

Speaker: Tunç Tuncer, General Manager

I would like to share with you our company's business results for the first-half of 2014. Our company has been operating with a large portfolio since the day it was founded. It has been the sector's leader with its name and brand equity. First and foremost, we manage a portfolio of more than 200 products based on our R&D production capabilities. The products we produce are delivered to over 150,000 points nationwide via our YBP company, or Yaşar Birleşik Pazarlama. Giving the highest priority to quality and food safety in every phase from the supply to the end product, our company has also endorsed its operations with quality management systems.

When we look at the market dynamics, you will all remember that imports of different variants including carcass, livestock for breeding or for butchering had started in 2010. The quantities under relevant import permits exhausted gradually, with the one for calves for breeding remaining as the last, which also expired in February 2013. This marked the end of imports. Calf prices took an upward trend from the second half of 2013. We see that this rise continued also in 2014. We see that the calf prices went up by 11.81% from the start of 2014 according to TurkSTAT data. Year-to-year, the increase corresponds to 23-25%. However, our country's meat production decreased by 11% year-to-year in the first quarter of 2014. There was 5.8% rise in poultry meat products. When we look at the overall market, (the production) that is fully documented and registered is around 34,500 tons which is worth 760 millions TL. At the same time, other factors that affected the market dynamics in the past period included company mergers and alliances.

In terms of the competition in the market, we see that our company is ahead of its competition. The overall processed meat market shrank by 4.3% annually in terms of quantity in the first half of 2014, and showed about 12% rise in turnover. We have increased our market share in delicatessen products as compared with the end of the last year and we remain the market's leader with a share of 24.3%, which is more than 2.5 times of our closest competition. The graph here presents a categorical view. We see that the rises in market shares continued in the first half of 2014.

In terms of new products, we had already introduced the gourmet chicken delicatessen products we see here. We are on the shelves with our new packaging lined up as a family pack. In May, we presented our BBQ pleasure – large slice product to our customers. In the frozen products category, we have introduced turkey doner, turkey nugget, sea bass and bream in lemon sauce.

From the standpoint of campaigns, gourmet soudjouk advertising communication was carried out in March 2014. In addition, our salami campaign received the Golden Effie award in the competition organized by the Advertising Association and the Advertisers' Association.

In 2014, 88% of our total sales came from processed products and 8% from fresh meat. At Pınar Et, we have stuck to the strategy of focusing on the sales of high added-value products, e.g. delicatessen and frozen products. We are delivering 80% of our products to our customers through YBP.

Now let's take a look at our business results. When we look at the sales performance from the perspective of profitability, we see that our company's net sales were up by 18.3% as compared with the same period in 2013 and reached 166.4 million. Here, we see that 6% of the growth resulted from the expansion in quantity. We have seen in previous slides that the prices of raw materials continued to increase. These rises could not be reflected on the market as quickly, since it corresponded to a time when the market shrank by 4.3% in terms of quantity. When raw material prices kept increasing still after the price increases made, a phase difference resulted. When we distribute that across our operating costs, it is partly offset owing to the rise in our income from affiliates. Our Company's net profit went up year-to-year and reached 21.2 million.

When going over our income statement, we had mentioned that we had increased our sales by 6% in terms of quantity at a time when the market shrank. Our net sales show an 18.3% rise, bringing the figure to close to 266 million TL. With the effect of the rises in raw material prices, our gross profit was worth 39.9 million TL. Owing to operational improvements and to income from affiliates, our EBT was up 7.8% to 24.3 million TL and our net profit was up 18.9 to 21.2 million TL. Our Company's shareholders's equity was 321.6 million as at June.

When we consider it from profit margins, we see that 2013 has been a relatively higher year. As you will remember, a key contributor was the timing, which coincided with the production of new meat products due to the new regulations published. At that time, our Company successfully managed its operations and achieved success. Later, however, other companies also followed suit and competitive conditions were normalized.

Moving from the first quarter of 2014 to the second quarter, we see that our margins increased in general. This slide shows the key ratios for our Company. Overall, we see that we focused on risk management and effectively managed working capital.

When we make a general assessment of the first half-year, we see that growth occurred despite the raw material price increases that continued in the first half of 2014. After taking an upturn toward the end of 2013, raw material prices continued to move in the same direction also in 2014. We see that the annual rise is 11.88% according to TurkSTAT figures. Our Company

focused on high value-added products and continued to develop products in smaller size packs in line with the purchasing power of our customers. Looking at our strategic goals, we see that we have focused on high value-added product groups. And we see that we target to sustain our market leadership. In doing these, we will be giving priority to inventory management, our widespread distribution network and our marketing investments. Thank you.