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ÜLKER BİSKÜVİ
3Q 2018 EARNINGS RELEASE

YILDIZ ★ HOLDING

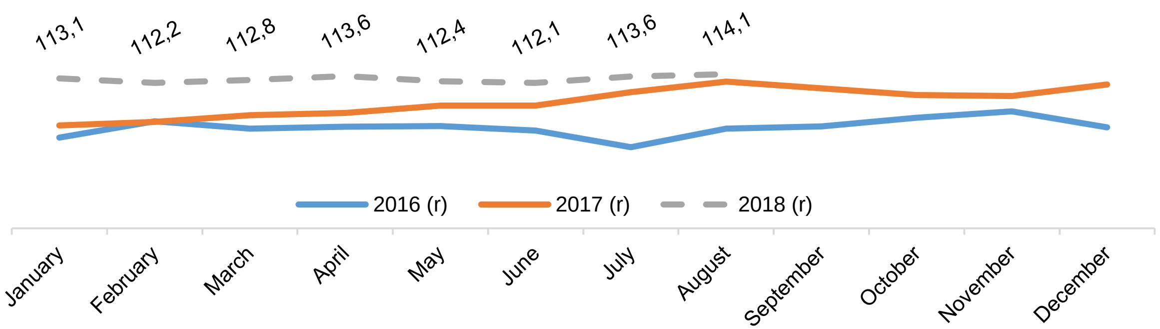
Cenker UÇAN, CFO
İstanbul, 9 November 2018

Agenda

- ***Turkey Macro Economic Overview***
- ***Market Growth***
- ***3Q 2018 Highlights and Consolidated Operational Performance***
- ***Domestic Operations***
- ***International Operations***
- ***Balance Sheet Highlights***

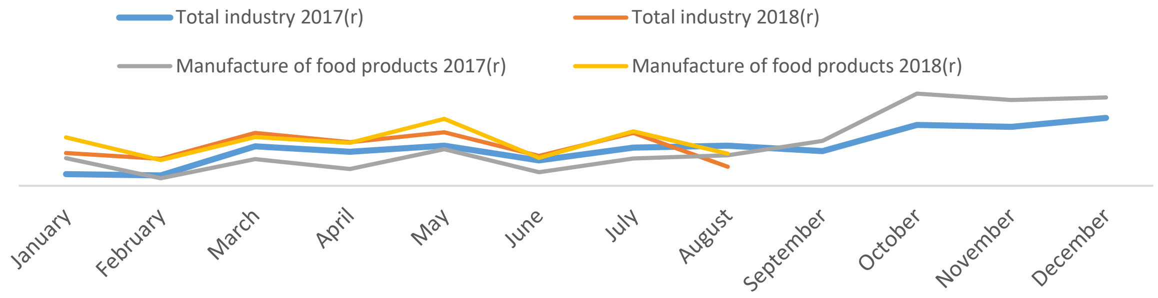
Turkey Macro Economic Overview

Retail Sales Volume Index



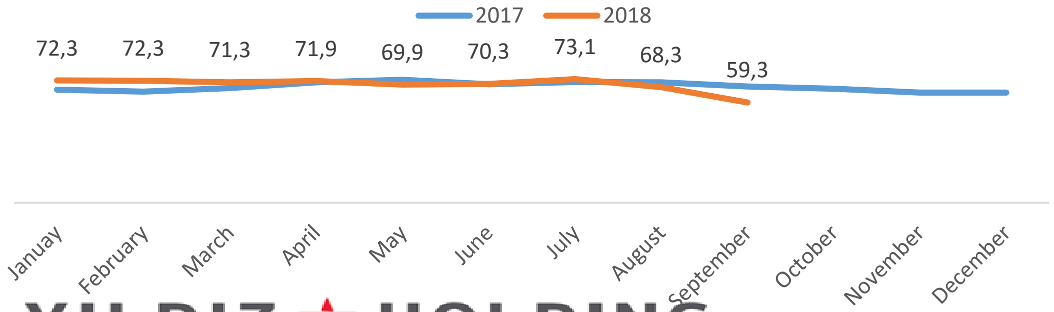
- Seasonal and calendar adjusted retail sales volume with constant prices increased by 0,4% in August 2018 compared with the previous month

Industrial Production



- As of August 2018 Industrial Production index realized as 101,1
- Adjusted Industrial production increased by 1,7% compared year over year and manufacture of food products increased by 1% compared with August 2017

Consumer Confidence Index

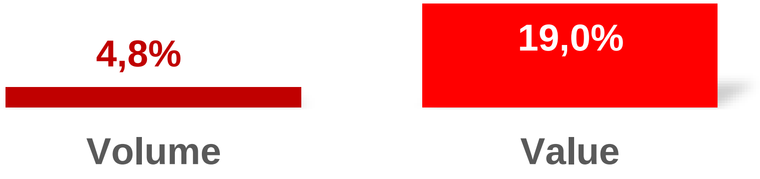


- Consumer confidence index in Turkey realized as 59,3 in September 2018. Compared to September 2017 decreased by 13,7%.
- Consumer price index (CPI) increased by 6,3% in September 2018 compared to previous month
- Food inflation higher by 6,4% m-o-m and 27,7 % y-o-y.

Source : TUIK

Market Growth

Total Confectionary

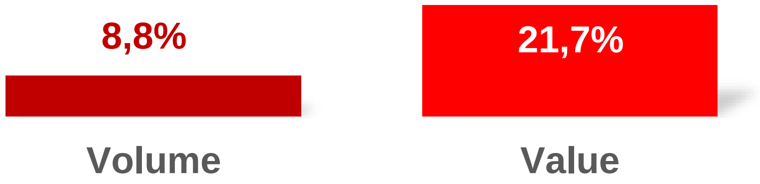


Total Confectionary market grew by 4,8 % in volume and 19,0% in value terms

Biscuits

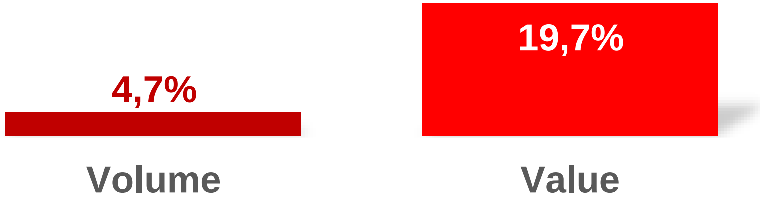
Biscuit market grew by 2,2 % in volume and 16,7 % in value terms

Chocolate



Chocolate market grew by 8,8 % in volume and 21,7 % in value terms

Cake



Cake market grew by 4,7 % in volume and 19,7 % in value terms

Source : Nielsen

3Q 2018 HIGHLIGHTS AND CONSOLIDATED OPERATIONAL PERFORMANCE

Over 70+ years of experience in Turkey

Production: 4 countries, 10 facilities

Total Capacity: 957K tons

Largest capacity in the region with strategically located plants

TR: Bisc.& Choc.& Cakes
4 in Istanbul, 1 in Karaman, 1 in Ankara total 6 Factories.
Total Capacity: 789k

Egypt
Hi-Food
Biscuits
Capacity: 44k tons/year

KSA
FMC&IBC
Bisc.& Choc.& Cakes
Capacity: 77k tons/year

UAE - Ul Mena

Kazakhstan
Hamle
Bisc.&Choc.&Cakes
Capacity: 47k tons/year

3Q'18 Consolidated Performance Highlights

Volume

130KTons

Growth 4,7 %

Revenue

TL1.46 BN

Growth + 37,4 %

Gross Profit

TL 411 MN

Growth + 45,3%

Gross Margin

28,1 %

improved by 150 bps

EBITDA

TL235 MN

Growth +38,2 %

EBITDA Margin

16,1 %

improved by 10 bps

Net Profit

TL 222 MN

Growth + 161,4 %

Continued focus on generating EBITDA and margin improvement

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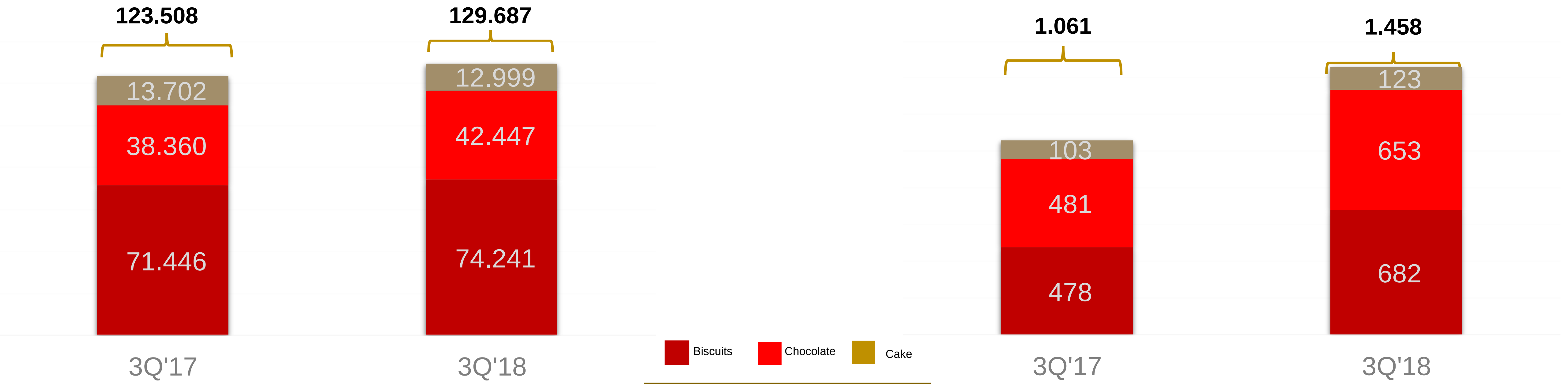
TL ('000)	3Q 2017	3Q 2018	%	9M17	9M18	%
Confectionary Volume (Ton)	*123.508*	*129.687*	*5,0%*	*397.404*	*408.040*	*2,7%*
Revenue	*1.062.311*	*1.463.183*	37,7%	*3.523.510*	*4.220.779*	19,8%
Confectionary Revenue	*1.061.423*	*1.457.974*	37,4%	*3.447.885*	*4.205.138*	22,0%
Gross Profit	282.519	410.586	*45,3%*	941.794	1.156.707	*22,8%*
Gross Profit Margin	26,6%	28,1%		26,7%	27,4%	
EBITDA	*170.324*	*235.364*	*38,2%*	*531.171*	*660.680*	*24,4%*
EBITDA Margin	16,0%	16,1%		15,1%	15,7%	
Net Income *(Equity Shareholder of the parents)*	84.867	221.855	161,4%	290.329	568.097	95,7%
Net Income %	*8,0%*	*15,2%*		*8,2%*	*13,5%*	

- Robust positioning in all markets we operate
- Significant Margin Expansion in Q3; Growth in gross profit 45,3% , Confectionary revenue increse by 37,4% and EBITDA 38,2% with highest ever margin by 16,1%
- Best in class net income growth in Q3; 221,8mnTL up by 161,4% yoy

Maintained our strong foothold and delivered our targets despite the challenging market conditions in Q3.

Confectionary Sales Volume (Tons)

Confectionary Sales Value (TLm)



- Consolidated Confectionary volume improved by 5%
- Biscuits volume increased by 3,9%
- Chocolate volume up by 10,7% driven by new launches and successful synergy products
- Cake volume was contracted by 5,1%

- Confectionary revenue increased by 37,4%
- Biscuits sales was up by 42,8%
- Chocolate sales up by 35,8%
- Cake sales was up by 19,5%

Greater discipline, speed and agility continued in 9M’18

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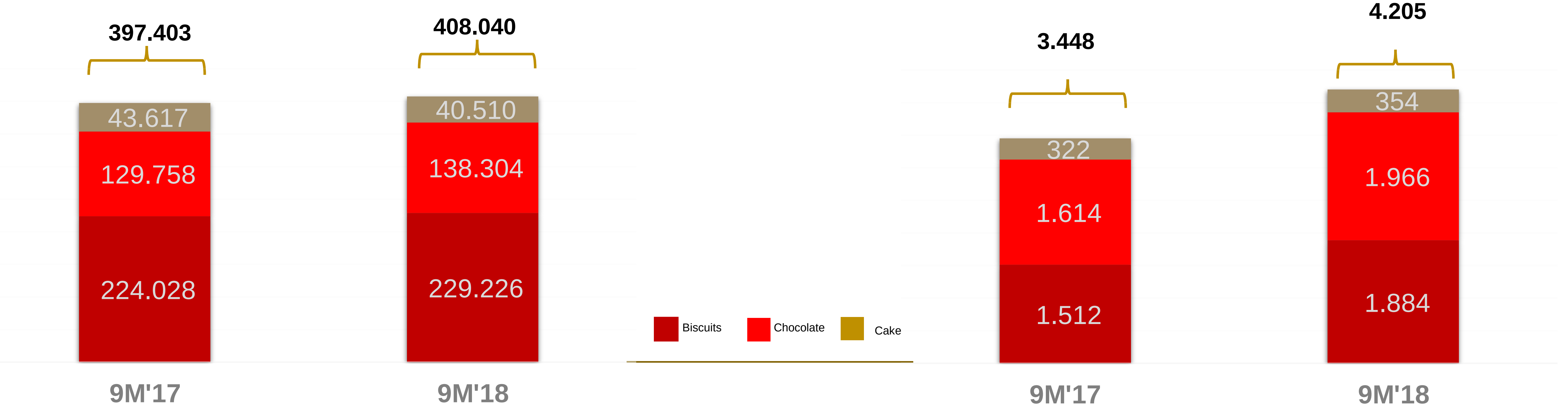
Confectionary Sales Volume (Tons)

Confectionary Sales Value (TLm)



- Consolidated Confectionary volume improved by 2,7%
- Biscuits volume increased by 2,3%
- Chocolate volume up by 6,6% driven by new launches and successful synergy products
- Cake volume was contracted by 7,1% driven mainly by price adjustments

- Confectionary revenue increased by 22,0%
- Biscuits sales was up by 24,7%
- Chocolate sales was up by 21,9%
- Cake sales was up by 9,9%

DOMESTIC OPERATIONS

Turkey – #1 in Total Confectionary with 35% Market Share

Value Growth in all 3 categories

Biscuits – 37,9% Market Share

#2


1 in Petit Beurre


1 in Creamy Biscuits


1 in Special Biscuits


1 in Cracker


1 in Sandwich Biscuits


1 in Chocolate Biscuit

#1 **Volume Leader in Biscuits**

Chocolate – 36,3% Market Share

#1


4 out of Top 5 in Chocolate Covered


#1 in Solid Chocolate

Cake – 25,6% Market Share

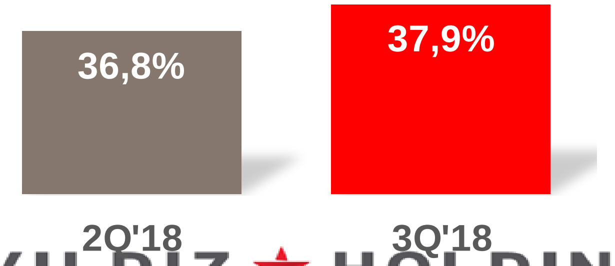
#2

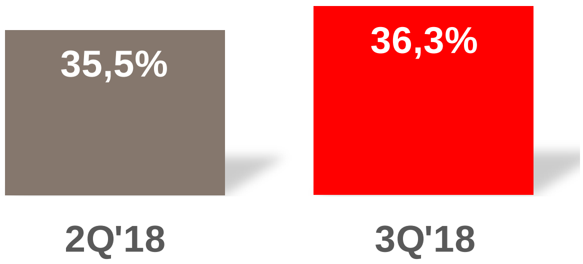

#1 in Family Cake

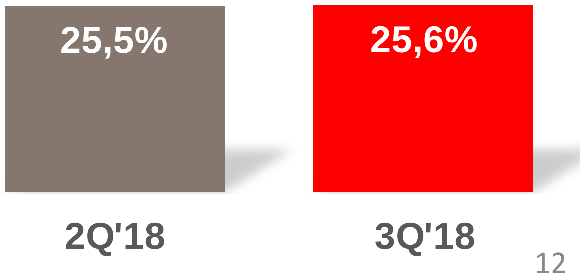

#2 in Portion Muffin Coated Cake


#2 in Wet Cake

Market Share Development in Value(*)







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(*) Source: Nielsen

Branded Sales Contribution of Synergy Products and New Launches

2018 Synergy Products

2017 Synergy Products

2018 New Product Launches

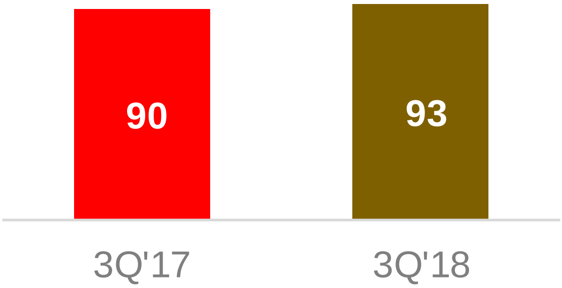
biscuits

cakes

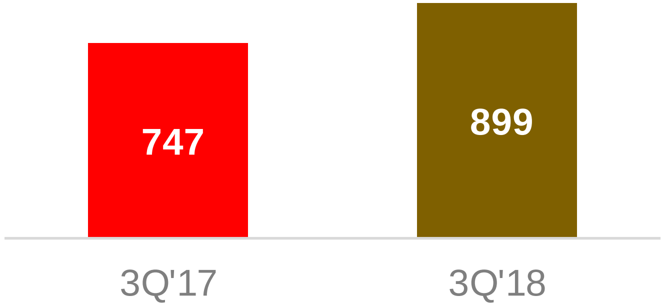
chocolate

Sustain our strong position with our strong brands and new innovations in Domestic Operations

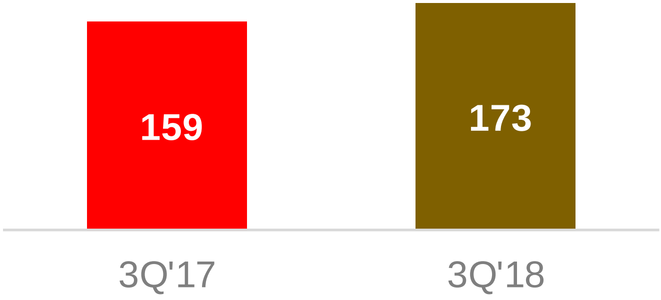
Sales Volume (x000 tons)



Net Sales (TLm)



Gross Profit (TLm)



EBITDA (TLm)

- Volume increase driven by new launches and iconic brands

- Revenue up by 20,3% in total due to;
  - Effective support for new launches and iconic brands,
  - Portfolio optimizations,
  - Favorable category and mix impact.

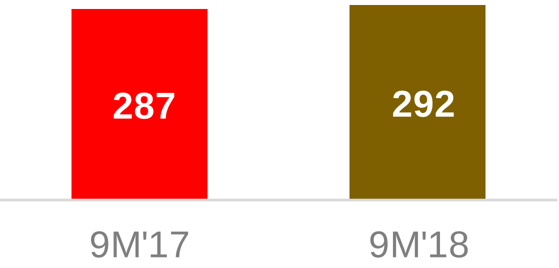
- Gross Profit was up by 8,8 % reflecting the
  - Effective positioning in the market,
  - Continues cost efficiency supply chain projects (i.e line allocations)

- EBITDA represents a 8,8% growth with the margin of 13,1% in Q3’18

All figures set out in the table above are related to products sold in Turkey

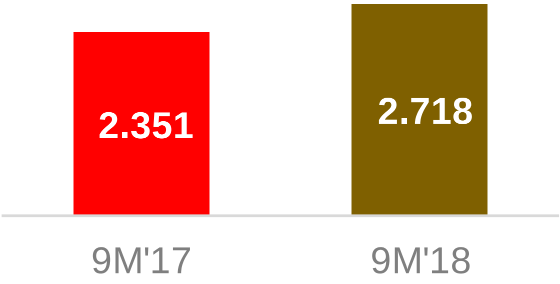
Strengthen our position with portfolio optimizations, effective pricing and new launches in 9M'18

Sales Volume (x000 tons)



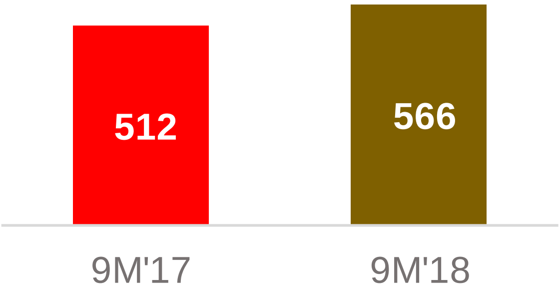
- Volume improved by 2,0% in total

Net Sales (TLm)



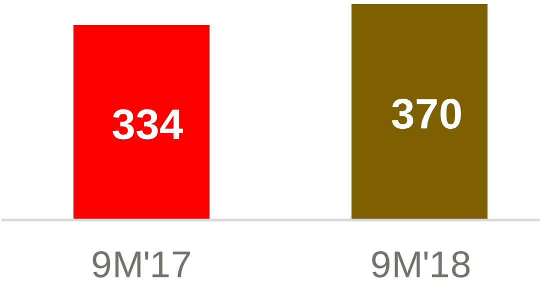
- Revenue was up by 15,6% in total due to;
  - Effective positioning in the market,
  - Increase in non branded sales driven by production for Ramadan period in gifting and sharing category,
  - Favorable category and mix impact.

Gross Profit (TLm)



- Gross Profit was up by 10,6 % reflecting the ;
  - Increase in sales,
  - The efforts in productivity,
  - Continues cost improvement,

EBITDA (TLm)



- EBITDA represents a 10,8% growth with the margin of 13,6%

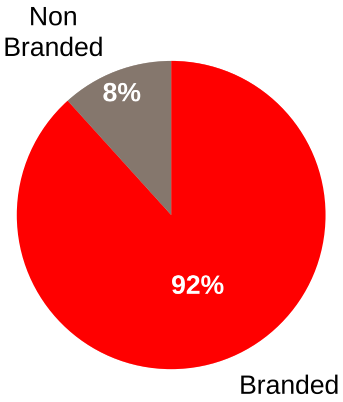
All figures set out in the table above are related to products sold in Turkey

Strategy to Focus in Branded Confectionary Products

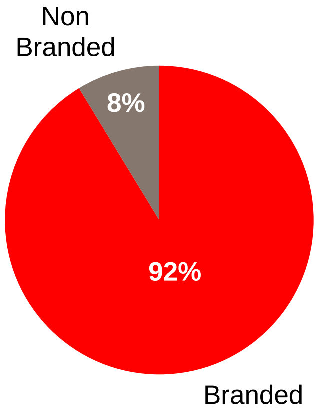
- In line with our strategy, we focused on branded product sales and continue to enjoy significant contribution improvement at the operational front.

Branded & Non-Branded Volume Breakdown

9M’17

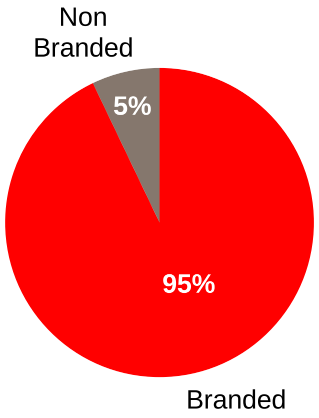


9M’18

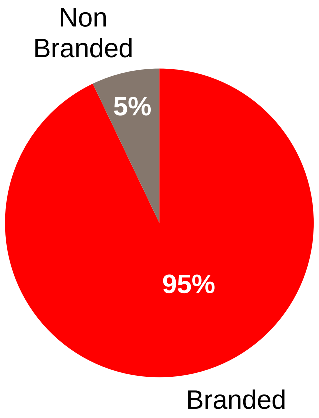


Branded & Non-Branded Revenue Breakdown

9M’17



9M’18



INTERNATIONAL OPERATIONS

Great Potential to Drive Additional Growth

- ✓ Ability to act as local producer and regional production hubs as well
- ✓ Ability to build higher scale in primary markets
- ✓ Access higher growth in confectionary adjacencies in biscuit category
- ✓ Potential to add new business capabilities in core categories

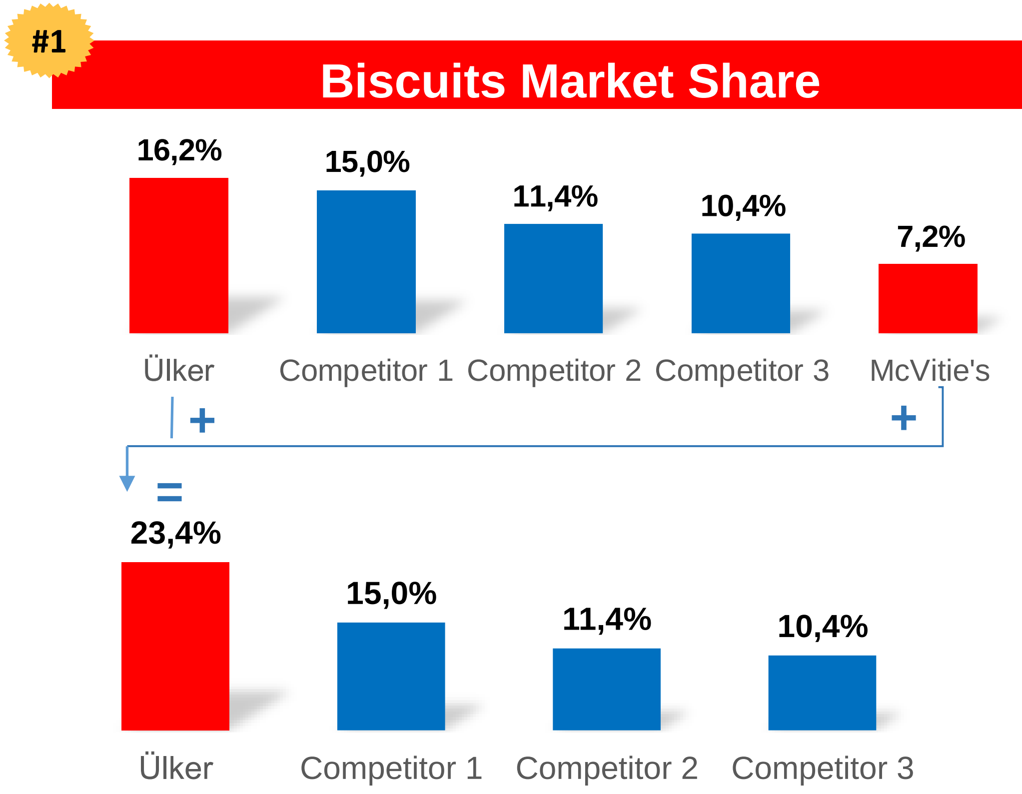
Saudi Arabia – more and more stronger with higher market share – position # 1

FMC Financial Review

	9M'17	9M'18	Change
Sales Volume (tons)	27.293	32.284	18,3%
Net Sales(SAR x000)	361.732	452.234	25,0%
EBITDA(SAR x000)	48.199	64.787	34,4%
EBITDA Margin	13,3%	14,3%	

- Strengthen our position in the market by increasing our market share
- Increasing our market share in a declining market
- Posted another strong quarter
- Very successful Back To School campaign
- Effective launches in Gifting/Sharing category and positive impact of Godiva launch
- Positive contribution of McVitie's and Rana continued

Biscuits Market Share



Saudi Arabia – IBC Operations
Expansion in all lines proves that the strategy of the acquisition is on right track

IBC Financial Review

	9M '17	9M '18	Change
Sales Volume (tons)	8.189	10.094	23,3%
Net Sales(SAR x000)	102.702	126.962	23,6%
EBITDA(SAR x000)	21.654	35.185	62,5%
EBITDA Margin	21,1%	27,7%	

Purpose of Aquisition & Operations in a nut shell

- Ülker acquired 100% of IBC (1 Factory in Riyad)
- Purpose was to consolidate FMC and IBC's operations,
  - Decrease cost to serve,
  - Create synergies from procurement, production and distribution,
  - Enlarge the presence in modern channel and increase the visibility in shelf space
- Benefit from IBC's strong sales in domestic market
- Multi-production : Ülker & McVitie's & Rana

IBC Product Portfolio

Egypt – Target #1 in Biscuits, #2 in Cake & Top 5 in Chocolate

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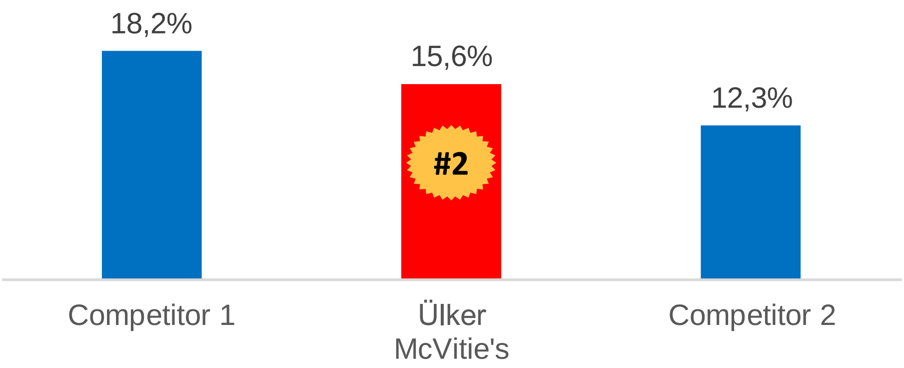
HI-FOOD & ULKER EGYPT Financial Review

	9M '17	9M'18	Change
Sales Volume (tons)	22.012	24.477	11,2%
Net Sales(EGPx000)	652.791	884.682	35,5%
EBITDA(EGPx000)	23.924	134.158	460,8%
EBITDA Margin	3,7%	15,2%	

Biscuits Market Share



#1 Holding # 1 position in biscuits excluding wafers

- Volume improvement of 11,2% with successful Ülker and McVitie’s launches
- Over the budget sales performance in domestic sales supported the topline
- Very successful 360 McVitie's launch and successful price positioning of Ulker and McVitie’s supported EBITDA
- Continuous operation efficiency by decreasing scrap ratios, lower raw material prices and lower marketing expenses (ATL/BTL) were the positive drivers

UI MENA Operations
To become # 1 or strong # 2 in all MENA

UI MENA Financial Review

	9M '17	9M'18	Change
Sales Volume (tons)	7.738	7.989	3,3%
Net Sales(AED x000)	130.073	131.437	1,0%
EBITDA(AED x000)	40.888	36.800	-10,0%
EBITDA Margin	31,4%	28,0%	

Since import business has been shifted to production in HI-FOOD, the sales of EGYPT c.21M AED and EBITDA of 4.5M AED have been recognised under HI-FOOD.

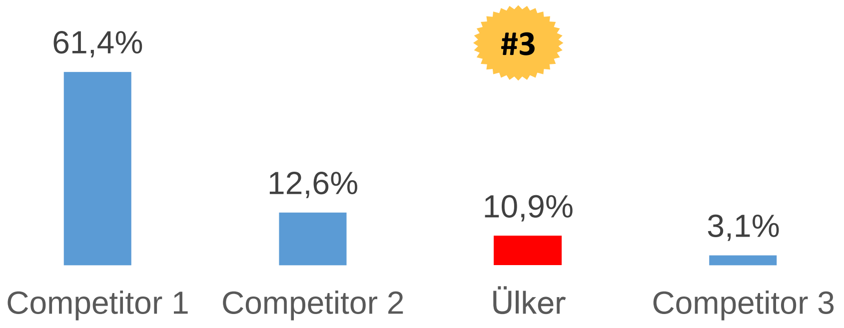
- Ülker acquired UI MENA which owns **Amir Global** (the owner of McVitie's distribution / production rights in MENA and Saudi Arabia along with sales company in Egypt)
- Sales operations in Egypt (Ülker Egypt- consolidated in Egypt side)
- Some of the main markets: Saudi Arabia, UAE, Lebanon, Qatar, Kuwait, Jordan, Egypt
- Improve market position of Ülker in MENA countries to be number 1 or number 2
- Decrease cost to serve in the region

Kazakhstan-A bridge from East to West and our gate to Asia

HAMLE Financial Review

	9M'17	9M'18	Change
Sales Volume (tons)	8.119	8.750	7,8%
Net Sales(KZTx000000)	6.461	7.427	14,9%
EBITDA(KZTx000000)	274	164	-40,1%
EBITDA Margin	4,2%	2,2%	

Chocolate Market Share



- Transition from low profitable secondary brands to star brands (i.e. Biskrem & Halley)
- Positive contribution of Kazakhstan market sales
- Hamle started to source Azerbeijan market. The production has been switched from Turkey to Hamle.
- Start of sales of locally produced Halley in KZ, focus on instore visibility of star brands

International Operations

Making the Right Choices and Investing for Growth

Egypt

#2 Biscuits – 15,6% Market Share

1 in Filled
(Biskrem and Tamr brands)

2 in Plain
(Teabiscuits and Finger biscuits)

Saudi Arabia

#1 Biscuits – 23,4% Market Share

1 in Plain

1 in Filled

4 in Sandwich

#1 in Coated

3 in Wafer

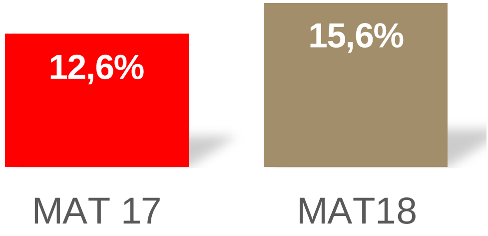
Kazakhstan

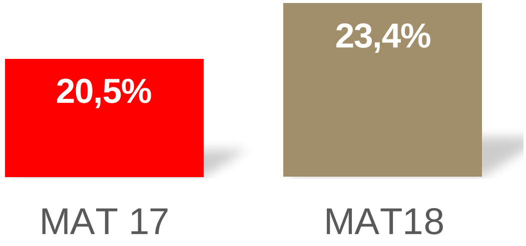
#3 Chocolate– 10,9% Market Share

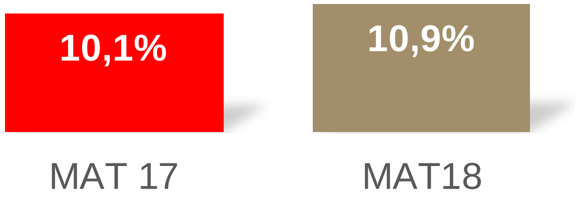
1 in Biscuits with filling

4 in countline

Market Share Development, Value Based







(*) Source: MAT (Moving Annual Total) Nielsen Data

2018 New Launches & Synergy Products

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EGYPT

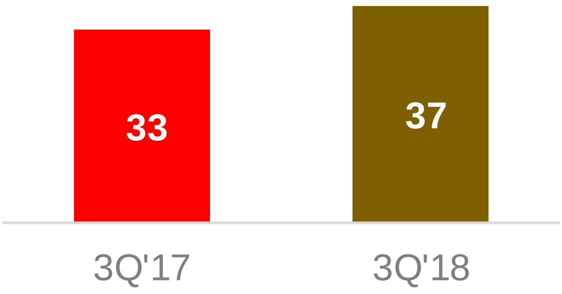
KAZAKHSTAN

SAUDI ARABIA

SYNERGY PRODUCTS

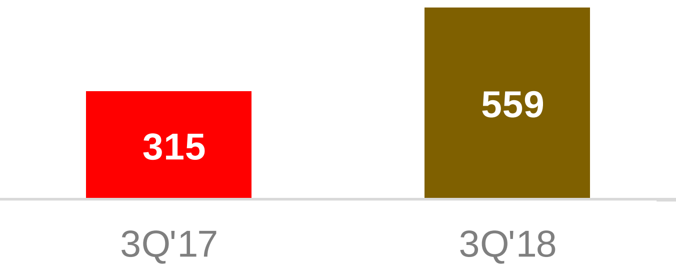
Positive contribution to growth and strong operational execution continued in Q3’18

Sales Volume (x000 tons)



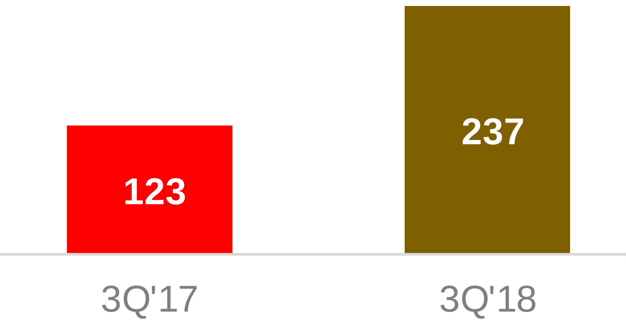
- Total volume was slightly up by 12,3% and branded volume improved by 24,5%
- Volume increase driven by new launches and positive contribution of synergy products

Net Sales (TLm)



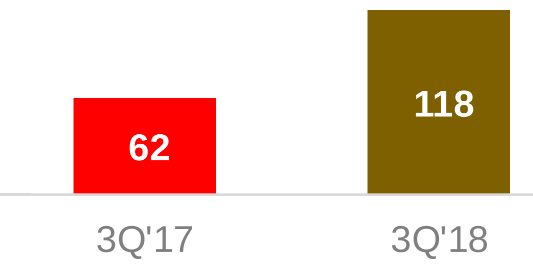
- Branded revenue up by 78,9% and overall confectionary revenue up by 77,8% due to;
  - Price adjustments and currency impact
  - Favorable category and mix impact
  - Favorable price positioning of McVitie’s products

Gross Profit (TLm)



- Gross Profit was up by 92,6 % reflecting the
  - Increase in sales & new launches
  - Efforts in productivity
  - Synergies supported with UI Mena & IBC acquisition

EBITDA (TLm)

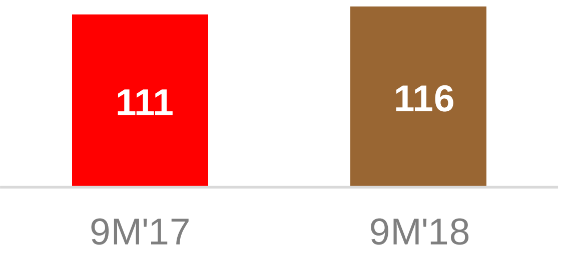


- EBITDA represents a 89,2% growth with the margin of 20,9%

All figures set out in the table above are related to products sold in overseas operations

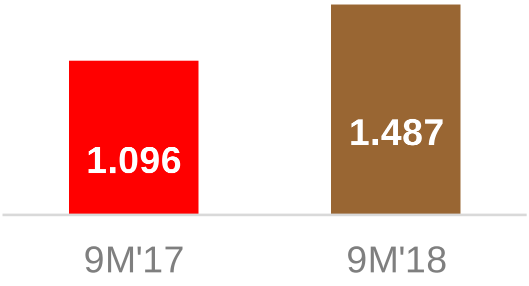
Investing in our full brand portfolio through acquisitions

Sales Volume (x000 tons)



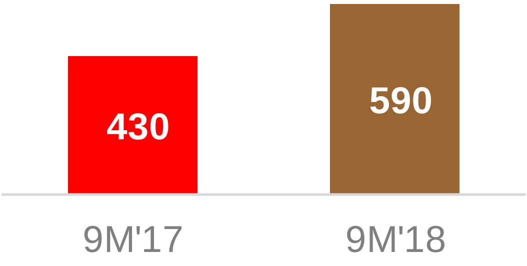
- Total Confectionary volume increased by 4,5%
- Branded volume jumped by 10,9%

Net Sales (TLm)



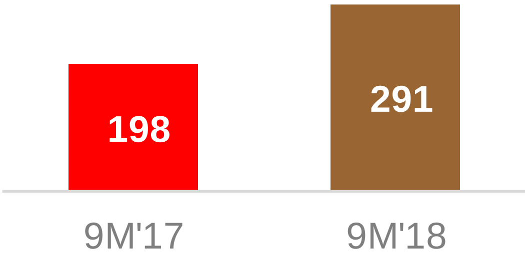
- Branded revenue up by 40,7% and overall revenue up by 35,6% due to
  - Over the budget performance of all brands
  - Overachieved in McVitie's sale with strong price positioning

Gross Profit (TLm)



- Gross profit increased by 37,3% and margin by 39,3 % wihich expanded by 2,6 ppt

EBITDA (TLm)



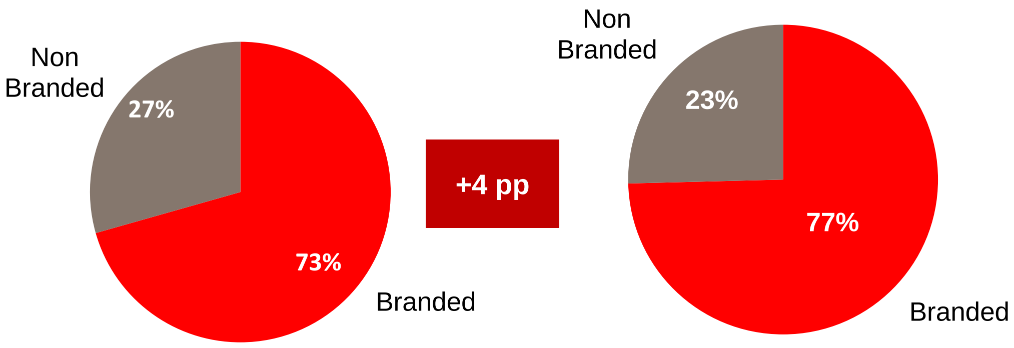
- EBITDA represents a 47,3% growth with the margin of 19,4%

All figures set out in the table above are related to products sold in overseas operations

Strategy to Focus in Branded Confectionary Products

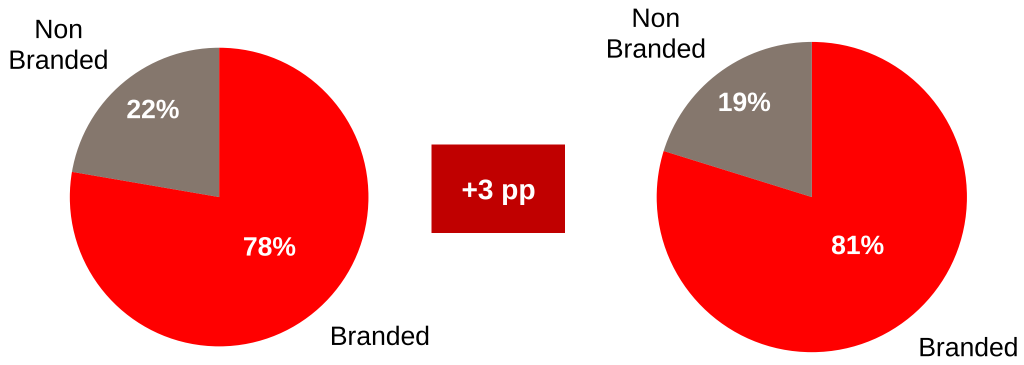
Confectionary Branded & Non-Branded Volume Breakdown

9M’17 | **9M’18**



Confectionary Branded & Non-Branded Revenue Breakdown

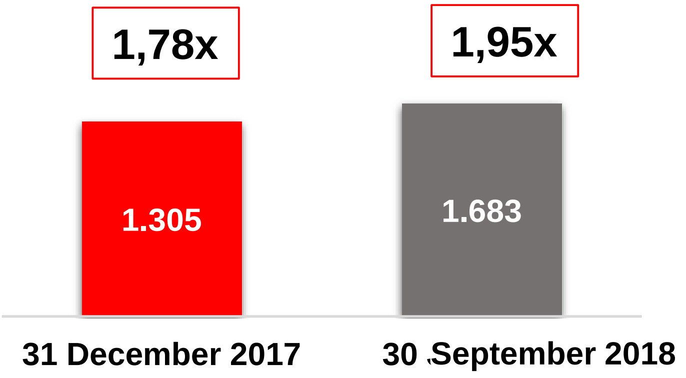
9M’17 | **9M’18**



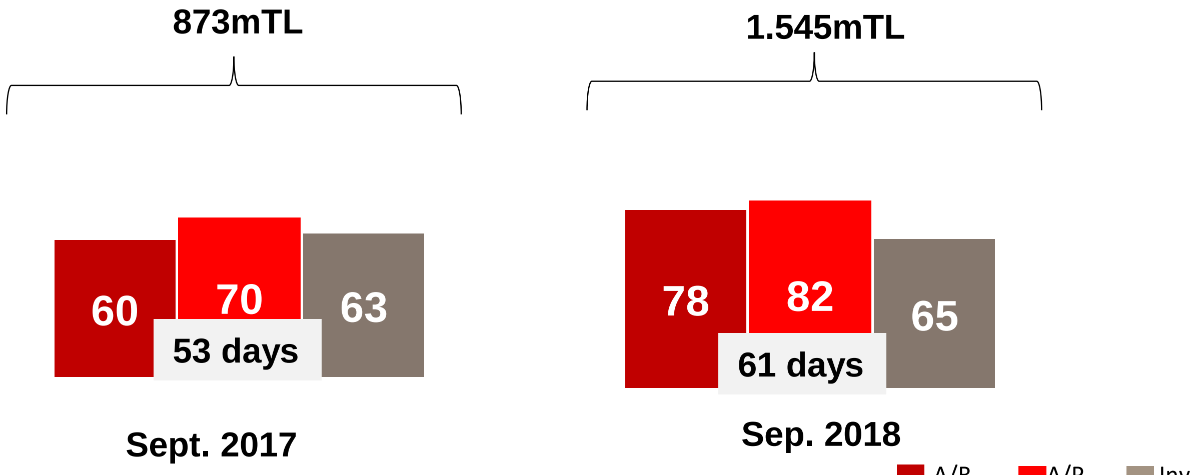
BALANCE SHEET HIGHLIGHTS

Net Working Capital & Net Debt Position

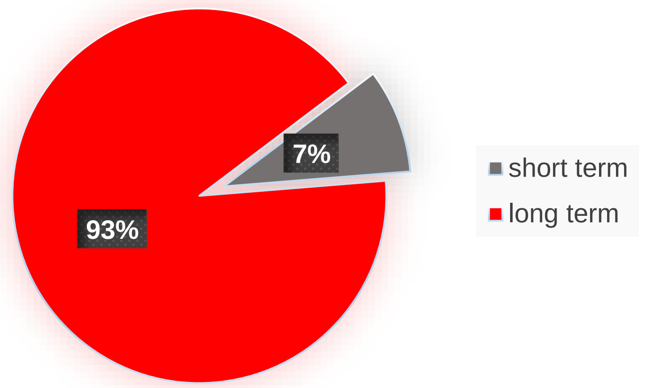
Net Debt (TLm) – Net Debt/EBITDA (x)



Average Working Capital Days & Net Working Capital



Maturity Breakdown as of September 2018



- Net debt as of Sept 2018 : 1.683 TLm
- Net debt to EBITDA is 1,95x
- 93% of our debt structure is through long term
- Cash Cycle of 61 days in 2018

Net FX Position

The FX net position of B/S has been minimized through derivative instruments

(Million TL/$/€/£)	TL Equivalent	USD	EURO	GBP
Cash Equivalents & Monetary Assets	4.785,3	794,1	3,3	0,7
Trade Receivables	170,7	20,7	6,3	0,4
Total Assets	**4.955,9**	**814,8**	**9,6**	**1,1**
Financial Liabilities	325,1	33,3	18,1	-
Trade Payables	166,0	11,8	13,2	0,5
Other Current Liabilities	**491,1**	**45,0**	**31,3**	**0,5**
Financial Liabilities	5.477,9	238,7	582,4	-
Non Current Liabilities	**5.477,9**	**238,7**	**582,4**	**-**
Total Liabilities	**5.969,0**	**283,7**	**613,7**	**0,5**
Net Position	**(1.013,1)**	**531,1**	**(604,1)**	**0,6**
Derivative Transactions	903,4	116,0	30,0	-
Net Position after derivative transactions	**(109,7)**	**647,1**	**(574,1)**	**0,6**

The table was prepared based on the combination of fx position of Group entities.

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