Yaşar Group Public Companies Analyst Webcast

Pınar Entegre Et ve Un Sanayi 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: Zeki ILGAZ – Pınar Entegre Et ve Un Sanayi A.Ş. General Manager

Company: Pınar Entegre Et ve Un Sanayi A.Ş.

Good morning everybody! My name is Zeki Ilgaz, and I am the General Manager of Pınar Et. I greet you all on my own and Company's behalf.

I will try to brief you about the first six-month actualizations of Pınar Et, the first privately-owned integrated meat facility in the sector.

The power of Pınar Et comes first and foremost from its being a Yaşar Holding establishment and a member of the Pınar Family. Our product portfolio covers over 300 SKUs. Our innovative and pioneering identity is acknowledged by all the consumers and the entire sector. It is the number one processed meat brand that comes to mind, the most admired brand in packaged meat category and one of Turkey's Superbrands. It is the first manufacturing facility at EU standards. We have technical expertise and sectoral know-how. We are one of the seven companies that received prequalification for exportation to EU in the poultry segment. Food safety and quality are of highest importance to us in every stage from the supply to the final product. In parallel, we hold ISO 9001 14001 environmental, 18001 OHSAS Occupational Health and Safety, 22000 HACCP food safety certifications. In addition, we are audited by the international Global SAI every year. We distribute part of our products all over Turkey via our sister company, Yaşar Birleşik Pazarlama. Yaşar Birleşik Pazarlama is Turkey's biggest nationwide cold and frozen distribution chain. It reaches almost 150.000 sales points. It has technical know-how and expertise. We create additional synergy due to the distribution of dairy and meat products together. Procurement is key for us. Our raw materials correspond to nearly 60% of our total costs and from this point on, Turkey is, unfortunately, very far from being a self-sufficient producer of red meat. Therefore procurement is crucial. We have a purchasing operation that spreads across six geographical regions in Turkey. We have strong relations with farmers and we also employ contracted stock farming with more than 80 breeders. We procure 80% of our calves from these livestock breeders.

Looking at the market, we see that the share of food in household consumption rose some more to the disadvantage of tobacco in the past period and went up from 45% to 48% in the aggregate. A transition phase from bulk to packaged products continues in the processed meat – packaged segment. This is a positive factor for establishments like ours. When we look at the carcass meat average prices, the search for stability that has been going on for almost 20 months is still in progress. Looking at the past 13 months, there has been some decline in raw material prices after the announcement of the permission for importation of meat and live calf by the private sector in August in an effort to preserve price stability. As you know, according to the permissions granted in the first batch, importation of carcass meat would end as of 31 December 2010 and of calves for slaughter on 31 March 2011, but these were extended later. The resulting instability in raw material prices, caused partly by exchange rates but rather by the changes in tax rates, unfortunately, still continues. You will remember that the customs duty rate imposed on carcass meat that was 30% at the end of 2010 was raised to 45% in March, 60% in May and 75% by early July. Later, 30% customs duty imposed on imported live calves for slaughter was decreased to 15%. Currently, we project the carcass meat prices will move in the range of 14-15 TL in the upcoming period. I think, they will sometimes climb above this level and sometimes remain below it. In the meantime, the 300 TL support extended per calf for local calves slaughtered from January 1st until July 1st ended. The support is no longer going on. There are initiatives for the re-extension of the support but they have not reached a result yet. Based on TurkStat figures, red meat and poultry production in Turkey is slightly above than what it was at the end of 2010. While red meat production is 680.000 tons according to TurkStat figures, both the Ministry and the official authorities are of the opinion that it might be up to 1 million tons. We can say that this means that about 30% to 35% of our total red meat production and consumption is still unregistered and unregulated. In this context, there is a red meat and red meat products market which we estimate (is worth) in the region of 8 to 9 billion dollars. There is a trend in the sector towards value-added products, which is led particularly by us. We see that the delicatessen market is over 100.000 tons but when we take into account the unregistered delicatessen, as well as that which is supplied to the away-from-home channel, we can say that the total delicatessen production and consumption is over 200,000 tons. Per capita red meat consumption in Turkey is around 32 kg. We could say that nearly 10 kg of that comes from red meat, but like I said, there is some difference between TurkStat figures and the real figures. We can say that another factor is the red meat slaughtered during the Sacrificial Holiday, as votive offering and in the rural areas, which does not go into the market. It can be suggested that total per capita meat consumption worldwide is 34-35 kg. 37% of the total meat consumed across the world is pork; lack of pork consumption in Turkey puts us slightly behind other countries in terms of consumption.

If we look at our position against the competition in the market, we have a market share of about 18% in the packaged product market, which is almost 100% higher than our closest rival. Our market share is above 30% in salami, around 24% in sausage and around 14% in soujouk. We maintain our ideal position in frozen meat products with a market share of over 50%.

We launched new products and took on marketing activities in the second quarter of the year. In order to strengthen the perception of our brand as an expert, we launched the up-premium Gurme Line. In the meantime, we diversified our products with the Şölen brand. We also introduced the Light line in soujouk and salami for consumers with health concerns so that they can consume meat products. Our work on new product development continues. We will be presenting the consumers with new products also in the upcoming period.

When we look at product groups and sales channels, delicatessen products account for slightly more than 50% share of our total sales and frozen products for around 30%; we generate 14% of our turnover on fresh meat and 7% on other sales items. On the basis of sales channels, sales via our sister company YBP make up 78% of our sales, 20% is direct sales and 1.5% is exported.

When we look at growth rates on the basis of product groups, we are working towards concentrating on value-added products like I said earlier, towards getting higher market share in that department. Accordingly, we attained 20% growth in delicatessen products and 8% in frozen ready meals. There is a decline in fresh meat and other product groups where profitability is slightly lower.

There is some increase also in the number of YBP's customers. This also shows the increase in our numeric distribution.

I would now like to talk about financial results. Our sales went up by 3% year-on in the first half of 2011. Despite the overall instability in raw material prices, our gross profit was up 5.6%, with the help of the lower general average of raw material prices as compared with last year. In the long term, our marketing strategies continue, as well as our investments in the market due to our new product launches. Now let's look at our gross profit; our gross profit which was 28.9 million TL last year went up to 30.5 million TL. EBITDA was down from 19.4 million TL to 17.1 million TL due to increased marketing investment with the impact of marketing activities carried out during new product launches.

When we look at the income statement, there was 3% rise in our net sales and 2.5% in the cost of goods sold. Accordingly, our gross profit was up 5.6%, translating into an absolute value of 1.6 million TL. Specifically our marketing expenses showed a 4 million TL increase year-on; therefore there was some decline in our operating profit. In parallel, our pre-tax profit seems to have fallen down by 17.5%. Similarly, our EBITDA figure was 16 million TL, which is 3.4 million TL less than the last year's EBITDA of 19.4 million TL; but like I said the real reason of the decline here is the expenses incurred for the marketing activities in the second quarter of the year.

Our gross profit margin, as I already said, rose from 16.8% to 17.3%. Operating profit margin went down to 8.7% from 6.4% with the effect of marketing expenses like I mentioned earlier. Our net profit margin declined from 10.1% to 8.4%.

On the basis of quarters, our net sales in the second quarter rose from 82.1 million TL in the first quarter to 94.7 million TL in the second quarter with the support of new product launches and the accompanying marketing activities. Our 2010 Q2 figure was 88.7 million TL. Thus, we attained a significant growth in comparison to the first quarter and also year-to-year. Some decline in EBITDA in the second quarter was inevitable with the effect of the marketing activities we carried out.

When we look at basic ratios, I believe that overall the ratios are positive and we are significantly differentiated particularly when compared with the other companies active in the sector. The current ratio is 1.82, the leverage ratio is 0.24. The ratio of short-term financial debt to total debt is 0.6%. The ratio of net financial debt to EBITDA is 0.2. The ratio of total financial debt to equity is 0.5%. While our net financial debt was 9.1 million TL at the end of the year, it was down to 6.8 million TL as of the end of June. With the increased net cash generated on operating activities, our cash rose from 5.7 million TL to 11.4 million TL. Here we must mention continuous focus on risk management, effective working capital management, strong balance sheet and liquidity management.

Overall, red meat prices have raised extraordinarily in the first half of 2011 due to the increase in the supply of red meat that started in the second half of 2009 and is still continuing. For example, at some point in 2010, the price increase had gone up as high as 70%. The red meat prices in average rose by 37%, according to TurkStat data. With the governmental decision to import meat in an effort to balance these increases, there were occasional significant decreases in raw meat prices. There have been turbulences. At that point, we strove to manage our costs as best as we could. We kept focusing on high value-added products, and on developing smaller size packaged products that better fit the consumers' purchasing power. We adopted cost-saving measures. We tried to maintain production efficiency particularly by way of producing projects.

Strategically, it is our main goal, main strategy to outgrow the market and sustain our leadership in the segments we operate through effective price management, broad product portfolio addressing consumers in various segments, widespread distribution network and continued marketing investments. Around 5% growth in net sales. An EBITDA margin of 10-11%, I mean 10 as a minimum, and we project investments worth 5 to 7 million TL.

When we look at the ownership and participation structure, 54% of Pınar Et is owned by Yaşar Holding. 33% of the company is publicly held and 13% is owned by Pınar Süt. In terms of our participations, we hold 38% share interest in YBP, 23% in Çamlı Yem ve Besicilik A.Ş., 45% in Pınar Foods GMBH A.Ş., 20% in Pınar Anadolu Gıda, and 26% in Desa Enerji Elektrik Üretim. That concludes my presentation. I am ready to answer any questions you might have.

PINAR ET Q&A SECTION

Q: Will Pınar Et's increased marketing expenses in this quarter be permanent? Are you considering any changes to the target you quoted for 2011?

Erman TÜTÜNCÜOĞLU – Ata Invest

A: Due to the launch of new products introduced to the market in the second quarter of the year, our marketing investments seemed to be concentrated in the second quarter but there will not be much change overall between the first and second halves of the year. We will keep investing in the market. Most probably, our marketing investments in the second half may be less than that in the first half. We project an EBITDA margin of 10%-11% for the year-end. Therefore, overall, our marketing investment expenses in the second quarter are higher as compared with the other quarter, and that is aligned with our original projection. But like I said, in the aggregate our actual marketing investments at the end of the year will be in the region of the budget; the second half had been planned at a slightly lower figure than the first one, which will be the case. As I said, our EBITDA margin will materialize in the region of 10%-11% minimum, I guess. It could be useful to mention another thing here. At the onset of the year, the government's decision regarding fresh meat imports stated that meat import would end as of December 31st and calves for slaughter import would end as of March 31st of 2010. Based on this, we had projected domestic meat prices would be slightly higher; however, the fact that import continues both in carcass meat and in calves for slaughter put a brake on price increases at a certain extent. Therefore, our average sales price could be somewhat below than what we projected at the beginning. In a sense, this could somehow affect our finishing price at the end of the year, but we believe that we will realize the growth rates we had foreseen in terms of quantity. Thank you.

Q: It is discussed that following the increases in exchange rates, it will not be possible to sell imported meat with the 75% tax imposed, and therefore supply will fall short of the demand. What is your projection for 2011 H2 and 2012 raw material prices? How do you expect this to reflect on your financials?

İrem OKUTGEN – Garanti Securities

A: Depending on the rise in exchange rates, coupled with the 75% tax rate, currently there is some decline in carcass meat imports but the Ministry is presently preparing to introduce changes to the tax rates, if necessary, in order to keep the average carcass meat price of calves in the 14-15 TL range. Therefore, I personally predict that meat prices in the coming period will move in the range of 14-15 TL.

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.