

# PINAR SÜT MAMULLERİ SANAYİİ A.Ş.

Earnings Presentation, 2014



# Highlights



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

## Product Portfolio

- Most admired company in Turkey\*
- Best fruit juice brand\*\*
- One of the top ten most reputable brands\*\*\*
- One of the top ten superbrands in Turkey\*\*\*\*
- Pinar Milk Enlarge Bronze Effie Campaign\*\*\*\*\*

## Brand

- Hygienic production according to EU norms
- Technological and industrial knowledge
- Energy-efficient industrial plants

## Production

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

## Quality

- YBP – Turkey's largest nationwide cold and frozen distribution chain
- 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 along each step
- Strong relations with farmers
- More than 195 contracted farms producing at EU standards
- Farms which are approved and free of illness
- Training and consultancy services
- 100% traceable production process

## Supply

# Market Dynamics



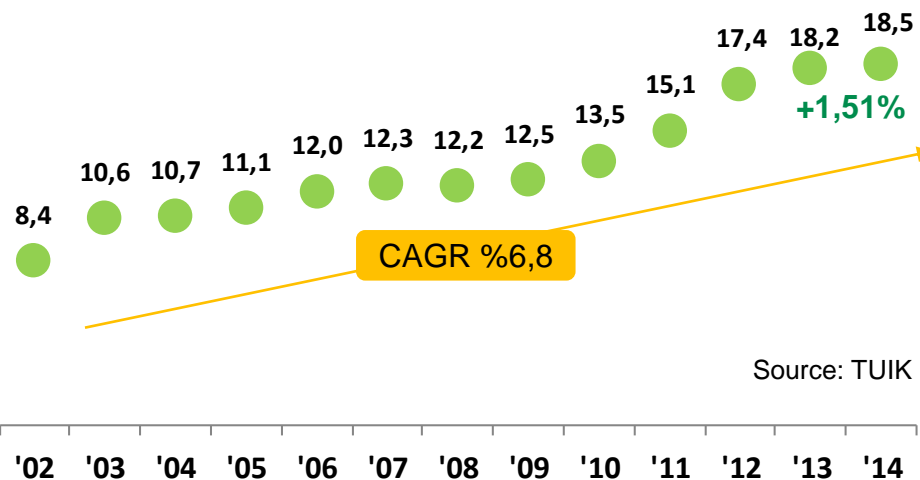
## Total Number of Animals

	2013	2014	
<b>Total Animals</b>	<b>53.0 Mn</b>	<b>57.3 Mn</b>	<b>+8.0%</b>
<i>Cattle</i>	27.2%	25.8%	
<i>Sheep</i>	55.2%	56.2%	
<i>Goats</i>	17.4%	17.8%	
<i>Water Buffalo</i>	0.2%	0.2%	

**Total Number of Cows Milked**    **5.6 m**    **5.7 m**    **+1.4%**

Increase in animal number and efficiency boosted the milk production

## Raw Milk Base Prices in Turkey (Million Tons)

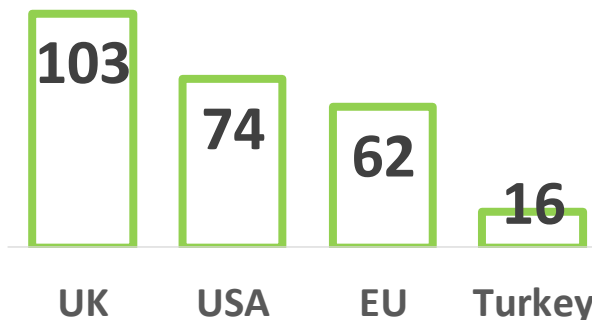


## Packaged Milk Products (%)

	2007	2013	2014
Milk	45.0	46.0	47.1
Cheese	20.0	36.0	42.8

Source: IPSOS

## Per Capita Packaged Milk Consumption (LT)

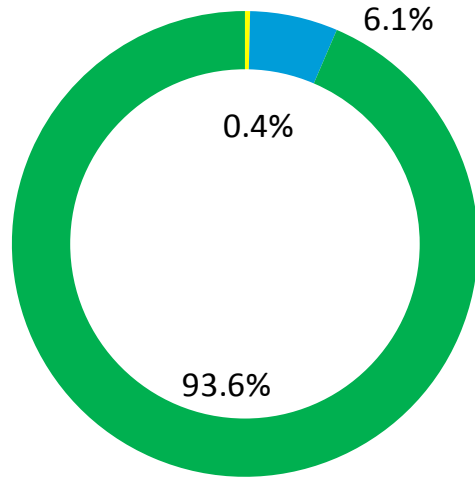


Source: National Milk Council, Turkey

- Per capita milk equivalent consumption in Turkey has reached 223 kg. (world average 109 kg, EU average 280 kg)
- Drinking milk consumption remains low compared to developed economies.

# Market Dynamics - II

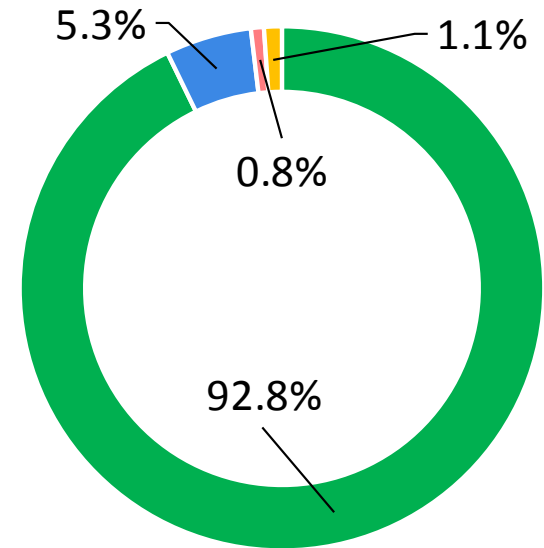
## Packaged Milk Market (Value)



■ Kephir ■ Pasteurized Milk ■ UHT Milk

Source: IPSOS, 2014

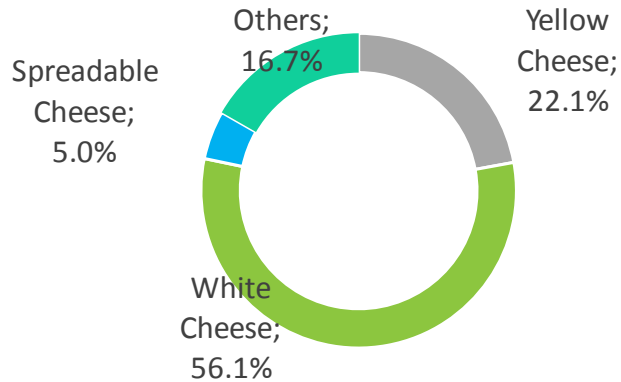
## UHT Milk Market (Volume)



■ Plain ■ Flavoured ■ Light ■ Others

Source: IPSOS, 2014 4Q

## Total Cheese Market (Value)

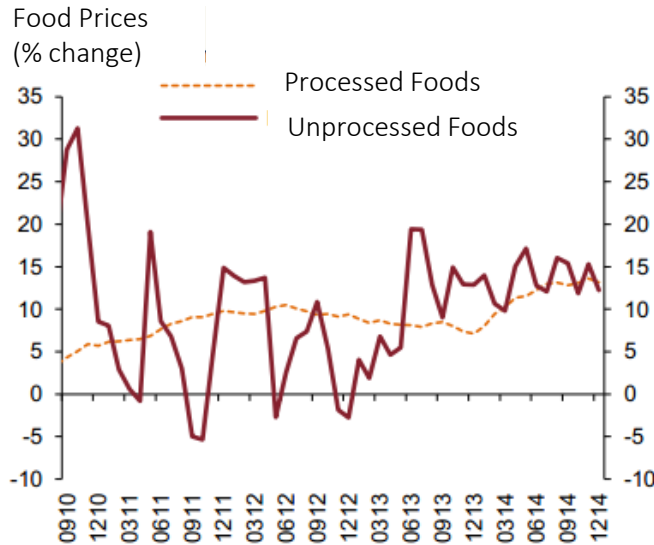


Source: IPSOS, 2014

# Market Dynamics - III



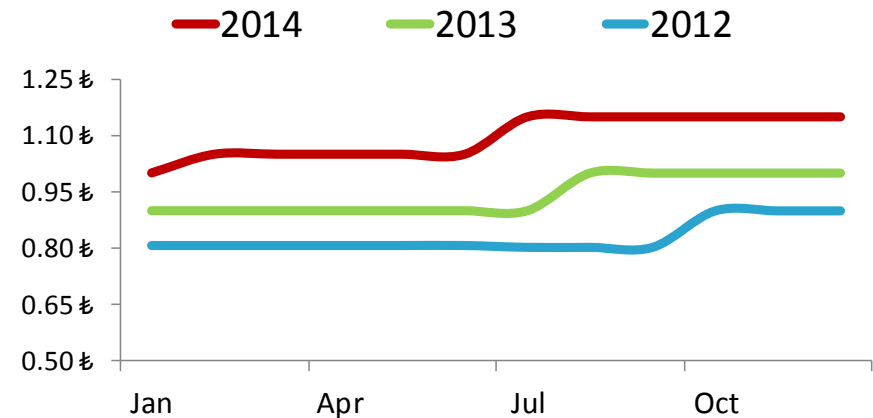
## Price of Food Products



In 2014 inflation in food prices occurred above the domestic inflation rate. In addition, the increase in raw milk prices exceeded the increase in food inflation.

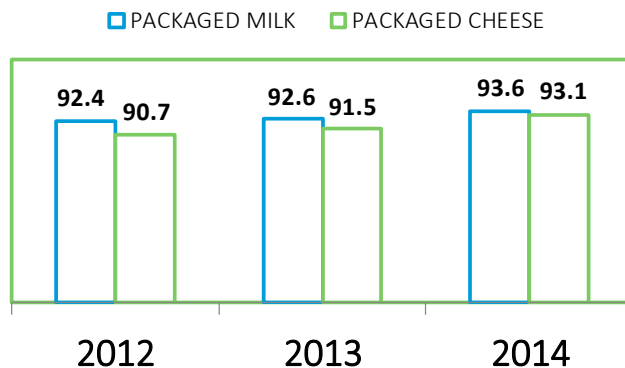
Source: The Central Bank of the Republic of Turkey

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



Raw Milk Base Prices set by National Milk Council

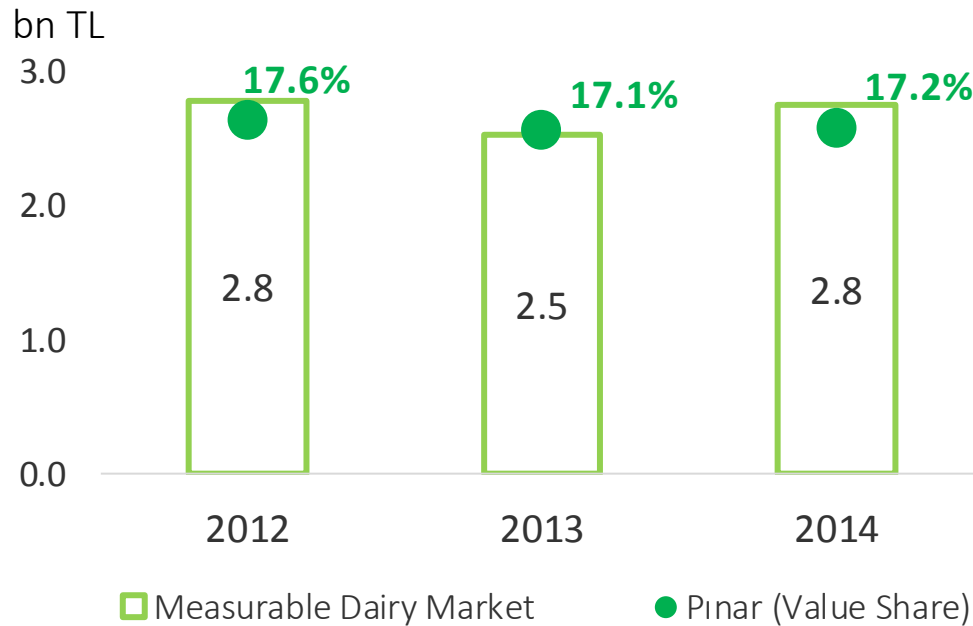
## Penetration of Packaged Milk and Cheese



- The increase in raw milk prices
- The rise in health awareness
- Increasing penetration in packaged milk and cheese
- Growth in Away-from-Home segment
- Communications investments made by the producers

Source: IPSOS

# Market Shares - I



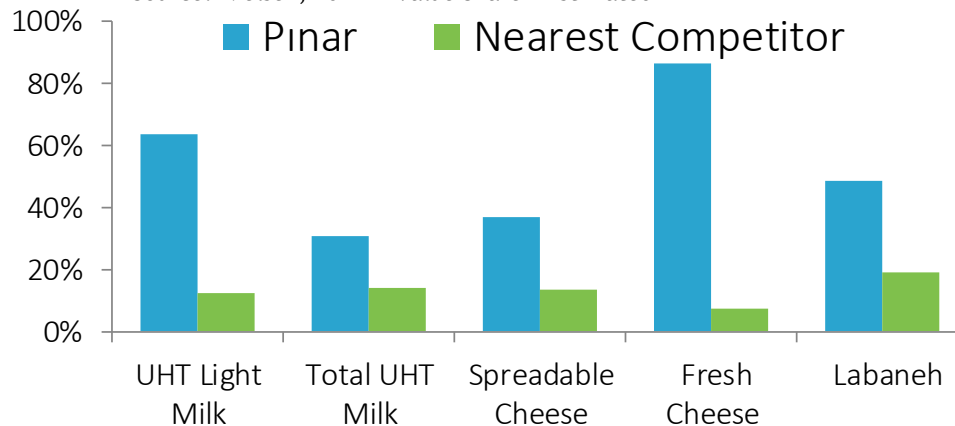
■ Measurable dairy market grew by 8.9 % in 2014, YoY. The volume growth stood at %5.4 in the market.

\* Total milk, total yogurt, total spreadable cheese and buttermilk (ayran) are included.

Source: Nielsen

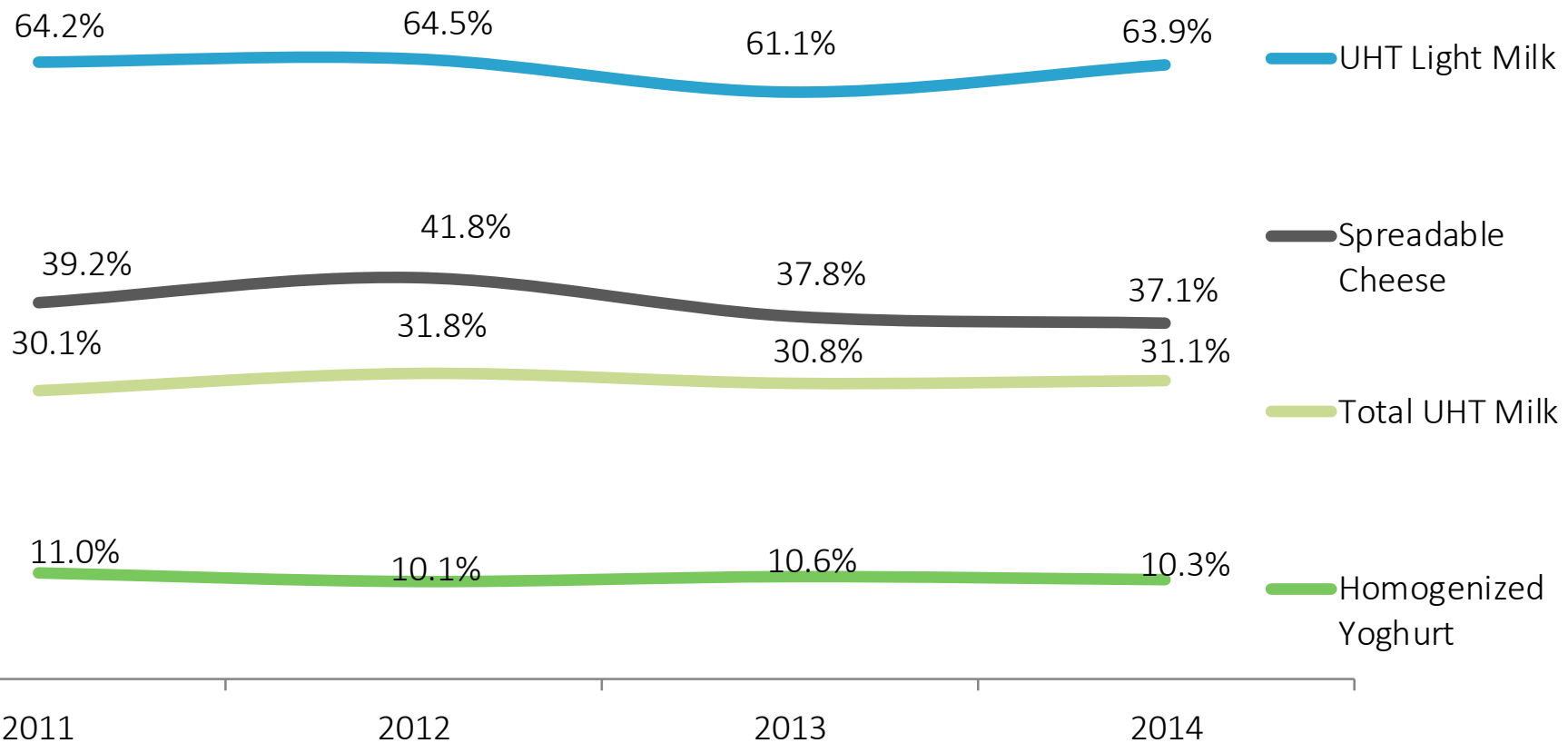
Product	Share	Position
UHT Light Milk	64%	#1
Total UHT Milk	31%	#1
Organic Milk *	92%	#1
Enriched Milk (Kids)	66%	#1
Homogenized Yoghurt	10%	#2
Spreadable Cheese	37%	#1
Fresh Cheese	87%	#1
Labaneh	49%	#1
Cream Cheese	21%	#1

Source: Nielsen, 2014 - Value Share \*Estimated



Source: Nielsen, 2014 - Value Share

# Market Shares - II



Source: Nielsen, 2014 Value Share

# New Products



- Pinar Haloumi Cheese
- Pinar Wire Cheese
- Pinar Braided Cheese
- Pinar String Cheese
- Pinar Cheddar Cheeses (Sliced)

2014



Kido Flavoured Milk



Pinar Strained Yoghurt





# New Products



- Pinar Organic Pasteurised Milk
- Pinar Organic Milk ( 750 ml )
- Pinar Half Fat Plain Milk



2014



Pinar Organic Butter



Crazy Series



Pinar Pink

# Campaigns - I



## Fruit Juices Campaigns



## Pinar Kido Campaigns



## Pinar Ayran Campaigns





# Campaigns - III

## Plain Milk Campaigns



## Child Milk Campaigns



## 2014 FIBA Women's World Championship Official Beverage Supplier



# Export



Pinar accounted for 16% of Turkey's Dairy Products Exports itself

- Export income has increased by %10.3 in USD in 2014, compared to 2013
- Exports to 26 different countries which include Middle East, Europe, USA and Asia.
- Pinar Süt is an authorized company to export milk and dairy products to Russia and EU countries.

Pinar Labaneh Cheese has high market shares in Saudi Arabia (26%), Kuwait (53%) and UAE (41%) (2014).

In addition: long-life milk, white cheese, Pinar Beyaz, whole cream, fruit juice, yoghurt and ayran is exported to Gulf countries.

In 2014, brand awareness of dairy products has reached to %56 in Azerbaijan.

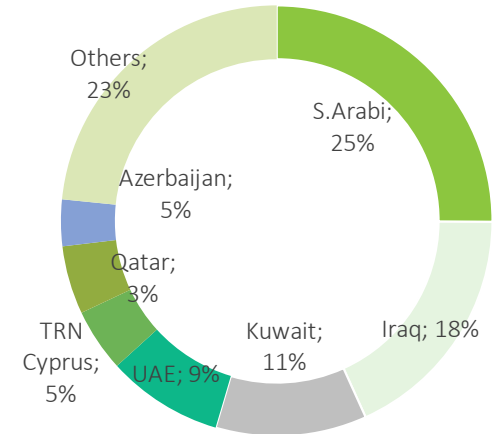
As one of the most valued Turkish brands, part of the project supported by the Turkish government.

- Pinar Süt was among the first companies included in **TURQUALITY** Project. The first 5 years of project were successfully completed and we were commissioned to stay on board for the next 5 years.
- The vision of Turquality® is "Create 10 world brands in 10 years".

## Breakdown of Net Sales (2014)

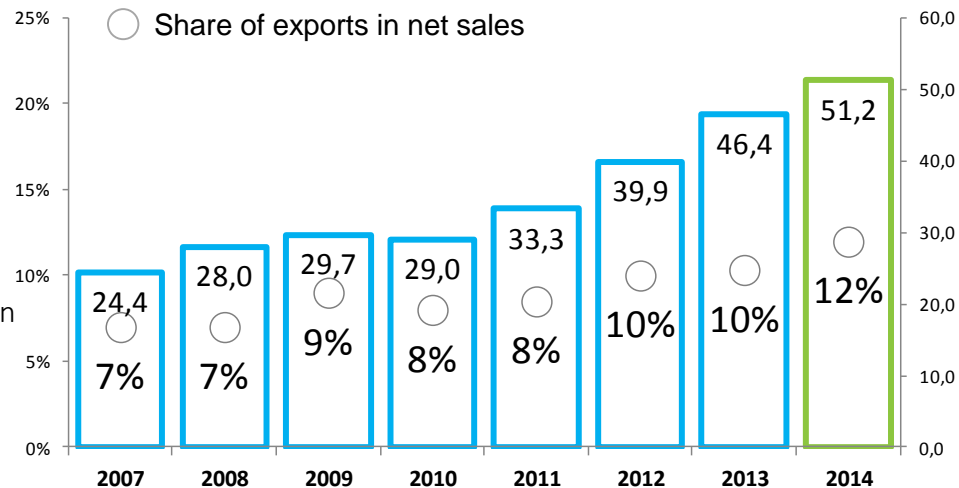
Direct; 5%  
Export; 12%

YBP\*; 83%



## Channel Breakdown

## Foreign Sales by Years (million USD)



# Şanlıurfa Investment



- 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.
- Foundation of the facility laid on May 12, 2013. The plant to commence its operations in the first quarter of 2015.

## Pınar Süt Şanlıurfa Facility

Closed Area:	18.239 m <sup>2</sup>
Open Area:	79.267 m <sup>2</sup>
Total Area:	97.506 m <sup>2</sup>

- Increasing product distribution efficiency by logistical advantages
- The benefits from the region's proximity to the export markets
- Investment incentives of Region-6

## Pınar Süt Şanlıurfa Factory



# PINAR SÜT MAMULLERİ SANAYİİ A.Ş.

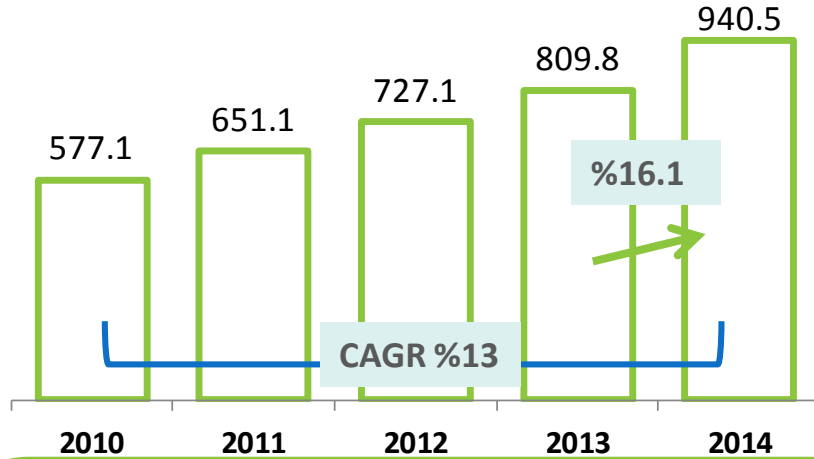
## Financial Results



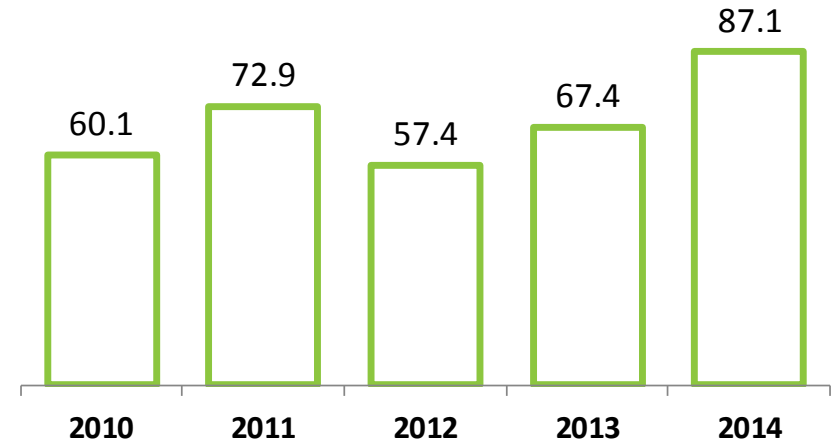
# Sales and Profitability



## Net Sales (m TL)

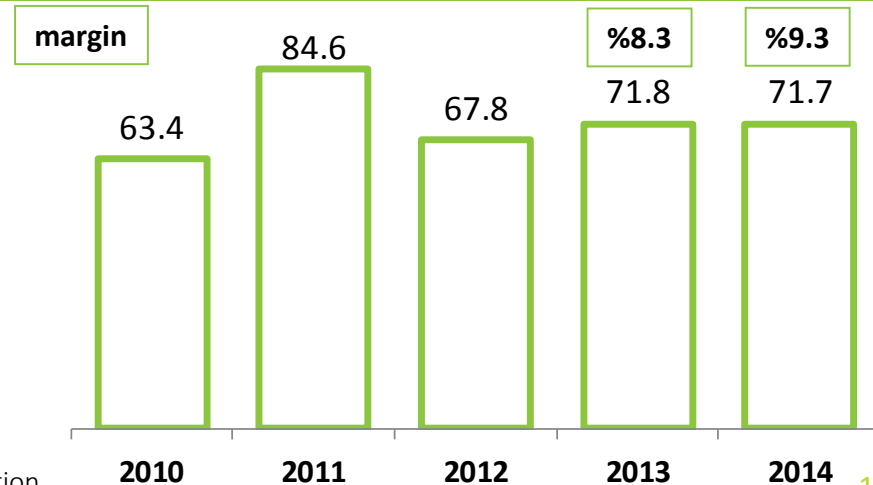


## Net Profit (m TL)



- In 2014, Net Sales grew by %16.1 in terms of both value and volume compared to 2013, which is more than our average growth rate. The volume growth was up by %1.4.
- The increase in raw milk prices, which was more than 16.4%, had a negative impact on profit margins. An improvement however was achieved through cost-cutting in the operating expenses, increased association revenues and disposal of our land improved the net profit margin.

## EBITDA\* (m TL)





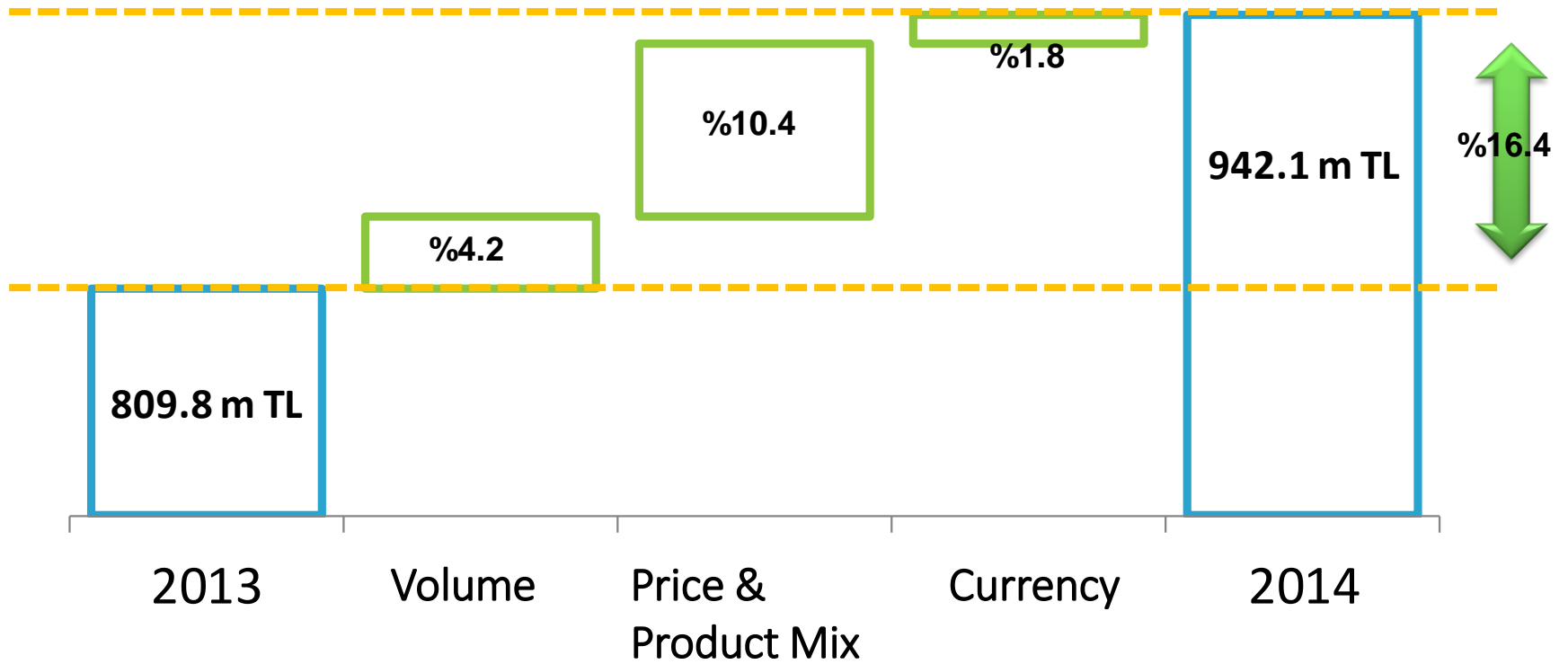
# Income Statement



YTD

(in million TL)	Dec 31, 2014	Dec 31, 2013	Difference	% Change
<b>Net Sales</b>	940.5	809.8	130.6	16.1
Cost of goods Sold	(782.8)	(659.0)	(123.8)	18.8
<b>Gross Profit</b>	157.7	150.9	6.8	4.5
R&D Expenses	(7.6)	(8.2)	0.6	(7.6)
Sales, Distribution and Marketing Expenses	(64.4)	(60.3)	(4.1)	6.8
General Administration Expenses	(31.6)	(27.9)	(3.7)	13.5
<b>EBIT</b>	54.1	54.5	(0.4)	(0.7)
Share of Results of Investments in Associates	7.3	5.7	1.6	28.7
Other Income	32.0	12.7	19.3	152.3
Other Expenses	(10.1)	(13.8)	3.7	(26.7)
Financial Income (Net)	(0.7)	0.3	(1.0)	(349.9)
<b>Profit Before tax</b>	82.6	59.3	23.2	39.2
Tax	4.5	8.1	(3.6)	(44.4)
<b>Net Profit for the Period</b>	87.1	67.4	19.6	29.1
EBITDA	71.7	71.8	(0.0)	(0.1)
<b>Total Assets</b>	780.1	683.3	96.7	14.2
Equity	529.3	479.8	49.5	10.3

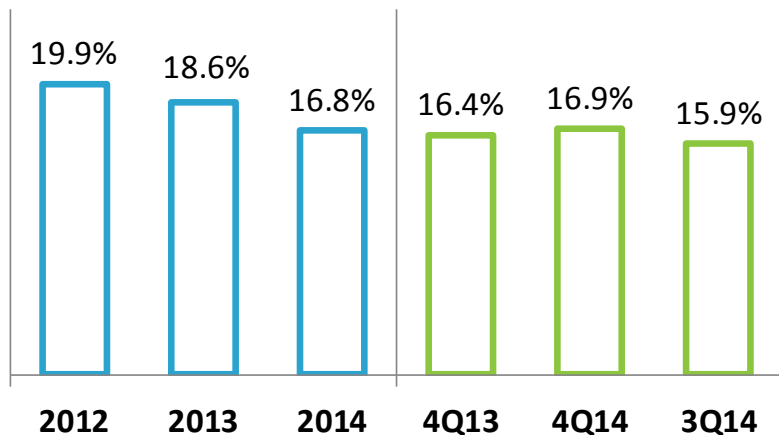
# Growth Analysis



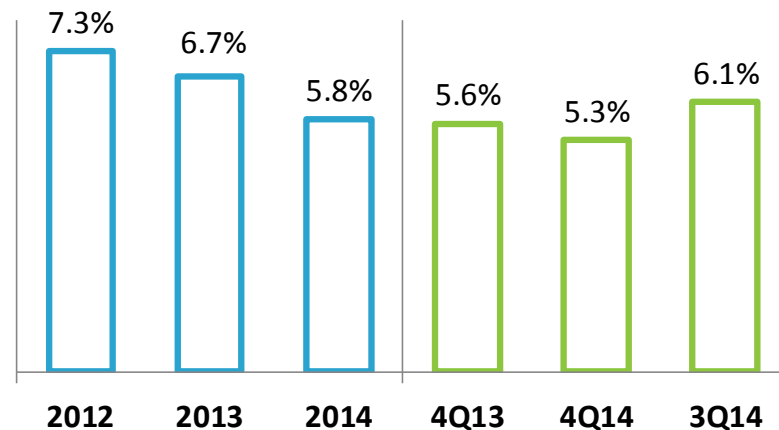
# Profit Margins



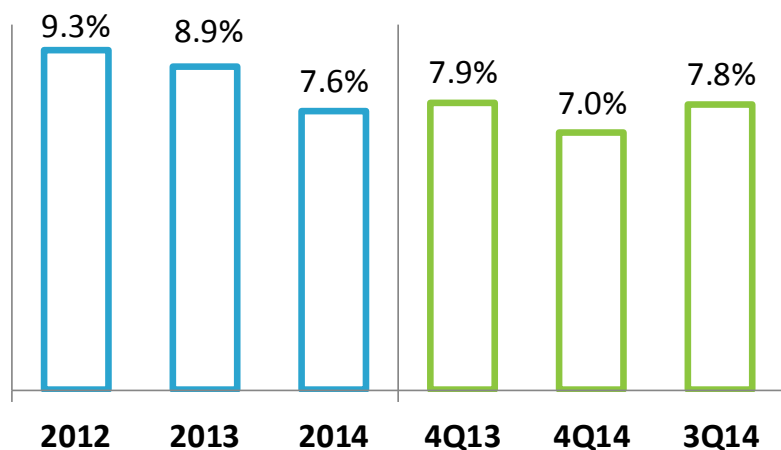
## Gross Margin



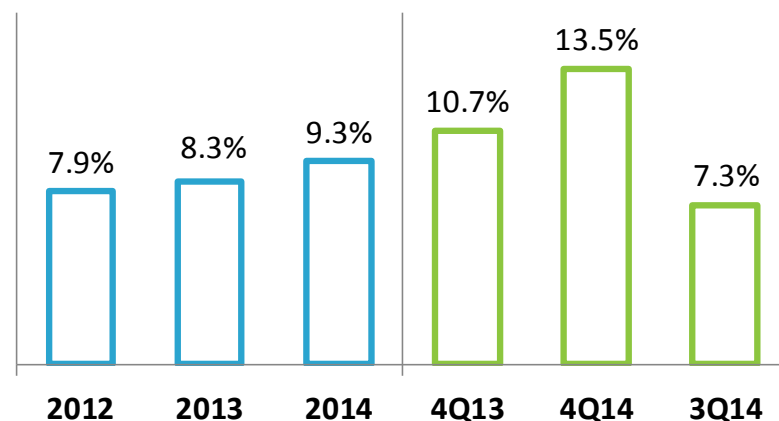
## EBIT\*



## EBITDA\*\*



## Net Profit



# Basic Ratios, Net Borrowings, Working Capital



Dec 31, 2014      Dec 31, 2013

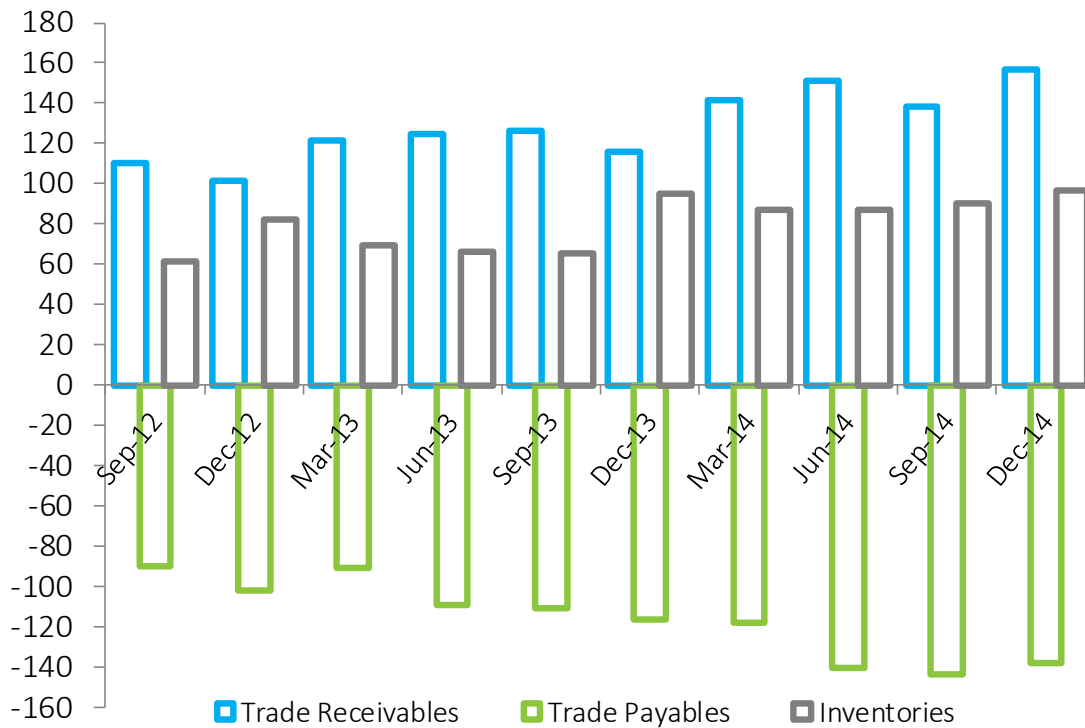
(in Million TL)

Dec 31, 2014

Dec 31, 2013

Current Ratio	1.42	1.51
Leverage Ratio	0.32	0.30
Current Borrowings/Total Borrowings	0.55	1.00
Net Borrowings / EBITDA	0.15	0.05
Total Borrowings/Paid-in Capital	0.03	0.01

Cash and Cash Equivalents	2.39	0.82
Current Borrowings	7.37	4.53
Long Term Borrowings	6.00	0.00
Net Borrowings	10.97	3.70



- Focus on risk management
- Effective working capital management
- Strong balance sheet and liquidity management

# Overview of 2014



- Despite a %16.6 increase in raw material prices, Pınar Süt sustained its growth and attained an increase in its net profit margin.
- The Şanlıurfa Plant will go into operation in the end of the first quarter in 2015.
- Following our strategy of increasing our market shares we have sustained marketing investments in 2014. We gained market share in dairy products in 2014.
- New entrants to the sector, ongoing acquisitions and their impact to the market are kept close watch.
- Cost savings, measures to decrease expenses and projects improving efficiency in production have continued. (OMI-Lean Six Sigma Projects)

# Strategies and Targets



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

# Ownership & Participation Structure



## Ownership Structure

Yaşar Holding A.Ş.	61%
Free Float	39%

## Participations

	Share in Capital %
Yasar Birleşik Pazarlama A.Ş.	31.8
Bintur Catering A.Ş.	1.3
Desa Enerji A.Ş.	30.5
Camlı Yem A.Ş.	5.5
Pınar Su A.S	8.8
Pınar Et A.Ş.	12.6
Yaşar Dış Ticaret A.Ş.	1.8
Pınar Foods GmbH	44.9

## Auditors

### Financial Affairs

Nexia

Ernst&Young

### Production

Breau Veritas

TSE

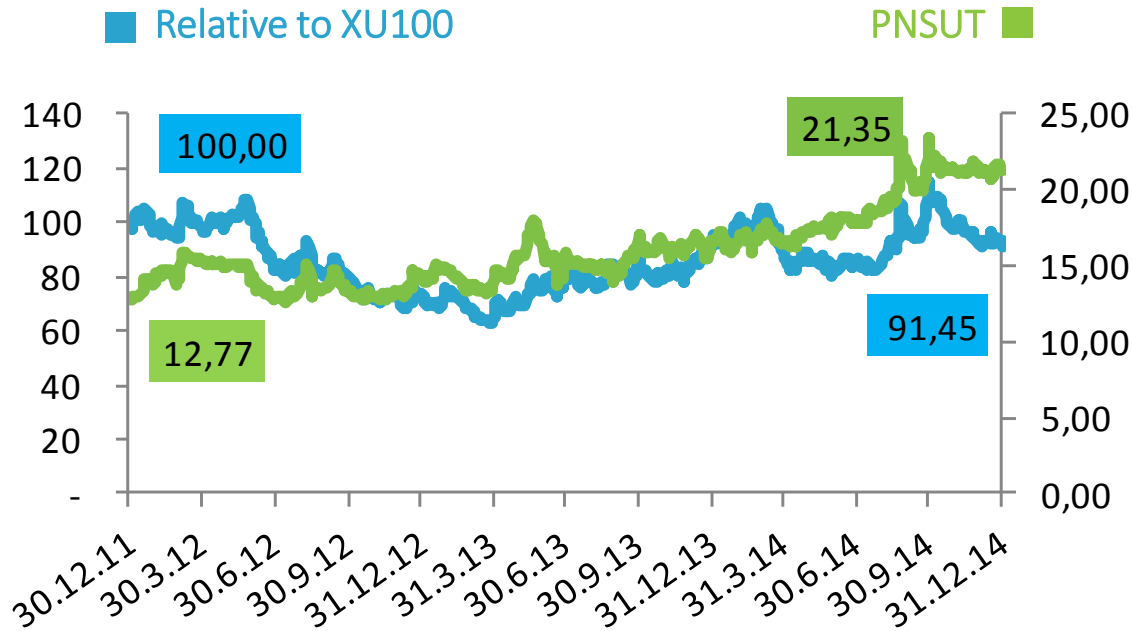
Alberk QA

Food and Drug Administration

### Corporate Governance

Saha Rating

# Stock Performance



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Corporate Governance Rating : 9,09

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Borsa İstanbul Ticker Symbol: PNSUT

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Date of Listing : 03.02.1986

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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.

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**PINAR SÜT MAMULLERİ SANAYİİ A.Ş.**

**Thank You**

