

Meeting Notes, August 11, 2015

Tunç Tuncer, General Manager,

- I would like to go over the recent developments in the market. The delicatessen market has grown by 19.6% year-on-year in terms of turnover. The growth in volume was 4.1% in H1 2015. Salami and sausages sub segments are the main drivers of growth in the market. The other important segment for the company is frozen products which achieved a 17.1% turnover growth and 4% volume growth. The growth in frozen dough products made a great contribution to this segment.
- If we recall the past developments in raw meat prices, we remember an importation period which started in 2010 and lasted until February 2013. The raw meat prices entered into an upward trend in the second half of 2013 and It has been going on so far. When we compare 27% year-on-year increase in raw meat prices with overall inflation or food inflation, It seems much higher. The main reason behind this huge increases in raw material prices is the deficiency in supply to meet demand. To support supply, the government gave a permission for livestock imports as of February 2015.
- 41% of the packaged delicatessen market consisted of soudjouk, 31.5% of salami and 19% of sausages in H1 2015. We have maintained our leadership in the market over our closest follower by a three-fold.
- Our company continued in 2015 to watch market trends, and to respond to them with new tastes that strengthen our expertise. The new products including new packages corresponded to 10% of our net sales in H1 2015.
- Analyzing our growth, we see that the main drivers were price and product mix. Despite a sharp increase by %27 on an annual basis in beef prices we have achieved better margins in 2015 when compared to last year. This is due to more profitable product mix and being able to reflect the costs onto end-prices.
- Looking at our strategies and goals, we target to remain the market's leader by outgrowing the market thanks to our extensive distribution capability, effective inventory management, and our product portfolio addressing diverse needs in the market

Q&A

Meat imports:

- An intervention via Meat and Milk Agency was needed by government due to the effects on the overall inflation. The Sacrifice Holiday expectations in the sector boosted upward trend in the prices despite the permission of livestock imports given in February and intervention by Meat and Milk Agency. We may expect the impacts of these actions on the prices after The Sacrifice Holiday. This may affect the company and the sector positively because a decrease in the raw material prices will increase the demand which has weakened due to the recent hikes in the red meat prices.