ÜLKER BİSKÜVİ 2Q 2019 EARNINGS RELEASE

Cenker UÇAN, CFO
İstanbul, 8 August 2019

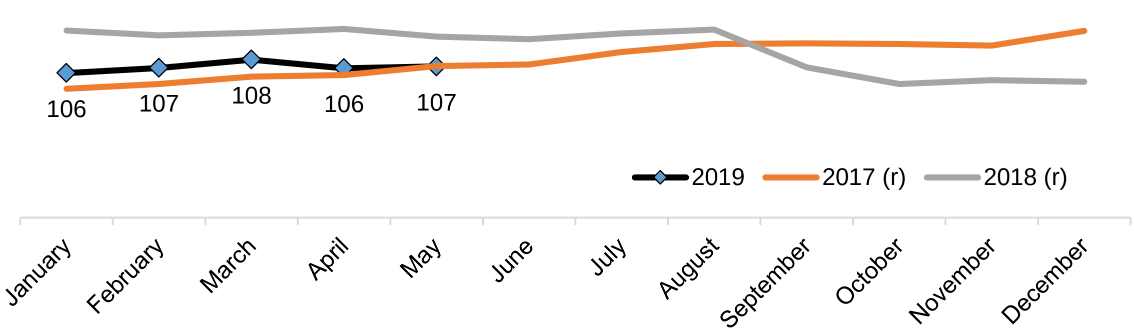
YILDIZ HOLDING

Agenda

- *Turkey Macro Economic Overview*
- *Market Growth*
- *2Q 2019 Highlights and Consolidated Operational Performance*
- *Domestic Operations*
- *Export and International Operations*
- *Balance Sheet Highlights*
- *2019 Expectations*

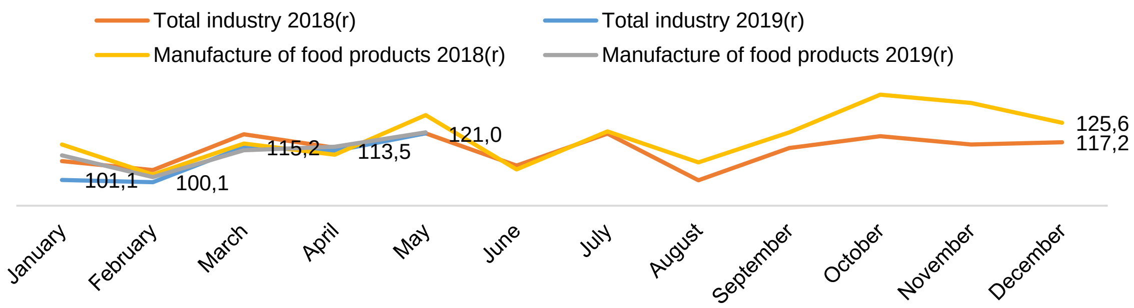
Turkey Macro Economic Overview

Retail Sales Volume Index



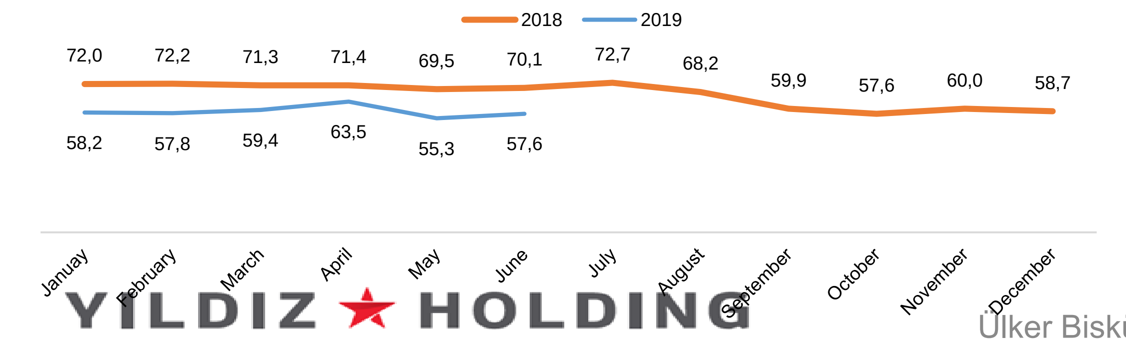
- Seasonal and calendar adjusted retail sales volume with constant prices increased by 0,3 % in May 2019 compared with the previous month

Industrial Production



- As of May 2019 Industrial Production index realized as 121
- Adjusted Industrial production remained flat and manufacture of food products decreased by 6% compared with same month previous year

Consumer Confidence Index

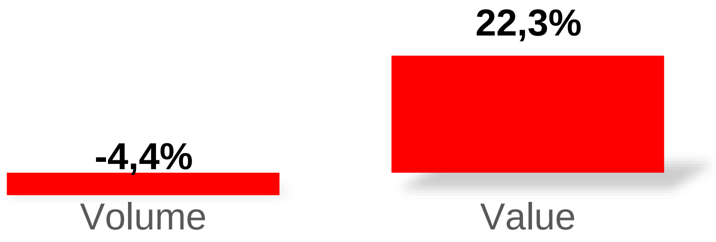


- Consumer confidence index in Turkey realized as 57,6 in June 2019. Compared to previous month increased by 4%.
- A rise in general index was realized in CPI on the previous month by 0,03%
- Food inflation realized as 19,20 % in June

Source : TUIK

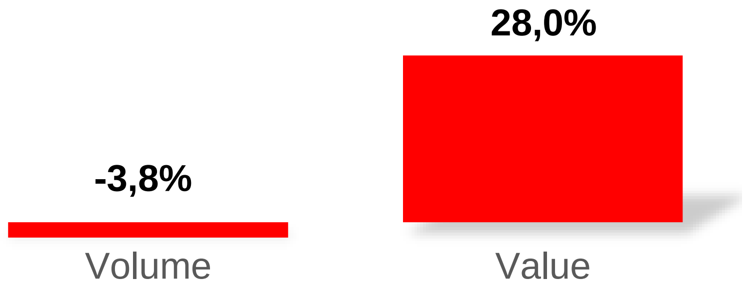
Market Growth

Total Confectionary



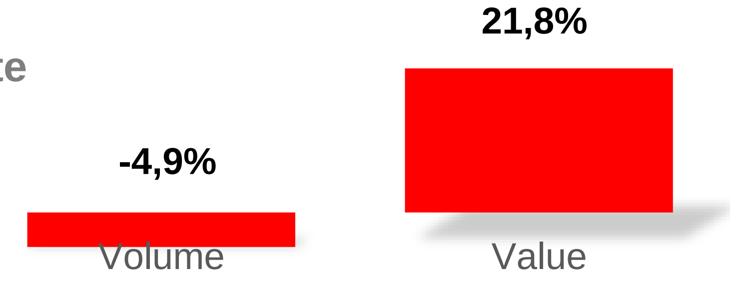
Due to the downsizing activities total confectionary market decreased by 4,4 % in volume terms. In value terms, confectionary market increased by 22,3%

Biscuits



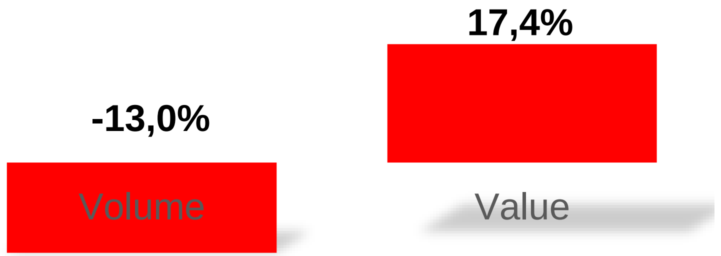
Total Biscuit market was down by 3,8 % in volume and increased by 28,0% in value terms

Chocolate



Total Chocolate market contracted by 4,9 % in volume and increased by 21,8% in value terms

Cake



Total Cake market shrank by 13,0 % in volume and increased by 17,4% in value terms

Source : YTD 2019 Nielsen Data

2Q 2019 HIGHLIGHTS AND CONSOLIDATED OPERATIONAL PERFORMANCE

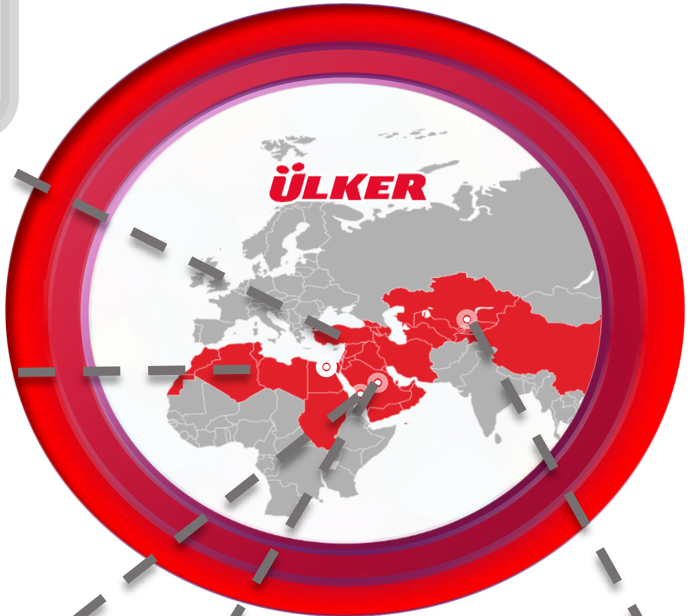
Over 70+ years of experience in Turkey

Production: 4 countries, 10 facilities

Total Capacity: 1.007K 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: 839k tons/year



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

2Q 2019 Consolidated Performance Highlights

Revenue
TL 1,8 BN
Growth + 38,7 %

Gross Profit
TL 509 M
Growth + 55,6%

Gross Margin
28 %
improved
by 310 bps

EBITDA
TL 319 M
Growth +59 %

EBITDA Margin
17,5 %
improved
by 220 bps

Net Debt/EBITDA
1,25x
(2018: 1,64x)

Free Cash Flow
Q2’19 :135 MTL
(Q2’18:-164 MTL)

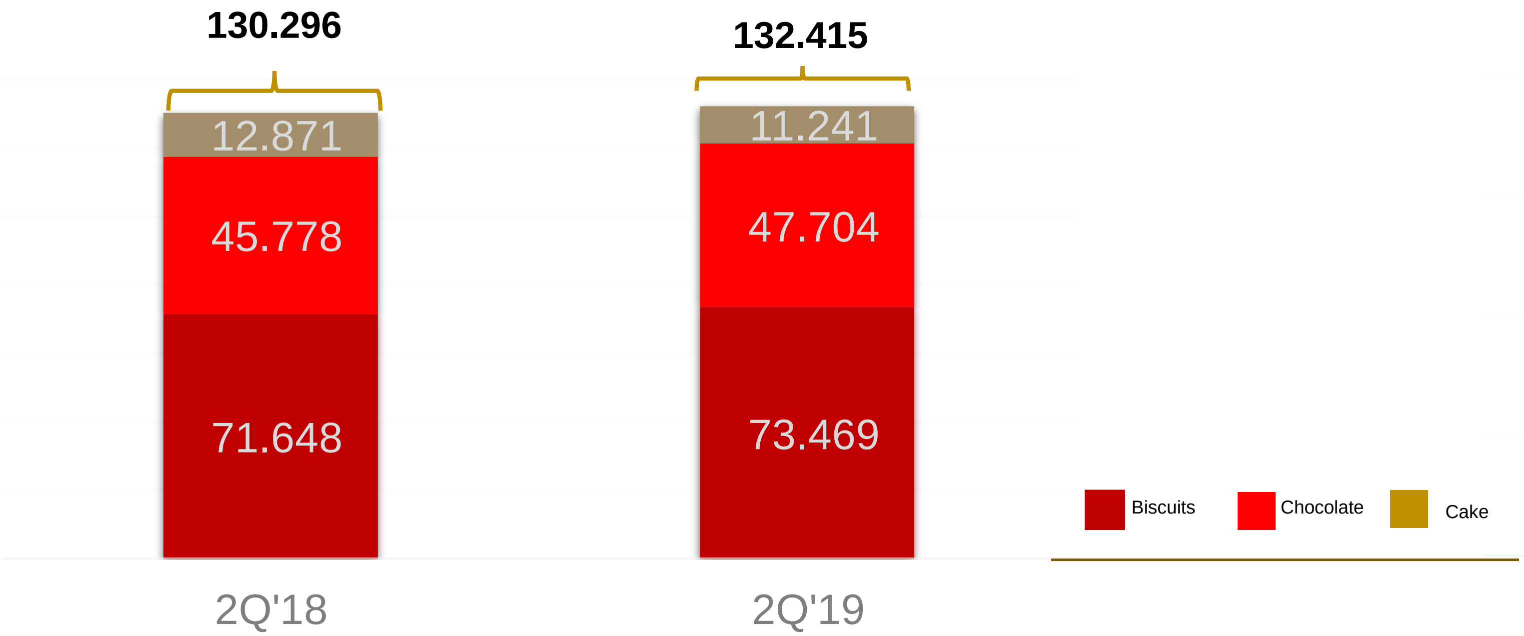
Another solid quarter reflecting diversified growth and continued margin execution

TL ('000)	2Q 2018	2Q 2019	%	1H 2018	1H 2019	%
Confectionary Volume (Ton)	*130.296*	*132.415*	*1,6%*	*278.353*	*286.930*	*3,1%*
Revenue	*1.312.269*	*1.820.498*	38,7%	*2.719.959*	*3.762.858*	38,3%
Confectionary Revenue	*1.307.022*	*1.803.296*	38,0%	*2.709.527*	*3.732.236*	37,7%
Gross Profit	327.265	509.166	*55,6%*	708.484	1.047.338	*47,8%*
Gross Profit Margin	24,9%	28,0%		26,0%	27,8%	
EBITDA	*200.318*	*318.570*	*59,0%*	*425.316*	*648.778*	*52,5%*
EBITDA Margin	15,3%	17,5%		15,6%	17,2%	
Net Income *(Equity Shareholder of the parents)*	218.046	121.733	-44,2%	351.223	487.209	38,7%
Net Income %	*16,6%*	*6,7%*		*12,9%*	*12,9%*	

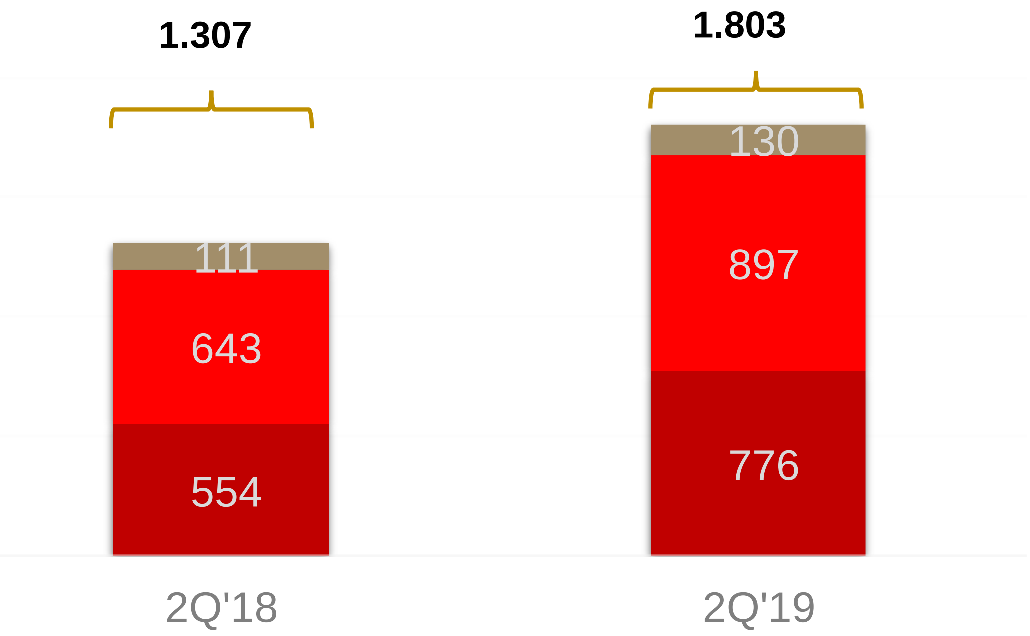
- Strong organic growth in 2Q'19 in all regions
- Main drivers behind the strong performance
  - Volume, mix and pricing impact
  - Positive impact of exports and international acquisitions
  - Continued cost discipline and opex management

Robust growth in confectionary sales in the second quarter

Confectionary Sales Volume (Tons)



Confectionary Sales Value (TLm)

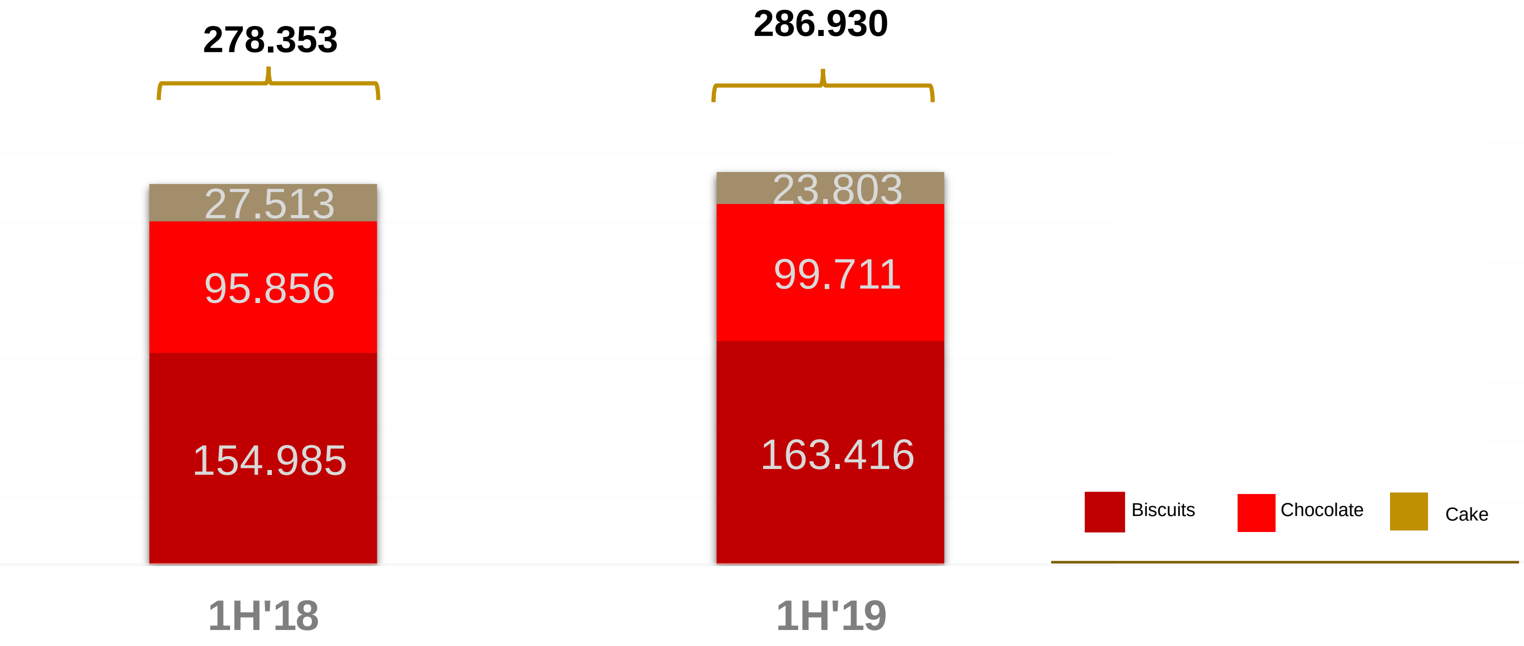


- Consolidated Confectionary volume increased by 1,6%. Volume increase mainly resulted from the change in the portfolio mix and positive contribution of Ramadan period which was one of the best Ramadan period compared to previous years
  - Biscuits volume up by 2,5%
  - Chocolate volume increased by 4,2% thanks to increase in gifting/sharing category in Ramadan
  - Cake volume was contracted by 12,7% driven by price adjustments

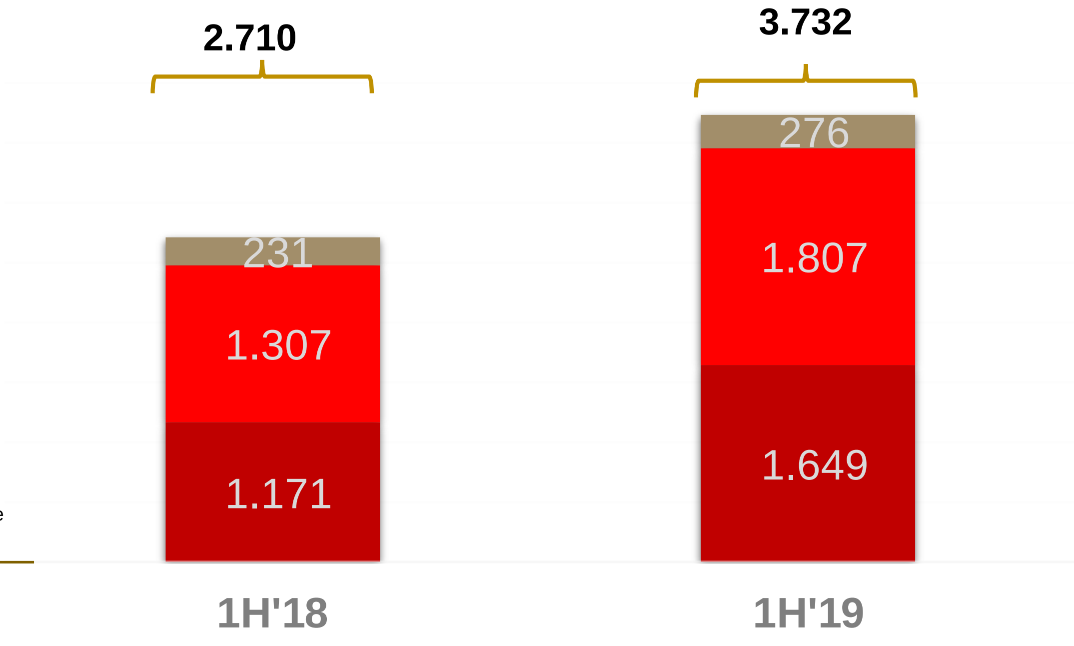
- Confectionary revenue increased by 38% Segmental revenues supported by Ramadan and Eid sessions in gifting/sharing category, increasing exports and positive contribution of international operations
  - Biscuits sales was up by 40,1%
  - Chocolate sales up by 39,6%
  - Cake sales was up by 17,8%

Solid momentum in 1H’19

Confectionary Sales Volume (Tons)



Confectionary Sales Value (TLm)

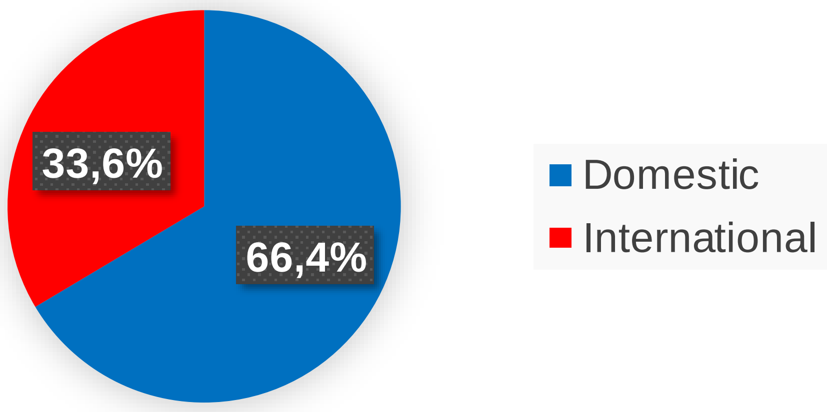


- Consolidated Confectionary volume increased by 3,1 %. The higher volume mainly resulted from jump in chocolate and continued impact of new launches done in the first quarter of 2019
  - Biscuits volume increased by 5,4%
  - Chocolate volume increased by 4,0%
  - Cake volume was contracted by 13,5% driven by price adjustments

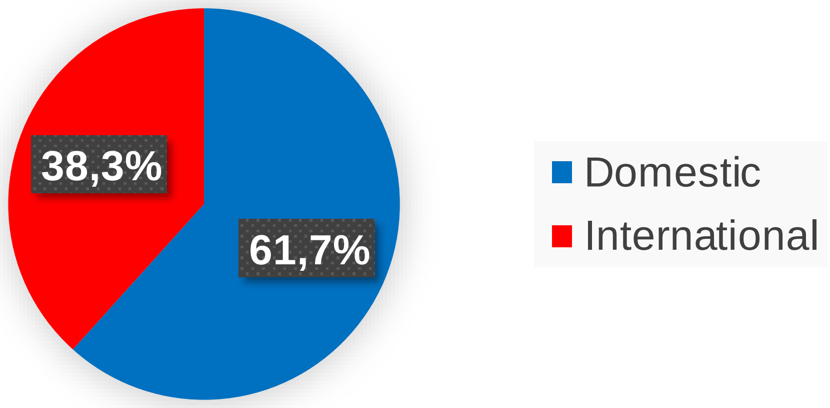
- Confectionary revenue increased by 37,7% Growth was primarily driven by strong performance in all categories without any exception
  - Biscuits sales was up by 40,8%
  - Chocolate sales up by 38,3%
  - Cake sales was up by 19,3%

The shares of the international operations are increasing

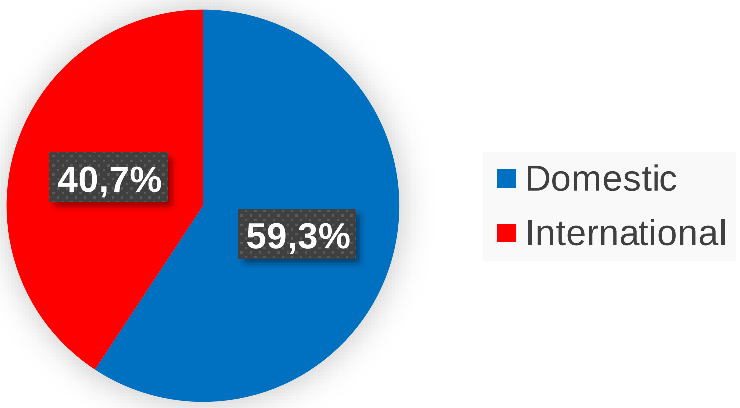
Revenue Breakdown 1H 2018



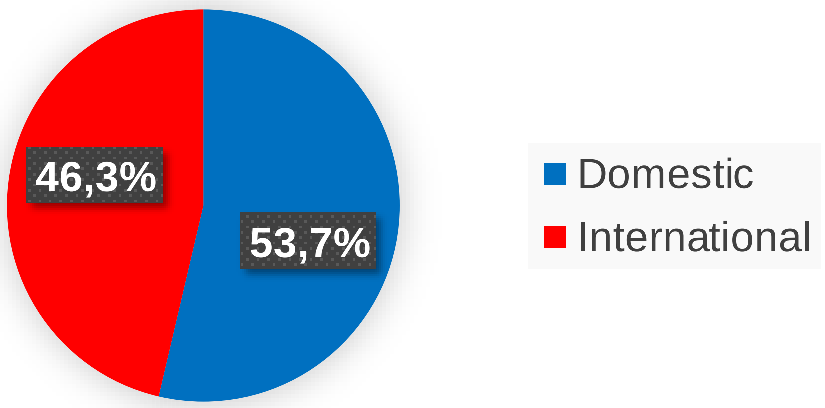
Revenue Breakdown 1H 2019



EBITDA Breakdown 1H 2018



EBITDA Breakdown 1H 2019



DOMESTIC OPERATIONS

Turkey – Strong #1 in Total Confectionary with 37% Market Share

Biscuits – 40,7% Market Share

#1

1 in Petit Beurre

1 in Creamy Biscuits

1 in Special Biscuits

1 in Cracker

1 in Sandwich Biscuits

1 in Chocolate Biscuit

Chocolate – 40,5% Market Share

#1

4 out of Top 5 in Chocolate Covered

#1 in Solid Chocolate

Cake – 22,9% Market Share

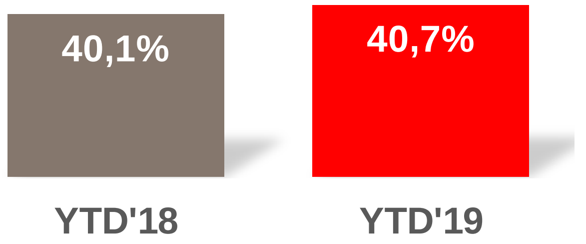
#2

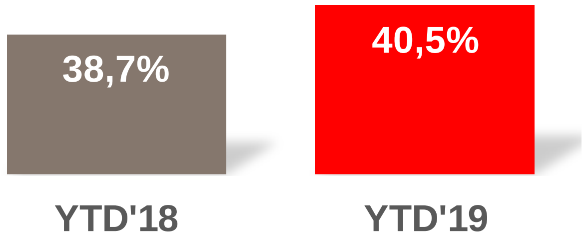
#1 in Family Cake

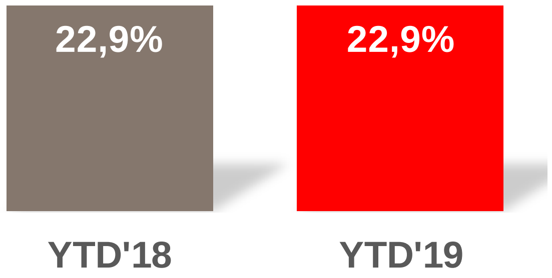
#2 in Portion Muffin Coated Cake

#2 in Wet Cake

Market Share Development in Value(*)







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(*) Source: Nielsen

Branded Sales Contribution of Synergy Products and New Launches

Synergy Products

2019 New Product Launches

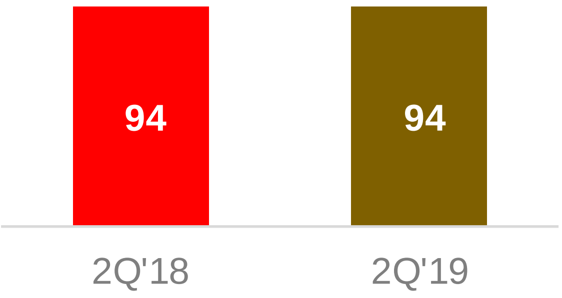
biscuits

cake

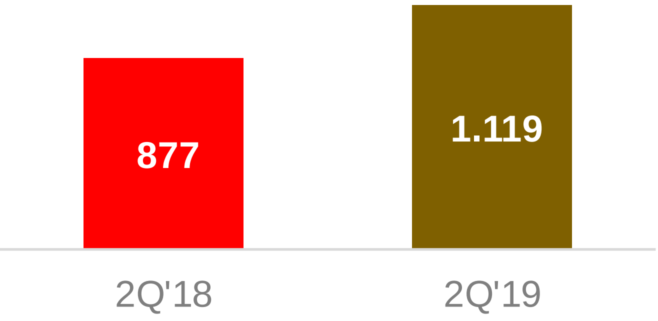
chocolate

Ülker set to continue outperforming within the confectionary market in Turkey

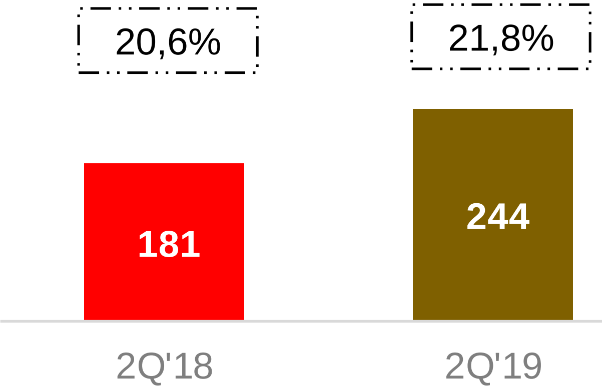
Sales Volume (x000 tons)



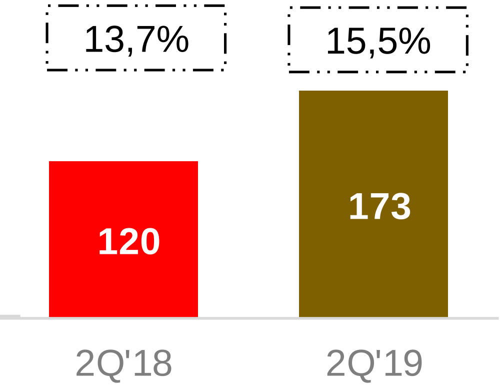
Net Sales (TLm)



Gross Profit (TLm)



EBITDA (TLm)



- Consolidated sales volume remained flat in 2Q19 attributable to the resizing activities

- Revenue up by 27,6% in total thanks to;
  - Portfolio optimizations,
  - Very successful Ramadan period compared to previous years
  - Favorable category and price mix

- Gross profit increased by 35,1%
- Gross profit margin for the quarter up by 120 bps to 21,8% in 2Q19
- Main drivers;
  - Effective price positioning in the market
  - Continuous cost efficiency in supply chain projects

- EBITDA margin widened by 180 bps to 15,5% thanks to;
  - Effective pricing policy
  - Efficiencies gained from investments
- Significant increase in EBITDA by 44,7%

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

Continue to outperform in our anchor market

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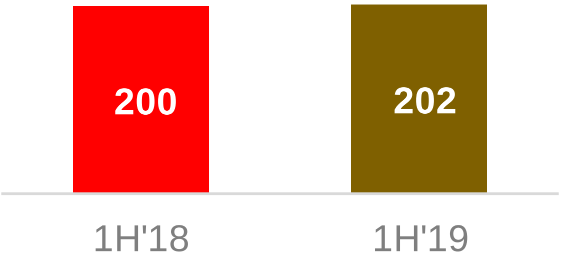
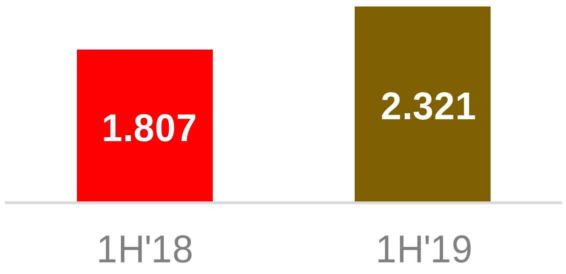
Sales Volume (x000 tons)



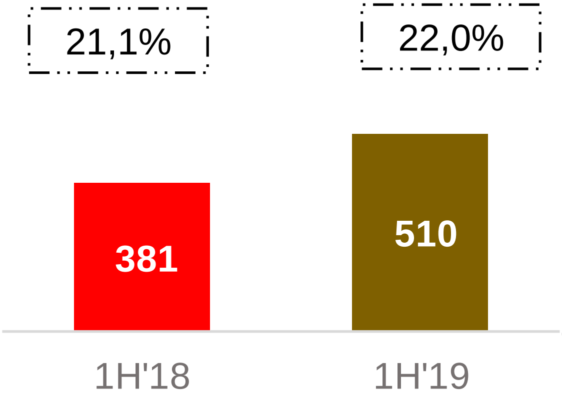
- Consolidated sales volume was up by 1,0% in 1H19 attributable to:
  - New innovative product launches in biscuits category starting from first quarter
  - Effective price campaigns in all portfolio

Net Sales (TLm)



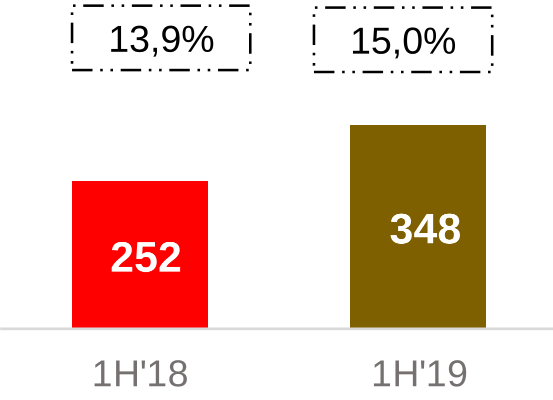
- Revenue up by 28,4% in total thanks to;
  - Impact of the successful launches and price adjustments done in the first quarter
  - Portfolio optimizations,
  - Favorable category and mix impact

Gross Profit (TLm)



- Gross Profit was up by 33,8 % reflecting the
  - Strong price positioning in the market
  - Excellent cost management

EBITDA (TLm)



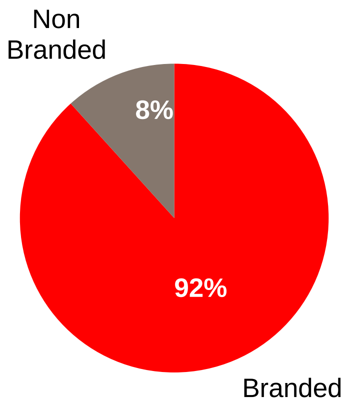
- EBITDA was up by 38,1%
- EBITDA margin widened by 110 bps to 15% thanks to;
  - Effective pricing policy
  - Tight opex management

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

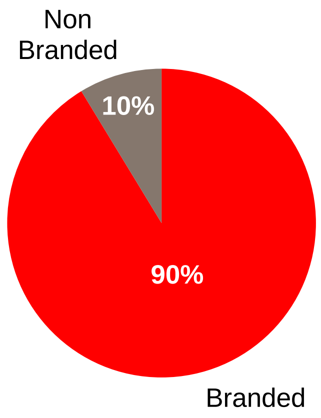
Strategy to Focus on Branded Confectionary Products

Branded & Non-Branded Volume Breakdown

1H’18

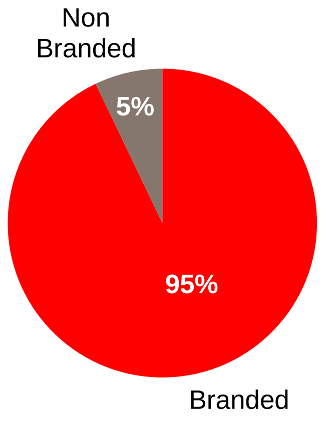


1H’19

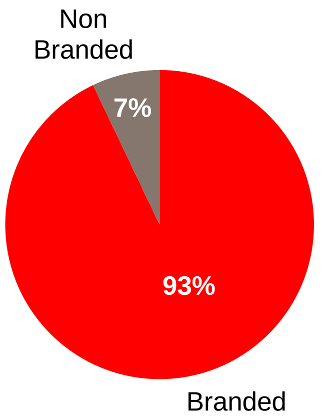


Branded & Non-Branded Revenue Breakdown

1H’18



1H’19



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EXPORT AND INTERNATIONAL OPERATIONS

Well Positioned for Future 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
- ✓ Enhance capacity usage

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

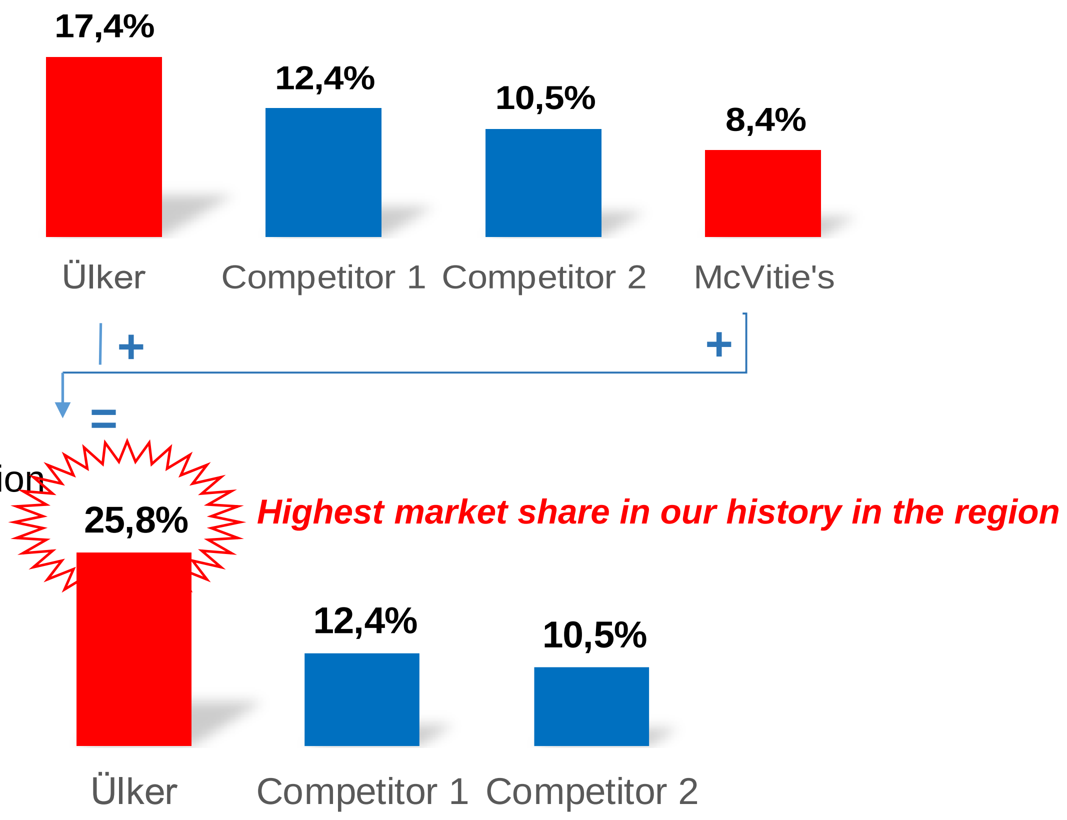
FMC Financial Review

	1H'18	1H'19	Change
Sales Volume (tons)	22.754	23.291	2,4%
Net Sales(SAR x000)	305.554	346.674	13,5%
EBITDA(SAR x000)	45.384	54.097	19,2%
EBITDA Margin	14,9%	15,6%	

- Volume and Value increase supported with new launches and improved penetration
- Continue to strongly increase our market share in a shrinking market during Ramadan and Eid seasons
- High awareness levels with Ülker and McVitie’s brands
- Availability in almost all the segments of the biscuit category
- Flexibility of sourcing; Ülker manufacturing ability (2 factories in KSA)
- Positive contribution of McVitie’s and Rana continued

#1

Biscuits Market Share



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

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IBC Financial Review

	1H'18	1H'19	Change
Sales Volume (tons)	7.312	7.318	0,1%
Net Sales(SAR x000)	86.600	88.641	2,4%
EBITDA(SAR x000)	24.985	24.019	-3,9%
EBITDA Margin	28,9%	27,1%	

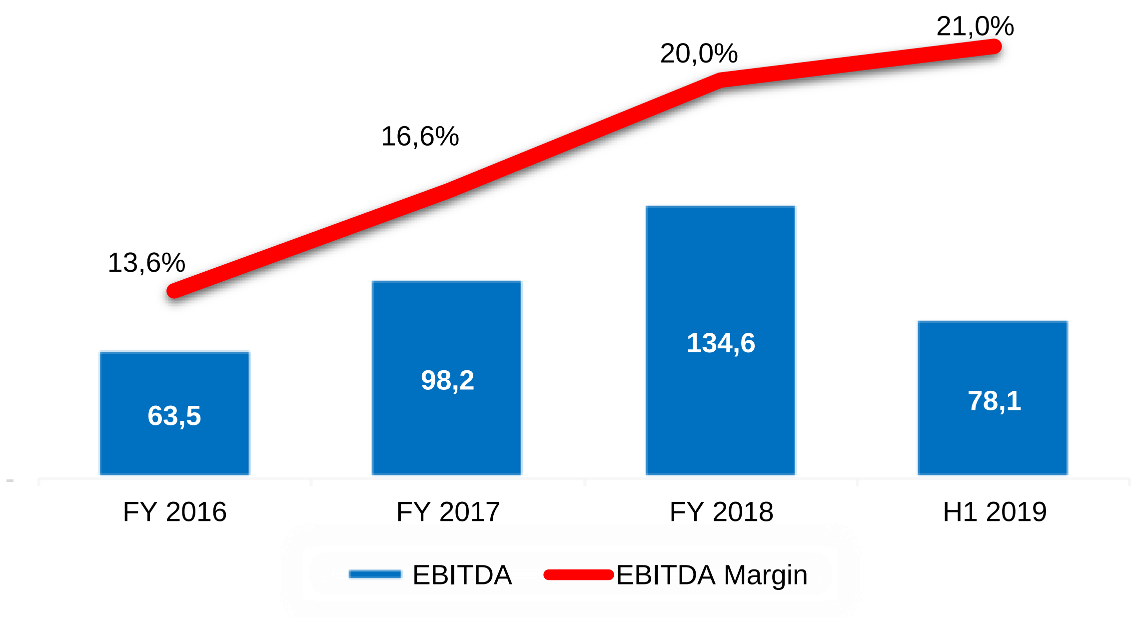
Purpose of Acquisition & Operations in a nut shell

- 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

Outstanding performance in our second larget market KSA

FMC-IBC Consolidated Financial Review



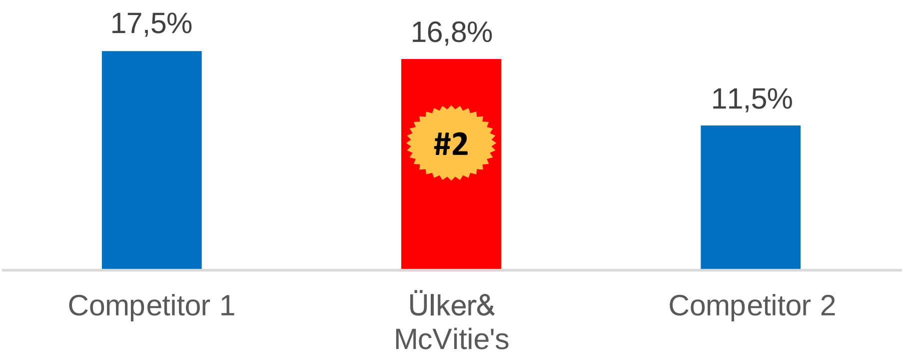
- ✓ Ülker became strong number #1 in the region in terms of market share
- ✓ Increase our market share each consecutive quarter in a contracting market
- ✓ We increased the shelf visibility and we have large presence in modern channel
- ✓ By integrating the operations of IBC & FMC, we decrease cost to serve in the region by creating the synergies in procurement, production and distribution
- ✓ We act as a production hub with our local, regional and global brands in MENA region
- ✓ EBITDA margin realized as 21,0% in last half year, great increase in terms of profitability with respect to FY 2016 which was 13,6%
- ✓ On the back of promising new product launches and increasing penetration of our brands the moment will continue
- ✓ Proved the succes of the strategy

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

HI-FOOD & ULKER EGYPT Financial Review

	1H'18	1H'19	Change
Sales Volume (tons)	15.584	15.594	0,1%
Net Sales(EGPx000)	570.254	599.425	5,1%
EBITDA(EGPx000)	89.272	99.448	11,4%
EBITDA Margin	15,7%	16,6%	

Biscuits Market Share



- Solidifying the #2 position while closing the GAP with #1 player – Grabbing market share from number 1
- Volume improvement through Ülker and McVitie’s launches
- Excellent sales performance in domestic sales supported the topline
- Successful revival of McVitie’s in Egypt via portion packs launch and 360 activation and successful price positioning of Ulker and McVitie’s supported EBITDA
- Continuous operational efficiencies and better procurement of raw materials supported the results

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

UI MENA Financial Review

	1H'18	1H'19	Change
Sales Volume (tons)	5.193	5.679	9,4%
Net Sales(AED x000)	76.451	81.915	7,1%
EBITDA(AED x000)	23.391	26.468	13,2%
EBITDA Margin	30,6%	32,3%	

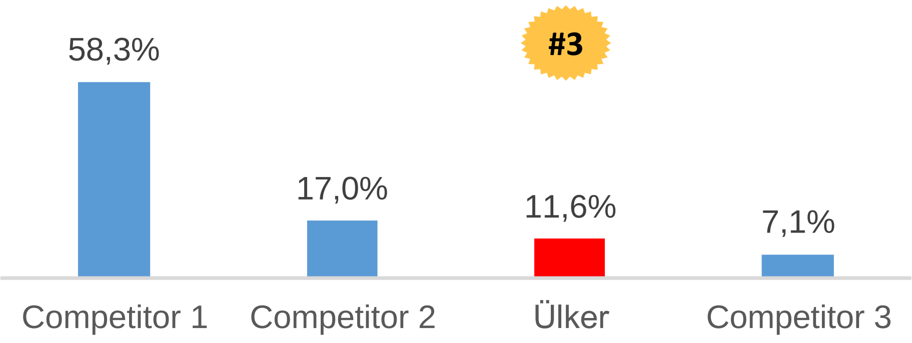
- Ülker acquired UI MENA which owns **Amir Global** (the owner of McVitie's distribution / production rights in MENA and Saudi Arabia along with sales company in Egypt)
- Sales operations in Egypt (Ülker Egypt- consolidated in Egypt side)
- Some of the main markets: Saudi Arabia, UAE, Lebanon, Qatar, 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

	1H'18	1H'19	Change
Sales Volume (tons)	5.770	7.079	22,7%
Net Sales(KZTx000000)	4.901	6.795	38,6%
EBITDA(KZTx000000)	283	933	229,6%
EBITDA Margin	5,8%	13,7%	

Chocolate Market Share



- Turnaround in our Kazakhstan factory started. EBITDA margin improvement is significant
- Positive contribution of the locally produced Star brands Biskrem,Halley & McVities continued
- Strong growth of Kazakhstan domestic sales supported with Albeni's increasing visibility and return on investments of star brands
- Hamle started to source Azerbeijan market. The production has been switched from Turkey to Hamle
- Increasing export sales from Kazakhstan to Azerbaijan, Xinjan and Mongolio supported topline growth
- Local production of McVities, increasing visibility and penetration of the star brands continued to make a positive contribution to tradition channel sales.

International Operations
Making the right choices and gaining market share in all regions

Egypt

#2 **Biscuits – 16,8% Market Share**

1 in Filled Biskrem and Tamr
1 in Digestive with McVities'

2 in Plain
(Teabiscuits and Finger biscuits)

Saudi Arabia

#1 **Biscuits – 25,8 Market Share**

#1 in plain | #1 in Filled | #1 in Coated | #2 in Digestive

#4 in Wafer | #4 in sandwich biscuit | # 2 in Wafer

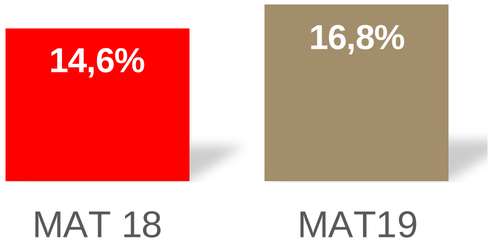
Kazakhstan

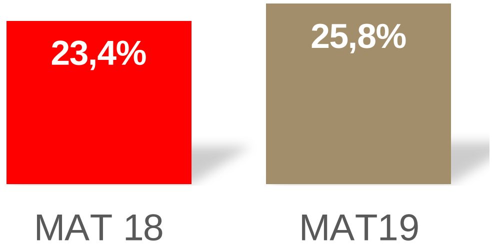
#3 **Chocolate– 11,6% Market Share**

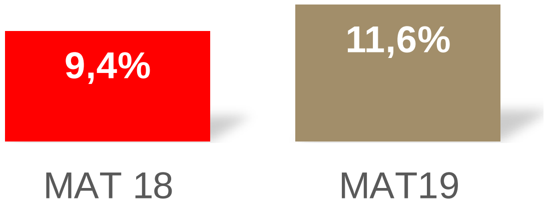
1 in Biscuits with filling

2 in countline

Market Share Development, Value Based







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

2019 New Launches & Synergy Products

EGYPT

KAZAKHSTAN

SAUDI ARABIA

SYNERGY PRODUCTS

Positive contribution from exports and international operations continued in 2Q’19

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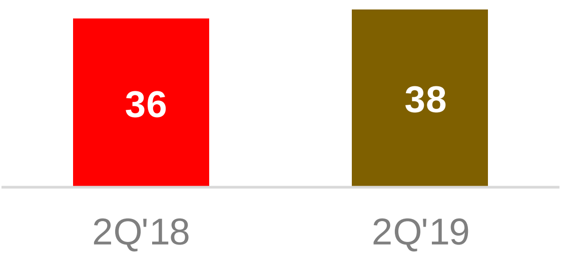
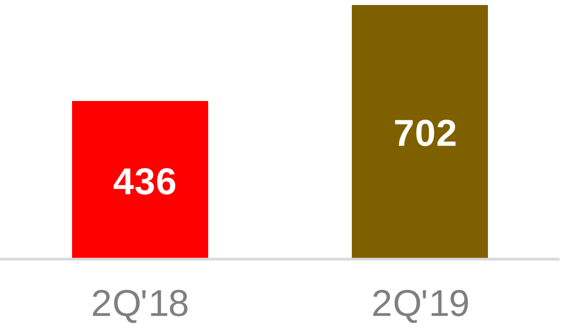
Sales Volume (x000 tons)



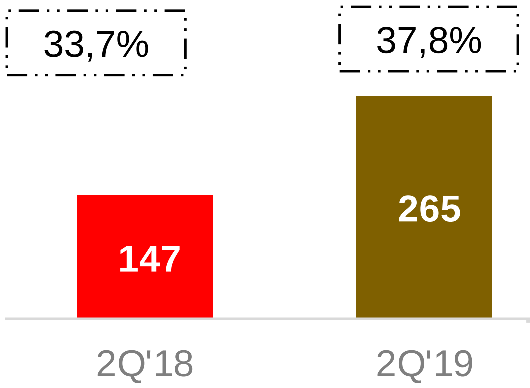
- Total confectionary volume was up by 5,8%
- Higher volume mainly resulted from new launches and improved penetration
- Positive contribution of synergy products and strong sales in all categories continued

Net Sales (TLm)



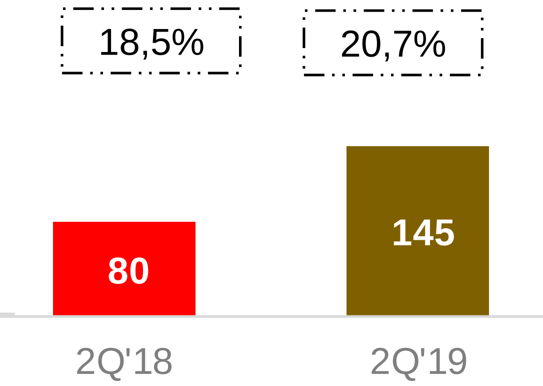
- Total revenue up by 61,1 % thanks to;
  - Price adjustments and currency impact in export operations
  - Favorable category and mix impact
  - Favorable price positioning of McVitie’s products and Ramadan impact

Gross Profit (TLm)



- Gross Profit almost doubled and increased by 80,9 % reflecting the
  - Benefited from the cost discipline
  - Increase in sales & new launches
  - Efforts in productivity
  - Integration and consolidation synergies supported with UI Mena & IBC acquisition

EBITDA (TLm)



- EBITDA in 2Q’19 realized at 145 mn TL, increasing by 80,4% versus 2Q’18.
- EBITDA margin expanded by 220 pbs and reached to 20,7%.

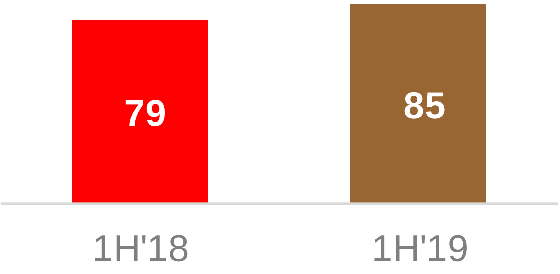
YILDIZ ★ HOLDING

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

Strong performance with profitability focus

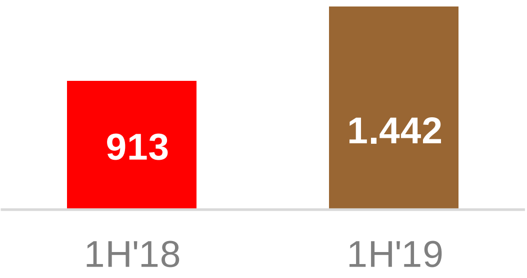
ÜLKER

Sales Volume (x000 tons)



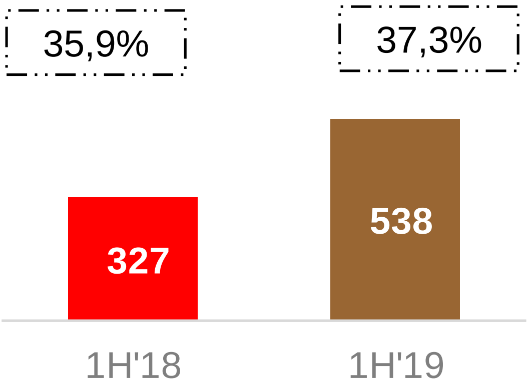
- Total confectionary volume was up by 8,4%
- Higher volume mainly resulted from positive contribution of synergy products and strong sales in all categories
- Positive impact of McVities' on the back of new launches

Net Sales (TLm)



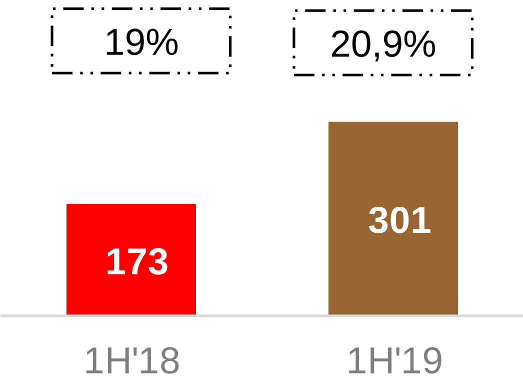
- Total revenue up by 58,0 % thanks to;
  - Price adjustments and currency impact
  - Favorable category and mix impact
  - Favorable price positioning of McVitie's products
  - Succesful Ramadan & Eid sessiion

Gross Profit (TLm)



- Gross Profit increased by 64,2 % reflecting the
  - Increase in sales & new launches
  - Efforts in productivity
  - Synergies supported with UI Mena & IBC acquisition
  - Well managed cost elements supported gross profit

EBITDA (TLm)



- EBITDA in 1H'19 realized at 301 mn TL, increasing by 73,6% versus 1H'18.
- EBITDA margin reached to 20,9%.

YILDIZ ★ HOLDING

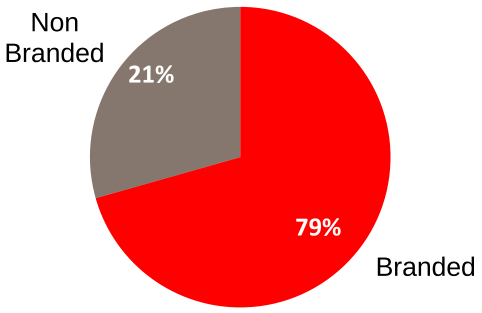
All figures set out in the table above are related to products sold in overseas operations

Strategy to Focus on Branded Confectionary Products

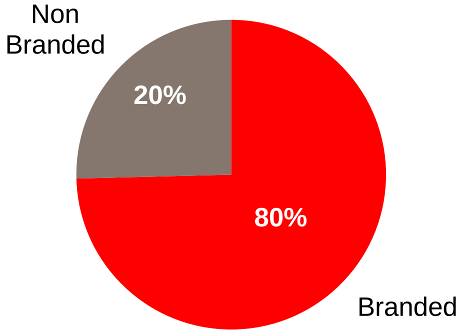
✓ We focused on branded product sales and continue to enjoy significant contribution improvement at the operational front in line with our strategy.

Confectionary Branded & Non-Branded Volume Breakdown

1H’18

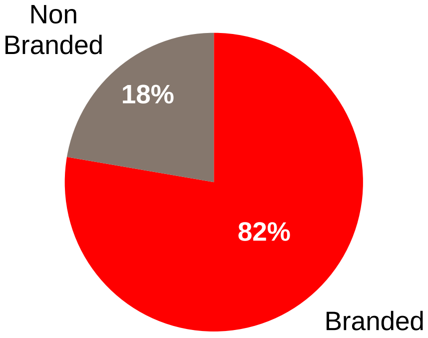


1H’19

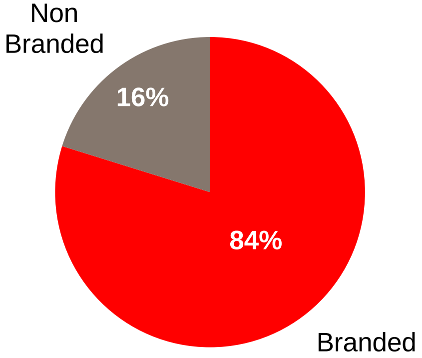


Confectionary Branded & Non-Branded Revenue Breakdown

1H’18



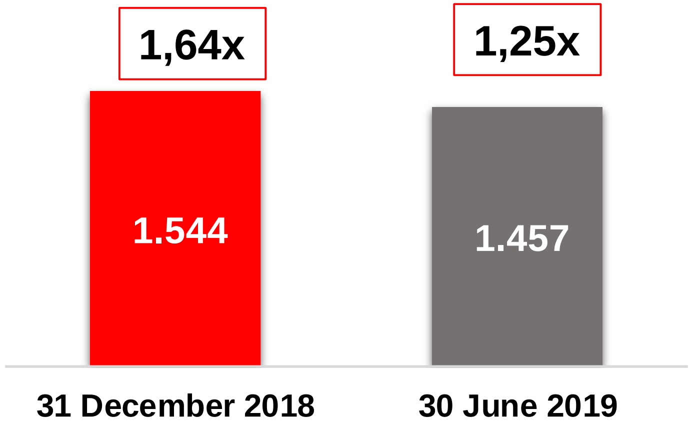
1H’19



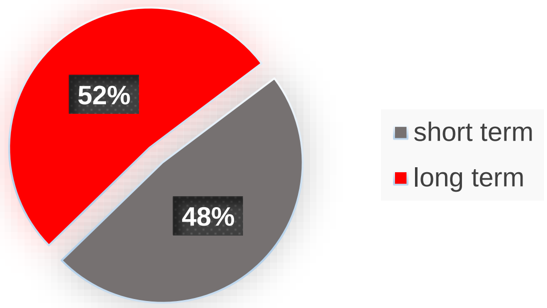
BALANCE SHEET HIGHLIGHTS

Net Working Capital & Net Debt Position

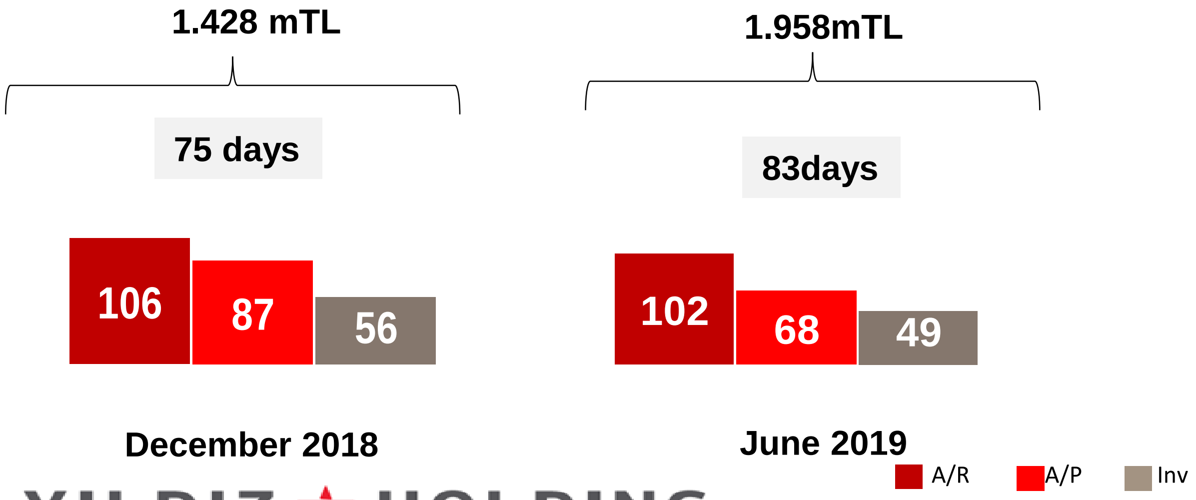
Net Debt (TLm) – Net Debt/EBITDA (x)



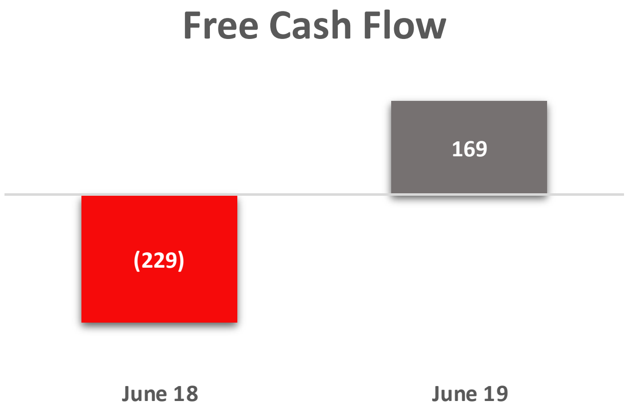
Maturity Breakdown as of June 2019



Average Working Capital Days & Net Working Capital



Free Cash Flow (MTL)



Net FX Position

Ülker has no short position in terms of hard currencies

(Million TL/$/€/£)	TL Equivalent	USD	EURO	GBP
Cash Equivalents & Monetary Assets	4.605	781	16	0
Trade Receivables	288	37	11	1
Total Assets	**4.893**	**819**	**26**	**1**
Financial Liabilities	2.750	158	281	-
Trade Payables	123	12	7	1
Other Current Liabilities	1	-	0	-
Current Liabilities	**2.875**	**170**	**289**	**1**
Financial Liabilities	2.742	106	326	
Non Current Liabilities	**2.742**	**106**	**326**	**-**
Total Liabilities	**5.617**	**275**	**614**	**1**
Net Position	**(724)**	**543**	**(588)**	**0**
Derivative Transactions	864	116	30	-
Net Position after derivative transactions	**140**	**659**	**(558)**	**0**

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

2019 Expectations

Revising our FY 19 guidance on the back of strong Q2'19 results

	2019 Guidance	
	Previous guidance announced in May,2019	New Guidance
Net Sales	~ 7.400 TL mn	~ 7.550 TL mn
EBITDA Margin	16%	~ 16,5 %

The business Outlook of the Company is subject to risks which are stated in the annual report and financial reports

Investor Relations Contact

For further information please e-mail
ir@ulker.com.tr or call Ülker Investor Relations +90 (216) 524 25 56

Beste Tasar
Investor Relations Director
Tel: +90 (216) 524 25 56
email: beste.tasar@ulker.com.tr
http://ulkerbiskuviyatirimciiliskileri.com

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