

PINAR ENTEGRE ET VE UN SANAYİİ A.Ş.

Meeting Notes – March 1, 2019

Speaker: Tunç Tuncer, General Manager

Pınar Et is the first private integrated meat processing plant in 209 thousand m² outdoor and 51 thousand m² indoor production area and maintains its leader position in many categories in the market. The company persists its operations with 813 employees and produces approximately 350 products delivered for 150 thousand number of sales points through YBP Company. **[slide 2]**

When we glance at the major developments, news in 2018, we can say that raw material prices were on the uptrend in the first half of the year but in the second half of 2018, this process became reversed and a decline was seen. While the red meat prices had stood in an upward trend in the first half of 2018, the prices have decreased in the third and fourth quarter, as a consequence the average increase at the end of the year realized at 8%. In 2018, the red meat production declined when we compared to 2017. Around 1.45 million units for beefs were imported consists of 116 thousand units of brood. The amount was around 900 thousands in the previous year. A significant increase by 33% in 2018 compared to 2017 also occurred in turkey meat production as around 69.5 thousand tons. In 2018, compared to the last year, total processed meat market achieved a growth of 1.2% in volume and 11.1% in turnover. This increase is mainly based on price. **[slide 3]**

Energy prices displayed a slightly augmentation in 2018 and the cost increases like electrical energy by the rate of 60% and natural gas by the rate of 80% occurred during the year. Pınar Et completed the year by \$ 700 million turnover and \$ 56.5 million EBITDA. When we observe the data provided by TSI, red meat production in Turkey continued decreasingly by 1.0% compared to the last year as 1.12 million tons in 2018. At the same period, an increase by 33% also occurred in turkey meat production and unprocessed meat prices augmented above the prices of CPI as in the previous period. Red meat prices remained stable during the year due to importation. For keeping meat prices under control, the meat imported from abroad by Meat and Milk Organization are in sales for 29 TL/KG as minced and 31 TL/KG as meat cubes in chain markets which is the reason under the same level of the sales prices since November, 2019. To support decreasing red meat prices, custom tax rate has been fixed at 0% for Meat and Milk Organization in quota in 2017 and the process has been extended by the decision taken in the date of December 28, 2018 until December 31, 2019. The Meat and Milk Board used these instruments in the period to keep price increases within a certain band. **[slide 4]**

When we look at the competitive market, we become aware that the proportion of packaged products has soared. The rate reached 83% and continues to increase every year. The weight of soudjouk in portfolio continues by 42%. Following category is seen as salami by the rate of 33%. Pınar Et provided widening of this category by "Aç Bitir". Compared with previous year, processed meat market achieved a 11.1% turnover growth and TL 2.12 billion value in 2018. The market contracted by 2% in terms of volume and 11.4% in turnover basis looking at the last quarter of 2017 and 2018. In fact, contribution of discount markets are huge for the increase amount of packaged delicatessen products. When we look proportionally, we see that more than half of the delicatessen products are in the discount markets. **[slide 5]**

As glancing through the market share and the processed products category, Pınar Et maintains its market leader position in many categories such as salami, sausages and total processed meat with a 19.2% of market share in the total processed meat market as situated about 2 fold than closest brand. In the last period, new products have been presented to the consumers new varieties of products and we continued to diversify our product ranges with different kinds of packaging. **[slide 6]**

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Based on product groups, 77% of our net sales are realized from processed products category based on product groups and 19% of total are made up of unprocessed red and turkey meat. In 2018, in parallel with the market demands, it is seen that both the amount of sales of red meat and turkey increased. The rest of the part composed from other sales items by the rate of 4%. 70% of net sales are through YBP Company which is one of our group companies. The direct channel sales are at around 26%. **[slide 7]**

In our income statement, net sales occurred TL 701 million which is accounting for a 8% rise. Discount markets continue to increase their market share, at least they continue to protect the shares. Excluded the discount market, there was a decrease in the market growth in 2018. With the effect of cost increases reflected in prices with phase difference, our gross profit realized as TL 97.3 million with the same level compared to the last year. Our net profit increased by 4.7% to TL 62.1 million compared to the previous year thanks to the effective cost management, the increase in profits in equity investments and the advantages of tax incentives despite additional costs incurred and the disadvantages of this situation. **[slide 8]**

In case of looking at the profitability and sales data, we notice that our net sales are on an upward trend in parallel with the recent years and our net sales reached TL 701 million. **[slide 9]**

Particularly after the third quarter, although the negative impact of the economic fluctuation has been reflected on the prices, and by the reason of the phase differences in the transition, we have seen that the gross margin and EBITDA rates have decreased by 1.2 and 1.6 points compared to the previous period. Nevertheless, we can see that our net profit margin is almost at the level of last year thanks to effective expense control, increase in other revenues and tax incentive advantages. Under increased costs, partial price increases, saving measures and profitable products, we saw our gross profit margin increased by 0.7 points to 13.9% in the fourth quarter. Also, by the reason of the increase in operating expenses is mainly due to marketing expenses, there was a diminishing in our EBITDA. Our net profit increase in the fourth quarter arose from operating profits of our subsidiaries and profit increase occurred by revaluation and incentives. **[slide 10]**

Pinar Et by carrying out the renewal and modernization efforts made investment by utilizing own equity, approximately TL 28.9 million on specifically robotics technology. **[slide 11]**

On this slide, we see our company's shareholding structure and we have completed our presentation. **[slide 12]**

Speaker: Hikmet Altan, Yaşar Holding CFO

Q&A

1. Can you give us a guidance for the year of 2019?

As required the capital market regulations, we cannot disclose any guidance for 2-3 years. Therefore we cannot mention our predictions and cannot define any numerical information related with the company and its budgets. However, as I expressed clearly, it is the year in which we do not foresee a major growth. We will have a growth in accordance with the circumstances in our country.

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2. The rate of interests became above 30%. How is it going on currently?

The short term interest rates climbed up to 40% during August and September but now, this ratio diminished to approximately 20% levels. For the next periods, we will not foresee any increase on the rate of credits.

3. Regarding dividends...

This will be announced very soon.

4. Will you raise the prices?

We evaluate this decision according to the cost increases, the market conditions and competitive conditions. In periods of huge market fluctuations, we wait for calm down and becoming stability of the market.