

Yaşar Group Public Companies Analyst Webcast

Pınar Süt Mamülleri ve Sanayii A.Ş.

August 26, 2011

OPENING SPEECH

Speaker: Senem DEMİRKAN – Yaşar Holding A.Ş. Capital Markets Coordinator

Distinguished participants and audience,

I would like to welcome you all to the webcast where we will evaluate the first half-year results attained by the five publicly-held companies of Yaşar Group.

Participants to today's meeting are Mr. Hikmet ALTAN, Yaşar Holding CFO, Mr. Ergun AKYOL, Pınar Süt General Manager, and Mr. Zeki ILGAZ, Pınar Et General Manager. They will be sharing their assessments on the presentations. You will be able to use the program to ask your questions via IM during the webcast and the Q&A session. We will respond to your questions following the completion of presentations. Our presentations and the Q&A session may include forward-looking opinions and projections, which reflect the company management's current views with respect to certain future events and incorporate certain assumptions. However, actual results may differ depending on the developments in the underlying assumptions. You can download the presentations of our publicly-held companies in English and in Turkish from the webcast module.

Speaker: Ergun AKYOL – Pınar Süt Mamülleri ve Sanayii A.Ş. General Manager

Company: Pınar Süt Mamülleri ve Sanayii A.Ş.

Distinguished guests, welcome. I am Ergun Akyol, General Manager of Pınar Süt. I will try to give you some information about our Company.

As you will see in the slides, we will begin with the general structure of Pınar Süt. We have more than 200 SKUs. As you know, Pınar Süt is the number one milk brand that comes to mind thanks to our people, and our innovative and pioneering identity. It is the best brand in dairy, it is among Turkey's Superbrands and among the top 5 brands Turkish consumers feel closest to. Our production is based on the hygienic production carried out at EU norms at Pınar Süt, Turkey's first long-life milk factory, and is characterized by technical expertise, sectoral know-how and experience. Working with an advanced quality concept to this end, our company holds many of the national and international quality certifications. These include ISO certifications, and the recently earned HACCP certification, which endorse sufficiency in production to serve our customers in our country in line with the quality certifications in Turkey and in the world, as well as its working style. Our company distributes its products in Turkey via YBP, a Group company that has strong distribution; our products, which can be kept refrigerated and also at room temperature, are distributed to 150,000 sales points by experienced staff who have technical knowledge. Having a quite large supply chain, Pınar Süt collects milk from 20,000 milk suppliers and producers. Quality control is carried out at every step of the process. Turkey gradually increases its efforts to meet EU standards in production and supply, and Pınar Süt has always led these efforts and worked to further increase its strong relations with farms. Through supporting farm investors by way of purchases and through contracts with small farms which are approved and free of diseases, Pınar Süt, along

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with the government, always supported farm investments as the private sector and has led the same. It also helps smaller scale producers to take on production with higher quality and higher yield animals, thus enabling them to contribute to the sector and our country, by providing training and consultancy services.

When we look at the market dynamics of Pınar Süt, you will see the turnover growth on the upper left-hand corner of the slide in the FMCG sector, and the growth rate of consumption in Turkey is much higher than in European countries. It is 12.6% as you can see. This is a very promising indicator for our country and it is highly encouraging regarding the future, for our sector and particularly for our company. Yet, while this is the case, at 25 liters per year, drinking milk consumption in Turkey comes well behind the world's average. Actually we are now above Thailand and Iran but as you can see in the chart, this is an area open to development. And we regard this as an opportunity. We consider it an area for further future effort, an area for expansion for our company. While the 12 million tons of milk production in Turkey is too little as compared with the 714 million tons worldwide, this increases gradually and the supply rises as a result of the government incentives provided, as well as of the investments I just mentioned. We are expecting a rise in our raw milk production that ranks 15th in the world, in the milk production and import in emerging, growing countries. If you note the per capita milk consumption in Turkey here, we are of the opinion that there will be a continually increasing milk consumption in the 2003-2013 timeframe, for which various measures are adopted both by the private sector and by the government and efforts are spent to adapt the innovations and operating systems in the European Union to our country.

When we look at turnover growth, value growth in FMCG excluding tobacco showed a high 7.1 rise in the world in 2011 and we are looking at figures net of inflation here. With 14% year-on value growth in the first half of 2011, food category increased its share in FMCG from 45% to 48%. It has won some share from the tobacco category. On the right, you see the raw milk base prices in Turkey. The red line that shows the activity in 2009 in raw milk base prices went down at a certain rate in 2010 and stabilized. The purple line that indicates 2011 shows the decline that occurred at the start of the year and still continues. However, as you will see from the slides and the financials, the raw material prices that have a big effect on our operating system entered into a rising trend in the second half of the year. I will get back to this rising trend when talking about the financials, but the current balance of supply and demand in Turkey -although the increased supply arising from the incentives granted is somewhat balanced- is balanced at a certain point with the seasonal contraction and the raw milk production that dropped at a certain level due to difference of feed prices in particular. However, we are expecting some more increase in raw milk prices during September and October, which represents the highest period for our sales since they coincide with the opening time of schools; as you know, I had mentioned in our previous meetings that while raw milk base prices are set as the average of the base prices for Burdur and Southern Marmara, the National Milk Council got involved; plus the Ministry of Agriculture voiced its opinion and worked to find the balance between producers and consumers, and the base price was fixed at 74 kurush for the last four months. In other words, the base price is fixed in Turkey for four months until the end of the year starting from September. Tender proceedings will be initiated once again at the end of the year. But of course, the fact that the base price is fixed does not come to mean that all costs will be based on this because some companies

procure raw milk from different channels. Supply of higher quality or poorer quality raw milk leads to price movements and becomes a factor on costs. Moreover, raw milk costs increase or change because of additional costs arising from transport costs in particular, depending on the distances to production sites. Following this brief information on the raw milk market, we should note something about the market dynamics: there is an increased trend towards packaged milk, and the packaged products of the economic segment make up the first step for those making a transition to packaged products. Especially there is a trend towards value-added, organic and natural products. You can see this in the sales increases in our charts. Like in flavored milk or enriched milk. Or like in organic milk in the market, where we have no competition in the market, or like in our recently introduced organic yogurt. The number of consumers opting for these products increases gradually. On the opposite side, there is growth in the away-from-home consumption, the away-from-home market, which brings a quite strong price competition to the market.

We have valuable national and multinational competition in Turkey. According to Nielsen's figures, Pınar Süt's share in turnover, in 2011, matched its annual rise from 2009 to 2010, and achieved a market share of 17.2%. Our largest engagement, the milk market expanded 3% in the first half of 2011 and the expansion continues in the second half. Marketing activities aimed at increasing market share in 2010 still continue in 2011. Our market shares keep rising as you will see in the chart below. The chart on the right shows the primary products we are engaged in, where we are the leader, and in second and third places. You see the UHT milk market share in particular; it goes up to 63% in UHT Light Milk and the total UHT milk is at 28%, which is crucial. We are the only brand in organic milk, we are trying to increase this figure but there has already been above 60% growth in volume during 2011, from 2010 to 2011. We are maintaining our margin against our closest rivals as you will see down below, on the right. So we sustain our existing market position.

Let's look at the distribution of product groups and sales channels briefly. In fact, there has not been much change in the distribution of Pınar Süt's product groups and sales channels. While milk leads with 37% as our core category, this is followed by cheese with 26%. The table shows the breakdown of our net sales where yogurt takes 11% and butter takes 6% share. The breakdown of our distribution channels has not shown much difference either; our sales company YBP takes 87% share of our domestic sales, while export makes up 8% of our total sales and direct sales make up the remaining 5%.

When we look at growth rates by product groups, we see that our net sales grew 8% year-on in the first half of 2011. Here, you will notice different growth rates within individual product groups. Particularly, the 7% growth in milk is remarkable; the 5% growth in cheese that follows is remarkable. While we see negative growth in yogurt and ayran, this has been reversed to a positive value as a result of our activities in July and August. Targeting a growth that outpaces the market, our company plans to achieve this in the year-end closing.

Export is a sales channel that we place importance on at Pınar Süt, and it is crucial for our company, for our Group and for our country. As you know, Pınar Süt is single-handedly responsible for 20% of Turkey's milk export. We export to 29 countries and we try to include in our portfolio special countries, developing countries and countries where we can build a

market share. With a share of 45%, we sustain our long-going leadership in packaged Labaneh market in the Middle East countries led by Saudi Arabia in particular, as well as in others like Kuwait and Dubai. We are trying to export long-life milk, white cheese, or whole cream, and other products to Gulf countries. Our export sales tripled from 2002 until 2010, and this increase still continues with an 8% share within our total net sales as I already said. The government-backed Turquality project has helped our company greatly in terms of marketing support in overseas sales and it has been very beneficial in the better conduct of sales and in better market research as compared with rival countries, resulting in a more advantageous position. Turquality is the first and only branding program in the world, which seeks to increase the worldwide competitive strength of Turkish brands supported by the government. The objective of Turquality is to create 10 world brands in 10 years, and we know for a fact that the government is working to re-extend Turquality at the end of the year. You can see the breakdown of our foreign sales by country in the chart; Saudi Arabia takes the highest share and is followed by Kuwait. The 12% share we refer to as 'others' covers geographies other than the Gulf Region. We all know that current political situation in these countries, the economic and political situation in the world will be a particularly telling factor in determining the size of our commerce with these countries. Yet, we must keep in mind that changes in exchange rates make up an important value with respect to price-making and profitability in overseas sales. Thus, we believe that the economic and political conjuncture across the world in the upcoming period will closely concern our export structure and export growth.

Let's talk about financial results. As in previous years, Pınar Süt sustains its growth, and increase in profitability. In terms of million TL, our net sales rose from 277 million TL in the first half of 2010 to 299.5 million TL in the first half of 2011. Here we see that particularly the increase in profitability is higher. We see that it went up from 33.5 million TL to 40.9 million TL. Our EBITDA showed a quite strong rise and increased from 32.8 million TL to 43.7 million TL. I had mentioned earlier that our sales in the first half of 2011 grew 8%. We achieved increases in sales and market share in keeping with our strategies and gave weight to market investments. Particularly in the profitability chart here and in the following ones, I would like to stress that the change in raw milk prices makes an important impact particularly on our profitability. The early-year decline in the raw milk price was due to the fact that a specific price had not been established in the raw milk market; there was a two-month delay. In other words, the decreased prices at the start of the year could in fact be reflected on the market after February, after March. Therefore, the company retained the price advantage here; later, however, all the companies in the market reflected the price decrease, which resulted in a more balanced price level across the market. This caused our company's sales figures to climb higher and to rise more in the second quarter of the year. This resulted in the slight change of the EBITDA margin from Q1 to Q2.

Let's look at our income statement now. We had just shared that our net sales showed 8% change in our income statement. However, there is a lower change in the cost of goods sold due to raw milk costs, like I said, and also due to advantages and disadvantages arising from exchange rates. This has readily affected the gross profit and brought along 29.4% rise in gross profit. Therefore, our operating profit increased by 39.4%. It has gone up from 25.6 million TL to 35.7 million TL in the first months of the year. This has boosted our pre-tax

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profit by 11.5%. Thus, when we look at our net profit for the period, it has reached 41 million TL, up 21.8% year-on.

Let's briefly touch upon our profit margins. You can see the rises in our gross profit margins. It went up from 18% to 21%. Our operating profit climbed up from 9.2 to 11.9 and our EBITDA margin from 11.8% to 14.6%, therefore our net profit margins rose from 12.1% to 13.6%.

When we look at the quarterly results, growth was attained on the back of increased volume secured in net sales as compared with the second quarter of 2010 and the first quarter of 2011. There have been rises in our market shares as compared with 2010 in various product categories. Our profit margins were affected positively by our ongoing selective pricing policy and the decline in raw milk prices in the first half of 2011. I had mentioned before that there has been 15% decline in raw milk prices in the first quarter of 2011, but we are talking about a decline in the aggregate here. This has continued at the same levels in the second quarter. An EBITDA margin of 14.6% was attained in the first half-year with the effect of the fall in raw material prices, and later, as I have mentioned before, this went down slightly by splitting it between us and the market. We had stated earlier that we have a strategy to outgrow the market; thus, our marketing investments continued in the first half of 2011. When we look at our basic ratios, financial debt and capital, we see no major difference between last year and this year. Particularly in our basic ratios. There was 17.2% increase in net cash generated on operating activities. The corresponding figure was 15.1 million TL.

To recap, the changes in the raw milk prices in our country make one of the most important factors that determine the operations of all companies in our sector, as we said earlier. If we summarize the change in raw milk prices, they declined 15% in the first quarter, floated at that level in the second quarter, but since this decline was reflected on part of the market, there has been a very slight profit difference between these two quarters. Like I said, this will change slightly in the second period.

We kept focusing on our marketing investments within the frame of our strategy to increase our market share. We secured increased market shares in certain items. We developed new products and new packaging variants that respond to the market trends. These are carried out specifically for the domestic and overseas market, in accordance with the demands of our customers, consumers, and in accordance with away-from-home consumption. New projects are being created to enhance production efficiency through cost saving initiatives.

Thank you for your attention.

PINAR SÜT Q&A SECTION

Q: Can we link the decline in Pınar Süt's EBITDA margin in 2011 Q2 to the fact that the decline in raw milk prices was reflected on sales prices? What sort of normalization do you foresee in the EBITDA margin for the rest of the year?

Erman TÜTÜNCÜOĞLU – Ata Invest

The diagnosis is right. We can link the decline in Pınar Süt's EBITDA margin in 2011 Q2 to the fact that the decline in raw milk prices was reflected on sales prices; that is right; however, we should immediately add that the sales increase in the second quarter, the sales volume increase is higher than what it was in the first quarter. The increases follow a trend. As for the kind of normalization the EBITDA margin could adopt in the rest of the year; like I mentioned before, although raw milk prices are currently controlled and fixed by the government for the period from September until year-end, we believe that the consumer movements in the market in particular, and also the reflection of the international economic and political trends on Turkey, combined with the competitive movements will be a major factor in determining the future price margins, EBITDA margins. However, we aim to attain our year-end targets, to realize the budgeted targets.

Q: What kind of a movement do you project in milk prices in 2012?

Melda AĞIRDAŞ – Ekspres Invest

A: Actually, the course of milk prices is not totally, exclusively dependent on the milk, on the dairy industry. It also depends on the meat industry, and also on the feed industry. The first rule of trade applies here as well: supply and demand balance. This balance is extremely telling particularly in raw milk prices. Seasonal volatilities are another telling factor. Although the high number of raw milk investments somewhat regulate seasonal volatilities, we still think that feed prices, meat prices in Turkey, and the movements in these industries will directly impact milk prices. Happily, the best part both producers and industrialists agree upon when they get together in the recent years is to somehow fix these prices. By fixing, I mean regulating in a manner that will not bother either party. Efforts for regulation have been started in Turkey under the leadership of the National Milk Council (USK). Therefore, in view of seasonality, there can be a very slight decrease at the onset of 2012 depending on the demand-supply balance naturally, but like I said - this will not go down too much.

Q: There is a large number of milk processing companies in the market with high installed capacities and they work with low capacity utilization ratios. When we take the low per capita milk consumption into consideration, how long will it take for the milk demand in Turkey to approach supply?

Melda AĞIRDAŞ – Ekspres Invest

A: Let me try to answer that from the standpoint of milk. Actually this is a good question but this is not something we can set or control as the private sector or as Pınar Süt. We know that

the government is working on incentives that will support consumption, as well as those that will support the producers particularly in the raw milk market, and we are involved in part of these efforts. If the way is paved for this, and if some incentives are aimed at this direction, one of them being the school milk or realization of this or similar consumption areas. If this is put into life, the demand supply balance will be equalized very shortly and easily. But a greater part of the milk produced in Turkey is still not channeled into the industry; in order to bring that milk to the industry, the way for milk consumption in Turkey must be cleared quickly. I think this will take some time, but Turkey is taking some good steps in this direction. Like I said, I believe we will soon capture an advantage with the great support of institutions such as the Ministry of Agriculture, the National Milk Council (USK) and SETBİR (Union of Dairy, Meat, Food Industrialists and Producers of Turkey) and of our nongovernmental organizations.

Q: What percentage of the energy need of Pınar Süt and Et is covered by Desa Enerji?

Melda AĞIRDAŞ – Ekspres Invest

A: Desa Enerji fulfills the entirety of the energy need, steam energy need of the milk company, but the other electric energy is provided by Pınar Süt via TEDAŞ electricity distribution company.

Q: There is a decline in raw milk prices and a rise in carcass meat prices. What kind of a link can we establish between the two?

Ebru AKICI – Bizim Securities

A: (Pınar Et General Manager Zeki ILGAZ) In fact, if I quote Vedat Bey, the Undersecretary of the Ministry of Agriculture, “Turkey cannot consume the milk she produces and in return, she cannot produce the meat she needs”. Apparently, Turkey needs to fulfill 15% to 20% of her meat need from external sources. Therefore, the need in Turkey increases especially at the time of the Sacrificial Holiday; in the other months, about 50,000 tons of carcass meat is produced, while we are obliged to import 15.000 to 20.000 tons of carcass equivalent or carcass or live animals for slaughter; otherwise it does not seem possible to be able to balance the prices. On the milk side, there are changes in seasonal, periodic supply; naturally, milk supply increases in springtime and it is not easy to consume the milk produced in that period. The Ministry of Agriculture has adopted some decisions and practices to this end. There are efforts to realize some projects like converting excess milk into powdered milk, granting some incentives for exportation, school milk and barrack mil; we need to look at these efforts as balancing elements, alternative ways out and alternative consumption points. While the two are not closely related, occasionally there is an interaction at a single point, which occurs when raw milk prices are very low, which happened in earlier years. When part of cows went for slaughtering, this had some effect on meat prices; they pushed the meat prices down, but at the point we stand today, this does not happen. The two sectors are under the influence of independent dynamics.

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CLOSING SPEECH

Speaker: Senem DEMİRKAN – Yaşar Holding A.Ş. Capital Markets Coordinator

I thank you all for participating. I guess you don't have any more questions. If there are no other questions, we will conclude our meeting. Have a nice day. The presentations will be posted on the Internet in Turkish and English. You can click this link at any time to replay our meeting from Thomson Reuters. Once again we thank you all and wish you a happy holiday. Goodbye.