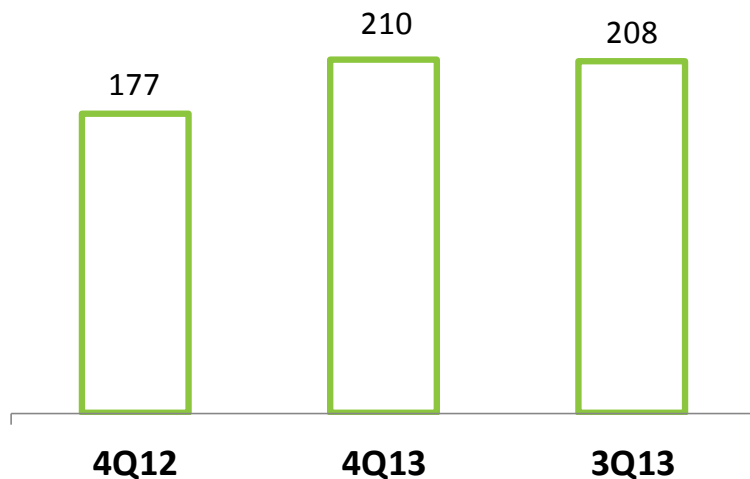
## Net Profit



# Quarterly Results



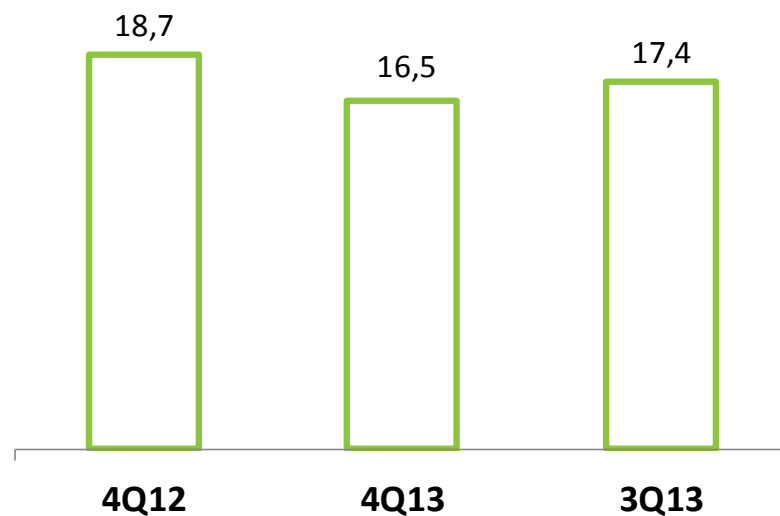
## Net Sales (Mn TL)



- Price competition is continuing in the market.
- In accordance with our strategy of growing beyond market, we have continued market investments

- In 4Q13, sales rose either compared to 4Q12 (18%) or to 3Q13 (1%).
- Taking advantage of Şanlıurfa Investment improved the net profit margin, compared to 4Q12 in 4Q2013.

## EBITDA\* (Mn TL)

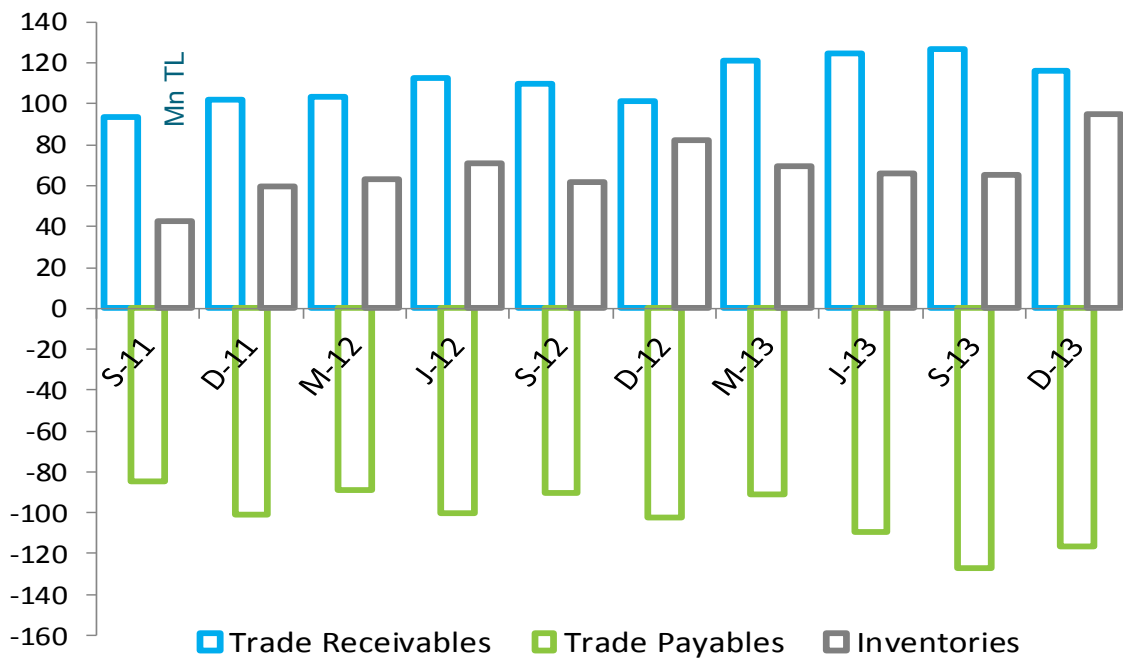


# Basic Ratios, Net Financial Debt & Net Working Capital



	December 31, 2013	December 31, 2012
<b>Current ratio</b>	1,51	1,64
<b>Leverage ratio</b>	0,30	0,29
<b>S/T Fin Debt/T. Fin Debt</b>	1,00	0,99
<b>Net Financial Debt/EBITDA</b>	0,05	0,16
<b>Total Fin Debt/Equity</b>	0,01	0,04

(Million TL)	December 31, 2013	December 31, 2012
<b>Cash &amp; Cash Equivalents</b>	0,82	4,51
<b>S/T Bank Borrowings</b>	4,53	15,52
<b>L/T Bank Borrowings</b>	0,00	0,13
<b>Net Financial Debt</b>	3,70	11,15

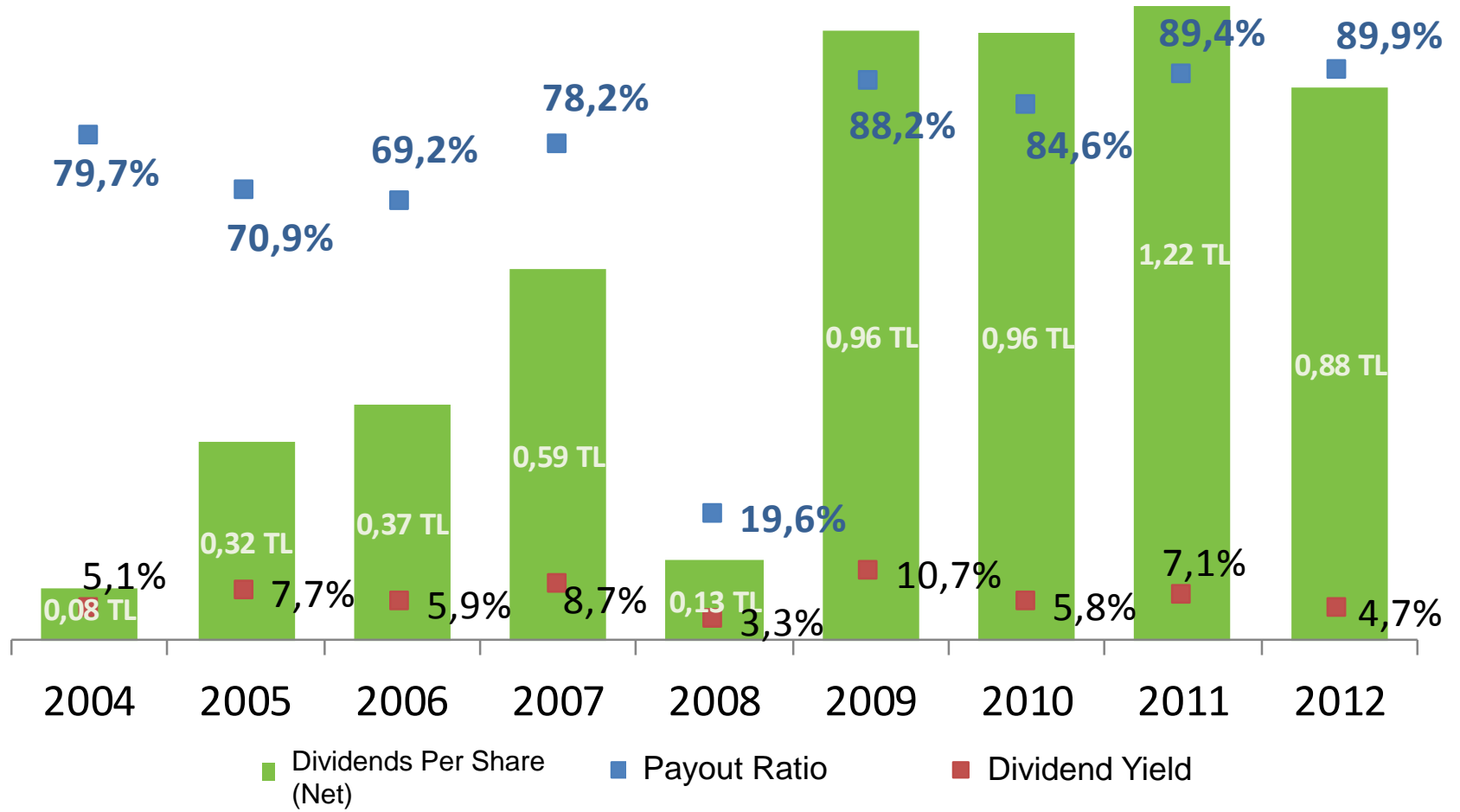


- A 49% rise in net cash generated from operating activities

**2012** → **2013**  
50,9 Mn TL → 75,7 Mn TL

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

# Dividends



- The fluctuation in raw milk prices has decreased depending on the method applied by National Milk Council; On the other hand, the raw milk base price was at higher level by %14 in 2013 when compared to 2012.
- In line with our growth strategy, the foundation of 3rd Facility was laid in Şanlıurfa. Technological power and knowledge was transformed into competitive advantage via this investment.
- Following our strategy of increasing our market shares we have focused on marketing investments in 2013.
- 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)

# Strategies and Targets



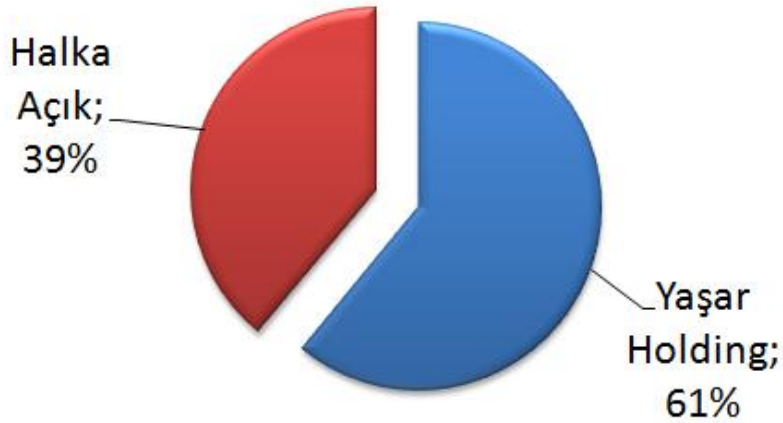
- Growing above market growth rates in the segments we operate in, with ;
- Effective price management
- Widespread distribution network
- Efficient utilization of social media
- Developments in “Away From Home” channel
- Increasing export sales also in countries falling outside Gulf region
- Continued marketing investment.

# Ownership & Participation Structure

## Share Performance

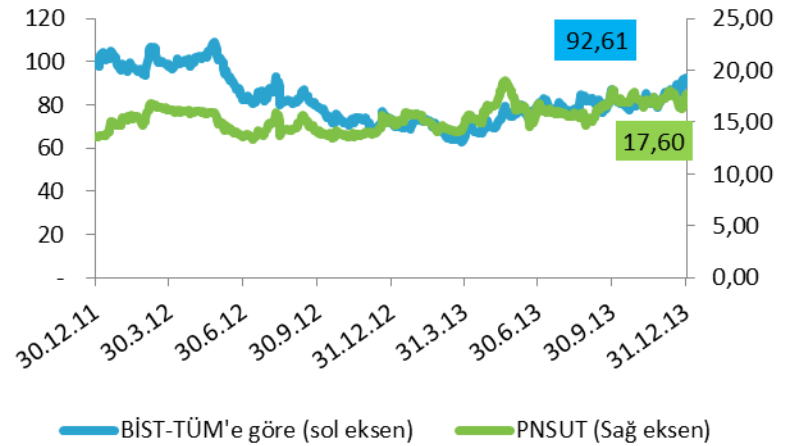


### Shareholder Structure



### Share Performance

Relative and Absolute Performance of Pınar Süt Shares



Pınar Süt

Yaşar Birleşik Pazarlama A.Ş.

%31,8

Pınar Foods GmbH, Germany

%44,9

Desa Elektrik Üretimi Otoprodüktre Grubu

%30,5

Pınar Entegre Et ve Un San. A.Ş.

%12,6

Çamlı Yem Besicilik San. Tic. A.Ş.

%5,5

Pınar Su San. Tic. A.Ş.

%8,8



daha iyi bir yaşam için



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## Investor Relations Department

Tel: 90 232 482 22 00

Fax: 90 232 484 17 89

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

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