

PINAR SÜT MAMULLERİ SANAYİİ A.Ş

Meeting Notes – August 17, 2016

Speaker: Gürkan Hekimoğlu, General Manager

In the second quarter of 2016, the dairy market turnover grew by 4.3% and its volume increased by 2.8%, YoY. These ratios are related with end-products, for raw milk the figures are much more. It is important for dairy development in the country. Private sector, producers and Ministry of Food, Agriculture and Livestock have a target like 23 million tons in the 100th anniversary of the republic. If this target realizes, Turkey will rank as 8th in gradation by globally. To achieve this goal, developing new healthy products and using country's export channel as an opportunity are amongst our important missions.

Şanlıurfa Factory, which began its operation in 2015, has operated in normal routine and started to export. **[slide 1]**

The packaged cheese market grew by 51.4% in Turkey. The reason behind this is the shift in the consumption from traditional bazaars to the stores. **[slide 2]**

With the efficiency in milk production in the country and births in the first quarter caused milk surplus. In addition to these reasons removal of the quotas in Europe, milk prices declined comparatively both in the world and in Turkey. Meat and Milk Board intervened in milk prices as buying milk because of hold the milk producers harmless. We were also supportive to compensate for the excess milk. **[slide 3]**

Pınar süt extends product portfolio related with cheese. New products will launch in the second half of 2016. **[slide 5]**

Pınar Süt's net sales realized at TL 544.6 million in the first half 2016 which is accounting for a 11.1% increase. In that period, Pınar Süt's margins and profitability rose thanks to cost improvement, efficiency and strategy of growth with added-value products. **[slide 6]**

Pınar Süt and our business partners of School Milk Tender sold more than previous years in this year in that project. Although, there was a change occurred in sales breakdown, our main channel is domestic market with YBP. **[slide 7]**

The export revenue was USD 22.3 million in the first half of year 2016 which is accounting for a 13.3% growth in terms of TRY with the exchange rate effect, YoY. Pınar süt continued to export milk powder and semi-products to Russia. There are some interruptions existing in S.Arabia market due to loss of income caused by low oil prices. However, Pınar Süt endeavors to overcome these difficulties with different marketing investments. **[slide 8]**

Profit margins decreased in the second quarter due to we deployed marketing investments to the second quarter of year. **[slide 10]**

In the first half of 2016, TL 21.2 million capital expenditures were realized. These are related with modernization, new investments and completion of some requirements of Şanlıurfa Plant. **[slide 11]**

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Speaker: Hikmet Altan, Yaşar Holding CFO

Q&A

1. The raw milk price has remained stable for a long time. Do you expect the slaughter of animals?

Both raw milk prices and costs have not increased so producers maintain to make money off milk. We expect that milk production will rise thanks to increase in efficiency.

2. Could you give some information about Pınar süt 2016-2017 targets?

Company's growth in numbers and targets are not disclosed. Every year, we determine the targets by increase in volume above the inflation.

3. What did school milk project affect to Pınar Süt's turnover?

26 million TL of turnover was from the School Milk Project. This project has a social responsibility and it was not a detrimental work for Pınar Süt.

4. Has appetite of the consumers diminished since July 15?

We have not feel anything after the first week. The market treads carefully. Experts of economy take precautions to support production and consumption.

5. If the stock market decreases unexpectedly, Do you think share buyback?

Share buyback is an option in perpetuity and also, legislation allows for it. On the other hand, we have not bought share back. Now we do not have a strategy in this respect.

6. Since the feed costs are linked to exchange rates an increase is mentioned in this period, is that correct?

As a matter of fact, the exchange rates rose up last year. Thus, no cost increase occurred related to foreign currency this year. Also widespread among producers make their own crop production. This is a stabilizing strategy on the costs which we believe become common in the future.

7. Revenue increased with the increase of minimum wage. Does this increase the consumption?

It is possible, however our companys produce high segment products. Therefore, increase in minimum wage doe snot affect us.

8. Employees' wages have increased with the increase of minimum wage. How will this affect costs?

The number of employees which works for minimum wage is less. For that reason, increase of minimum wage affected the costs limitedly.