

PINAR ENTEGRE ET VE UN SANAYİİ A.Ş.

Meeting Notes – August 8, 2019

Speaker: Tunç Tuncer, General Manager

I would like to welcome the dear participants on behalf of Pınar Et. Let's take a look at our company's business results for the first half of 2019. As you know, Pınar Et has been the leader in its sector as the first private enterprise integrated meat facility since the first day. It operates in 50.000 m² closed area with 5 categories and 350 products. The company reaches more than 150,000 destinations via Yaşar Birleşik Pazarlama. **[slide 2]**

If we take a look at the major developments and figures in the first half of 2019, our company's turnover grew by 4.5% and reached a turnover of around 353 million TL. EBITDA occurred as TL 29.5 million. Our exports amounted to 3.2 million dollars. Let's evaluate raw material and market information on the next slide. If we take a look at the sector dynamics in the first half of the year, prices of red meat on the raw material side showed a slight downward trend from August 2018 until the end of the year. We see that this trend has started to increase with a slight increase since 2019 and from the beginning of the year. The last few months have been watching over a certain band. As a result, the price increase was realized as 7.6 percent. Red meat production decreased by 16.5% in the same period compared to the first quarter of the previous period. Since the second quarter figures have not been announced yet, we cannot formally submit the figures for the semester. As you know, in order to support red meat production, fattening beef is imported in our country. In December 2018, the import permit was actually halted by not issuing an import permit control certificate. As of April 2019, the control certificate was issued again. Here, due to the fact that no import permit control certificate has been issued and the fluctuations in the exchange rate, the imports made in the first 6 months of 2019 have decreased by 54%. When we blink at turkey production, we see an 18% decrease in the first 5 months compared to the previous period. In the last period, we see that there is actually some supply surplus. We observe stabilization in this year. Energy costs, which is another cost element for enterprises, increased by 23% on average and 54-55% in June compared to the year 2018, June. When we look at the market, according to Nielsen data, we can see that the processed meat market has not increased its tonnage in the first 6 months but has increased by 14% in terms of turnover. The increase is derived from price increase and product mix. The main price stems from the increase in turnover. In the next slide, let's evaluate the market we are competing with. **[slide 3-4]**

As you know, we noticed the rate of packaged products increased when we followed them over the years. Finally, the sale of packaged food remains at 82%. At this point, one of the reasons for the increase in the sale of packaged delicatessen in delicatessen markets, you know, open products are not sold in this channel and they are more than half of the market. When we look at the quantity breakdown in the market and when we look at the product type, the sausage was 42% in the product portfolio and this was the case in the last period. Then, we see that the biggest category is salami with 31%, followed by sausage with 20% share. We mentioned that the market grew by 14% in turnover. In terms of value, the total amount reached TL 2.18 billion. In fact, there is no volume growth in the discount market channel, however we can also comment that tonnage shrinkage did not occur that much with the contribution of discount markets. **[slide 5]**

Looking at the competition in the market, we continue to maintain our market leadership with a 17.7% share in the processed meat market. Here, we can emphasize that the success of “Aç Bitir” continues with a share of 42% in salami. When we take a glance at the single month results of June, we see that

our market share has increased. As a trend, we can say that this optimistic picture continued in June and July. **[slide 6]**

When we look at our financials, our net sales account for 77% of the processed products category based on product groups. Unprocessed meat constitutes 19% of our net sales in our red meat and turkey meat categories. The rest is made up of others. 72% of our net sales are realized by Yaşar Birleşik Pazarlama, which is our group company. With strong and widespread distribution network, the company serves all over Turkey. Direct sales account for 23%, while exports account for 5% of total sales. **[slide 7]**

When we look at the income statement, we see that our net sales increased by 4.5% to approximately TL 353.5 million. I have to mention that the increase in production costs is reflected to the prices, even with phase difference. This is one of the reasons why we have achieved better results since June, because it was activated with a delay. Our gross profit was approximately TL 50 million, 3.4% higher than the previous period. Despite the disadvantages of these cost pressures, we continue our activities with effective cost management. In this context, EBITDA amounted to TL 29.5 million with an increase of 4.2% compared to the previous period. However, our net profit for the period stood at TL 13.3 million due to the negativity in investment profits valued by equity method and financing expenses. As Hikmet mentioned, the current economic market conditions also affected the profitability of our subsidiaries. However, according to the images of these companies in the 1st quarter, it was seen that the images in the 2nd quarter started to improve. **[slide 8]**

We'll see it on the next slide. Prices occurred during the year became more effective in June. It will be more useful to monitor this situation from the improvements in quarterly results. It will be easier, actually. As we can see in the table here, we see improvements in gross profit and EBITDA rates according to the results of the previous period and the first half of this period. These improvements are beginning to show itself especially in the 2nd quarter. We will see this in the next table. **[slide 9]**

When we look at the quarters, we see the improvement trend as I mentioned in the previous slide. In each parameter, 2nd quarter of 2019, results look better than 2018. However, we see that the results of the second quarter are better in the transition from the first quarter of 2019 to the second quarter. I expect better results from June and July and the trend will continue. **[slide 10]**

In terms of investment items, our company has been more cautious by reviewing the investment plans within the framework of economic developments starting from the second half of 2018. In this context, our investment expenditures in the first half were realized as 1.9 million TL. I thanks for the participants. **[slide 11]**

Speaker: Hikmet Altan, Yaşar Holding CFO

Q&A

1-Where did Yaşar Holding obtain \$ 100 million funds related to tender-offer process of bonds? Domestic or overseas?

This resource is currently domestic. It is USD 100 million . We have already used as much of this \$ 100 million as we have bought back. The rest stands as a stock in trade.

2- The price difference between your company and market brands seems widening. What is the reason behind this?

It is said that our price difference is opened compared to both meat and milk market brands. In fact, it should be evaluated separately as milk and meat. On the meat side, actually, that margin is maintained when we compare it with market brands. So during the year, in the first 6 months of the year, that margin did not change much. Sometimes, they pass price increase into the market. We're staying behind. Sometimes we take the lead in price. When we look at the average, it has been kept at the same level.