



International Biscuits Company & United Biscuit's MENA Export Operations Executive Summary

Private & Confidential
KPMG Turkey | Corporate Finance
21 August 2017

Engagement Overview (1/2)

Introduction

KPMG Akis Bağımsız Denetim ve SMMM A.Ş. (hereinafter also referred to as “KPMG” or “We”) was appointed to assist in performing a valuation of International Biscuits Company (“the Company” or “IBC”) and MENA Export Business of United Biscuits (the “MENA Export”) (together “Target Businesses”) as at 31 December 2016 (the “Valuation Date”) upon request of Ülker Bisküvi San. ve Tic. A.Ş. (“Ülker Bisküvi” or “Company”) as set out in our terms of reference. This valuation report (“Report”) has been prepared primarily on the basis of information provided to KPMG, supported by publicly available data where available.

Basis of Indicative Valuation

This indicative valuation has been performed on the basis of market value as at the Valuation Date. The generally accepted definition of market value, and that applied by us in our Valuation, is the value as derived between a hypothetical willing vendor and a hypothetical willing prudent buyer acting at arm’s length in an open market with full access to information.

Basis of information

In conducting this Valuation, our primary source of information has been factual information provided to us, principally by the Company Management, and publicly available information, without our own separate verification.

This Valuation Report is based on Target Businesses' financials between 01 January 2016 – 31 December 2016 together with forecast of cash flows between the dates of 01 January 2017 – 31 December 2021 provided to KPMG.

The forecasts and projections as supplied to us are based upon assumptions about events and circumstances which have not yet transpired. Accordingly, we cannot provide any assurance that the estimates will be representative of the results which will actually be achieved during the forecast period.

In particular, we have not tested individual assumptions or attempted to substantiate the veracity or integrity of such assumptions in relation to any forecast financial information. If these assumptions are not correct or do not hold true the results of our work could change and that change could be material.

In the event that information is brought to our attention, subsequent to the issuance of our Report, which we were not made aware of at the time of issuing our Report, this could have the effect of materially changing the results of our Valuation. We are, however, under no obligation to amend or update our Report in the light of any additional information, subsequent events or any other reason.

Our report is based on prevailing market, economic and other conditions at the Valuation Date. Conditions can change over relatively short periods of time. Any subsequent changes in these conditions could impact upon the value, either positively or negatively. Our concluded equity value will be presented as an indicative value range reflecting the sensitivity of the value on the main macroeconomic data and company specific assumptions.

Management has been consulted about and has confirmed the appropriateness of the basic principles and assumptions used by KPMG to perform the analyses.

Engagement Overview (2/2)

Limitations of our analysis

Key assumptions and forecasts have been provided in relation to the performance of the Target Businesses. The financial model ("Model") used for the purposes of the Valuation was provided by the Company Management. KPMG has not audited these figures, but has challenged Management on the key underlying assumptions. The integrity of the underlying forecast model, on which the key outputs were provided to us by Management has not been verified by KPMG.

No statutory audit has been performed by KPMG either with respect to the information included in this report or any other information supplied. KPMG expressly disclaims any and all responsibility for the accuracy and completeness of the information contained in this report. Taking into account the uncertainty inherent in prospective information, our calculations neither warrant nor confirm the realization of the future financial developments as presented.

Resources

- KPMG Database
- Capital IQ
- Economist Intelligence Unit (EIU)

Disclosure of our Report

This report was exclusively prepared as agreed in the Engagement Letter between KPMG and Food Manufacturing Company ("FMC") dated 03 March 2017 ("Engagement Letter") and does not carry any right of publication or disclosure to any third party without our prior written consent. The formal relationship between FMC and KPMG has been established in the Engagement Letter and includes an arrangement for the responsibilities, indemnification and liabilities. Neither this presentation nor its content may be used for any other purpose without prior written consent of KPMG.

Other

Our Report makes reference to "KPMG Analysis". This indicates only that we have (where specified) undertaken certain analytical activities on underlying data to arrive at the information presented.

We note that tables contained within this Report may not add due to rounding.

Istanbul, 21 August 2017

KPMG, Akis Bağımsız Denetim ve SMMM A.Ş.

Hande Şenova

Partner, Head of Corporate Finance, KPMG Turkey



Executive Summary

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Valuation Date	31 December 2016
Valuation Methodology and Approach	- Discounted Cash Flow Method ("DCF") is chosen as the most convenient method in determining the enterprise value of Target Businesses, with the respect to its operations, performance and sector dynamics. Accordingly, our concluded indicative value is derived from DCF analysis. Our valuation analysis relies on the Company Management's forecasted cash flow between periods of 01 January 2017 and 31 December 2021. Macroeconomic industrial assumptions and relationships between the Target Businesses have been obtained from a variety of sources as indicated within the Report. Information provided by the Company Management together with the assumptions and projections were challenged, discussed and revised with the Company Management. - Target Businesses' functional currency is Great Britain Pound (GBP) on which the valuation analysis is based. USD values are also stated for informative purposes. - The Company Management stated that for the upcoming five years GBP/USD rate for transactions between group companies has been fixed at the rate of 1.25. For currency conversion 1.25 GBP/USD rate is considered for informative purposes.
Market Multiples Approach	Capitalized earnings approach looking at Market Multiples methodology is also performed as a cross check, however these analyses are not directly included in the value result as the businesses under analysis have company specific dynamics which are difficult to explain by the performance of the peers in the market. Therefore, our concluded indicative value is derived from DCF analysis which is supported by a capitalized earnings approach looking at Market Multiples. Market multiples are set out in the appendices.
DCF Analysis	- Valuation Analyses are conducted for IBC and the MENA Export Business separately. - GBP based Weighted Average Cost of Capital ("WACC") calculated as 10.9% for IBC, 10.5% for Export to Saudi and 11.4% for Export to Non Saudi. - DCF method estimates an enterprise value based on the net present value of the future cash flows. The net present value has been estimated using an appropriate discount rate. A Terminal Value ("TV") has been calculated at the end of the explicit forecast period, based on Economist Intelligence Unit (EIU) long term GBP inflation rate of 2.1%. For Terminal Period EBITDA margin assumed to be equal to FY21 EBITDA margin over the projection period.

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Valuation Conclusion

- Our concluded indicative value for Mena Export to Non Saudi is in a range of **GBP 100.9 million to 136.7 (USD 126.2 million to 170.9 million)** while the value for Export to Saudi Business is in a range of **GBP 20.0 million to 28.2 million (USD 25.0 million to 35.2 million)**, as illustrated below. And the concluded indicative value for IBC is in a range of **GBP 37.7 million to GBP 53.9 million (USD 47.1 million to 67.3 million)**.

Mena Export to Non Saudi (acquired by Amir) - Sensitivity Analysis

('000 GBP)		Terminal Growth Rate %		
Enterprise Value		1.6%	2.1%	2.6%
	10.4%	124,522	130,287	136,792
WACC %	11.4%	111,551	116,027	121,012
	12.4%	100,997	104,551	108,467

Export to Saudi Business (will be acquired by Amir) - Sensitivity Analysis

('000 GBP)		Terminal Growth Rate %		
Enterprise Value		1.6%	2.1%	2.6%
	9.5%	25,299	26,660	28,220
WACC %	10.5%	22,382	23,412	24,572
	11.5%	20,060	20,861	21,752

IBC - Sensitivity Analysis

('000 GBP)		Terminal Growth Rate %		
Enterprise Value		1.6%	2.1%	2.6%
	9.9%	48,165	50,855	53,915
WACC %	10.9%	42,364	44,426	46,736
	11.9%	37,712	39,332	41,126

Source: KPMG Analysis

Mena Export to Non Saudi (acquired by Amir) - Sensitivity Analysis

('000 USD)		Terminal Growth Rate %		
Enterprise Value		1.6%	2.1%	2.6%
	10.4%	155,652	162,859	170,990
WACC %	11.4%	139,439	145,034	151,265
	12.4%	126,247	130,689	135,584

Export to Saudi Business (will be acquired by Amir) - Sensitivity Analysis

('000 USD)		Terminal Growth Rate %		
Enterprise Value		1.6%	2.1%	2.6%
	9.5%	31,624	33,325	35,274
WACC %	10.5%	27,978	29,265	30,716
	11.5%	25,075	26,076	27,190

IBC - Sensitivity Analysis

('000 USD)		Terminal Growth Rate %		
Enterprise Value		1.6%	2.1%	2.6%
	9.9%	60,206	63,569	67,394
WACC %	10.9%	52,955	55,532	58,420
	11.9%	47,140	49,165	51,407

Important Notice

This Report exclusively prepared to assist in performing a valuation of International Biscuits Company ("the Company" or "IBC") and MENA Export Business of United Biscuits (the "MENA Export") (together "Target Businesses") as at 31 December 2016 (the "Valuation Date") as agreed in the engagement letter dated 03 March 2017 and does not carry any right of publication or disclosure to any third party without our prior written consent. This presentation is incomplete without reference to and should be viewed solely in conjunction with the oral briefing provided by KPMG Corporate Finance. Neither this report nor its content may be used for any other purpose without prior written consent of KPMG Corporate Finance.

The information in this report reflects prevailing conditions and our views as of this date, all of which are accordingly subject to change. In preparing this presentation, we have relied upon and assumed, without independent verification, the accuracy and completeness of both information available from public sources and information provided by the Company Management.

No statutory audit has been performed by KPMG Corporate Finance either with respect to the information included in this report or any other information supplied. KPMG Corporate Finance expressly disclaims any and all responsibility for the accuracy and completeness of the information contained in this report. Taking into account the uncertainty inherent to prospective information, our calculations neither warrant nor confirm the realization of the future financial developments as presented.

The formal relationship FMC and KPMG Corporate Finance has been established in the Engagement Letter and includes an arrangement for the responsibilities, indemnification and liabilities.



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