

ÜLKER BİSKÜVİ SANAYİ A.Ş. AND ITS SUBSIDIARIES

**CONVENIENCE TRANSLATION INTO ENGLISH OF
CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
FOR THE INTERIM PERIOD 1 JANUARY - 30 SEPTEMBER 2019**

(ORIGINALLY ISSUED IN TURKISH)

**CONVENIENCE TRANSLATION INTO ENGLISH OF CONDENSED FINANCIAL STATEMENTS
ORIGINALLY ISSUED IN TURKISH
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FOR THE INTERIM PERIOD 1 JANUARY - 30 SEPTEMBER 2019**

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**CONVENIENCE TRANSLATION INTO ENGLISH OF CONDENSED FINANCIAL STATEMENTS
ORIGINALLY ISSUED IN TURKISH
ÜLKER BİSKÜVİ SANAYİ A.Ş. AND ITS SUBSIDIARIES
CONDENSED CONSOLIDATED BALANCE SHEETS AS OF 30 SEPTEMBER 2019 AND
31 DECEMBER 2018
(Amounts expressed in thousands of Turkish Lira ("TL") unless otherwise stated)**

| | | Condensed Unaudited Current Period 30 September 2019 | Audited Previous Period 31 December 2018 |
|----------------------------|--------------|---|---|
| ASSETS | Notes | | |
| Current Assets | | 7.891.469 | 6.391.831 |
| Cash and Cash Equivalents | 4 | 3.815.902 | 3.378.761 |
| Financial Investments | 5 | 721 | 702 |
| Trade Receivables | | | |
| - Due From Related Parties | 7-22 | 2.156.046 | 1.564.689 |
| - Other Trade Receivables | 7 | 410.204 | 334.397 |
| Other Receivables | | | |
| - Due From Related Parties | 8-22 | 337.105 | 627 |
| - Other Receivables | 8 | 33.120 | 38.554 |
| Derivatives Instruments | 9 | 307.072 | 323.087 |
| Inventories | 10 | 681.432 | 604.554 |
| Prepaid Expenses | | | |
| - Due To Related Parties | 22 | 10.356 | 36.368 |
| - Other Prepaid Expenses | | 84.463 | 39.690 |
| Current Income Tax Assets | | 4.606 | 16.899 |
| Other Current Assets | | 50.442 | 53.503 |
| Non-Current Assets | | 4.535.042 | 4.278.041 |
| Financial Investments | 5 | 1.490.059 | 1.340.221 |
| Other Receivables | | | |
| - Other Receivables | 8 | 365 | 234 |
| Investment Properties | 11 | 21.036 | 21.036 |
| Tangible Assets | 12 | 2.337.141 | 2.276.366 |
| Intangible Assets | | | |
| - Goodwill | 13 | 346.740 | 331.975 |
| - Other Intangible Assets | 14 | 274.062 | 257.758 |
| Prepaid Expenses | | 7.222 | 9.628 |
| Deferred Tax Asset | 20 | 58.417 | 40.823 |
| TOTAL ASSETS | | 12.426.511 | 10.669.872 |

The accompanying notes form an integral part of these consolidated financial statements.

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ORIGINALLY ISSUED IN TURKISH
ÜLKER BİSKÜVİ SANAYİ A.Ş. AND ITS SUBSIDIARIES
CONDENSED CONSOLIDATED BALANCE SHEETS AS OF 30 SEPTEMBER 2019 AND
31 DECEMBER 2018
(Amounts expressed in thousands of Turkish Lira ("TL") unless otherwise stated)

| | | Condensed Unaudited Current Period 30 September 2019 | Audited Previous Period 31 December 2018 |
|--|--------------|---|---|
| LIABILITIES | Notes | | |
| Current Liabilities | | 4.494.951 | 1.844.865 |
| Short Term Financial Liabilities | 6 | 355.486 | 85.519 |
| Short Term Portion of Long Term Financial Liabilities | 6 | 2.531.162 | 369.129 |
| Trade Payables | | | |
| - Due to related parties | 7-22 | 590.244 | 520.308 |
| - Other trade payables | 7 | 552.512 | 593.789 |
| Employee Benefit Related Liabilities | | 42.525 | 33.332 |
| Other Payables | | | |
| - Due to Related Parties | 8-22 | 1.194 | 1.177 |
| - Other Payables | 8 | 8.061 | 5.631 |
| Deferred Revenue | | 27.468 | 37.351 |
| Current Income Tax Liabilities | 20 | 92.927 | 15.214 |
| Short Term Provisions | | | |
| - Short Term Provisions for Employee Benefits | | 60.590 | 51.301 |
| - Other Short Term Provisions | | 206.126 | 90.968 |
| Other Current Liabilities | | 26.656 | 41.146 |
| Non-Current Liabilities | | 3.320.006 | 5.145.275 |
| Long Term Financial Liabilities | 6 | 2.932.969 | 4.791.105 |
| Long Term Provisions | | | |
| - Long Term Provisions for Employee Benefits | | 143.663 | 115.344 |
| Deferred Tax Liabilities | 20 | 243.374 | 238.826 |
| SHAREHOLDERS' EQUITY | | 4.611.554 | 3.679.732 |
| Equity Attributable To Equity Holders' of the Parent | | 4.131.062 | 3.296.237 |
| Share Capital | | 342.000 | 342.000 |
| Inflation Adjustments to Share Capital | | 108.056 | 108.056 |
| Effect of Business Combinations Under Common Control | | (498.670) | (498.670) |
| Other Comprehensive Income/Expense not to be Reclassified to Profit and Loss | | | |
| - Increases on Revaluation of Plant, Property and Equipment | | 647.779 | 647.779 |
| - Actuarial Gains and Losses on Post-Employment Termination Benefit Obligation | | (20.807) | (21.173) |
| - Gains from Financial Assets Measured at Fair Value through Other Comprehensive Income | | 1.242.288 | 1.099.942 |
| Other Comprehensive Income/Expense to be Reclassified to Profit and Loss | | | |
| - Currency Translation Adjustments | | (92.163) | (89.429) |
| - Cash Flow Hedges | | 6.605 | 52.481 |
| Restricted Reserves | | 138.385 | 131.587 |
| Retained Earnings | | 1.516.866 | 822.885 |
| Net Profit for the Period | | 740.723 | 700.779 |
| Non-Controlling Interest | | 480.492 | 383.495 |
| TOTAL LIABILITIES AND EQUITY | | 12.426.511 | 10.669.872 |

The accompanying notes form an integral part of these consolidated financial statements.

CONVENIENCE TRANSLATION INTO ENGLISH OF CONDENSED FINANCIAL STATEMENTS ORIGINALLY ISSUED IN TURKISH
ÜLKER BİSKÜVİ SANAYİ A.Ş. AND ITS SUBSIDIARIES
 CONDENSED CONSOLIDATED STATEMENT OF INCOME FOR THE INTERIM PERIOD ENDED 30 SEPTEMBER 2019 AND 2018
 (Amounts expressed in thousands of Turkish Lira ("TL") unless otherwise stated)

| | Notes | Condensed Unaudited Current Period 1 January - 30 September 2019 | Condensed Unaudited Current Period 1 July - 30 September 2019 | Restated (*) Condensed Unaudited Previous Period 1 January - 30 September 2018 | Restated (*) Condensed Unaudited Previous Period 1 July - 30 September 2018 |
|--|-------|--|---|--|---|
| Revenue | 16 | 5.655.967 | 1.893.109 | 4.157.633 | 1.437.674 |
| Cost of Sales (-) | 16 | (4.110.466) | (1.394.946) | (3.064.072) | (1.052.597) |
| GROSS PROFIT FROM OPERATIONS | | 1.545.501 | 498.163 | 1.093.561 | 385.077 |
| General Administrative Expenses | 17 | (161.202) | (66.617) | (114.177) | (39.600) |
| Marketing, Sales and Distribution Expenses | 17 | (533.526) | (153.876) | (416.353) | (145.685) |
| Research and Development Expenses | 17 | (13.540) | (4.451) | (9.868) | (3.093) |
| Other Operating Income | | 57.762 | 9.607 | 120.608 | 71.551 |
| Other Operating Expenses | | (60.302) | (22.614) | (95.046) | (46.863) |
| OPERATING PROFIT FROM MAIN OPERATIONS | | 834.693 | 260.212 | 578.725 | 221.387 |
| Income from Investment Activities | | 960.688 | 264.157 | 2.565.490 | 1.603.173 |
| Expenses from Investment Activities | | (304.079) | (293.818) | (290.904) | (282.820) |
| OPERATING PROFIT BEFORE FINANCIAL INCOME AND EXPENSES | | 1.491.302 | 230.551 | 2.853.311 | 1.541.740 |
| Financial Income | 18 | 522.995 | 438.376 | 438.789 | 420.940 |
| Financial Expenses | 19 | (1.007.761) | (327.458) | (2.479.203) | (1.648.729) |
| PROFIT BEFORE TAX | | 1.006.536 | 341.469 | 812.897 | 313.951 |
| Tax Expense | 20 | (188.390) | (68.703) | (168.241) | (57.256) |
| Corporate Tax Expense | | (198.552) | (82.959) | (123.842) | (52.428) |
| Deferred Tax Expense | | 10.162 | 14.256 | (44.399) | (4.828) |
| PROFIT FOR THE PERIOD | | 818.146 | 272.766 | 644.656 | 256.695 |
| Distribution of the Profit for the Period | | | | | |
| Non-Controlling Interest | | 77.423 | 19.252 | 72.594 | 35.856 |
| Equity Holders of the Parent | | 740.723 | 253.514 | 572.062 | 220.839 |
| Earning per Share | 21 | 2,17 | 0,74 | 1,67 | 0,65 |

(*) Restatement effects have been explained in Note 2.

The accompanying notes form an integral part of these consolidated financial statements.

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CONDENSED FINANCIAL STATEMENTS ORIGINALLY ISSUED IN TURKISH
ÜLKER BİSKÜVİ SANAYİ A.Ş. AND ITS SUBSIDIARIES**

CONDENSED CONSOLIDATED STATEMENTS OF OTHER COMPREHENSIVE INCOME FOR THE INTERIM PERIODS ENDED 30 SEPTEMBER 2019 AND 2018
(Amounts expressed in thousands of Turkish Lira ("TL") unless otherwise stated)

| | Condensed Unaudited Current Period 1 January - 30 September 2019 | Condensed Unaudited Current Period 1 July - 30 September 2019 | Restated (*) Condensed Unaudited Previous Period 1 January - 30 September 2018 | Restated (*) Condensed Unaudited Previous Period 1 July - 30 September 2018 |
|---|--|---|---|--|
| PROFIT FOR THE PERIOD | 818.146 | 272.766 | 644.656 | 256.695 |
| Other Comprehensive Income | | | | |
| Not to be Reclassified To Profit and Loss | 142.676 | (205.796) | (7.618) | (438) |
| Actuarial Gain/(Loss) on Post-Employment Termination Benefit Obligation | 413 | 583 | (2.512) | (547) |
| Gains from Financial Assets Measured at Fair Value through Other Comprehensive Income | 149.838 | (217.118) | (5.903) | - |
| Deferred Tax for the Items That Will not be Reclassified in Profit and Loss | | | | |
| Actuarial Loss on Post-Employment Termination Loss Obligation, Deferred Tax Effect | (83) | (117) | 502 | 109 |
| Gains from Financial Assets Measured at Fair Value through Other Comprehensive Income, Tax Effect | (7.492) | 10.856 | 295 | - |
| Items to be Reclassified to Profit and Loss | (29.000) | (46.252) | 147.618 | 95.639 |
| Currency Translation Adjustments | 16.876 | (16.441) | 62.526 | 48.433 |
| Cash Flow Hedges | (58.815) | (38.219) | 109.605 | 60.520 |
| Deferred Tax For The Items That Will be Reclassified to Profit and Loss | | | | |
| Cash Flow Hedges, Deferred Tax Effect | 12.939 | 8.408 | (24.513) | (13.314) |
| OTHER COMPREHENSIVE INCOME | 113.676 | (252.048) | 140.000 | 95.201 |
| TOTAL COMPREHENSIVE INCOME | 931.822 | 20.718 | 784.656 | 351.896 |
| Distribution of Total Comprehensive Income | | | | |
| Non-Controlling Interest | 96.997 | 15.332 | 146.694 | 85.736 |
| Equity Holders of the Parent | 834.825 | 5.386 | 637.962 | 266.160 |

(*) Restatement effects have been explained in Note 2.

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ÜLKER BİSKÜVİ SANAYİ A.Ş. AND ITS SUBSIDIARIES**

CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY FOR THE PERIOD ENDED 30 SEPTEMBER 2019 AND 2018
(Amounts expressed in thousands of Turkish Lira ("TL") unless otherwise stated)

| | Accumulated Other Comprehensive Income To Be Reclassified Under Profit And Loss | | Accumulated Other Comprehensive Income Not To Be Reclassified To Profit And Loss | | | | | Accumulated Profit | | | | | | |
|---|---|--|--|----------------------------------|------------------|---|--|--|---|---------------------------|-------------------|---|--------------------------|------------------|
| | Share Capital | Inflation Adjustments to Share Capital | Effect of Business Combinations Under Common Control | Currency Translation Adjustments | Cash Flow Hedges | Revaluation Plant, Property and Equipment | Actuarial Gains and (Losses) on Post-Employment Termination Benefit Obligation | Financial Assets Fair Value Through Other Comprehensive Income | Restricted Reserves Appropriated From Profits | Net Profit For the Period | Retained Earnings | Equity Attributable to Equity Holders of the Parent | Non-Controlling Interest | Total |
| As of 1 January 2018 (Previously reported) | 342.000 | 108.056 | (559.686) | (67.666) | 16.025 | 659.037 | (15.401) | 743.710 | 124.497 | 397.259 | 547.163 | 2.294.994 | 268.543 | 2.563.537 |
| Change in accounting policy (Note 2) | | | | | | | | | | | | | | |
| Adjustments related to TFRS9 (net) | - | - | - | - | - | - | - | - | - | - | (10.652) | (10.652) | (288) | (10.940) |
| As of 1 January 2018 (Restated) | 342.000 | 108.056 | (559.686) | (67.666) | 16.025 | 659.037 | (15.401) | 743.710 | 124.497 | 397.259 | 536.511 | 2.284.342 | 268.255 | 2.552.597 |
| Transfer | - | - | 61.016 | - | - | (19.918) | - | (24.078) | - | (397.259) | 380.239 | - | - | - |
| Total comprehensive income | - | - | - | (12.090) | 85.091 | - | (1.960) | (5.141) | - | 572.062 | - | 637.962 | 146.694 | 784.656 |
| Dividend | - | - | - | - | - | - | - | - | - | - | (88.000) | (88.000) | (13.877) | (101.877) |
| Gain on sale of tangible assets | - | - | - | - | - | - | - | - | - | - | (31) | (31) | (12) | (43) |
| As of 30 September 2018 | 342.000 | 108.056 | (498.670) | (79.756) | 101.116 | 639.119 | (17.361) | 714.491 | 124.497 | 572.062 | 828.719 | 2.834.273 | 401.060 | 3.235.333 |
| As of 1 January 2019 | 342.000 | 108.056 | (498.670) | (89.429) | 52.481 | 647.779 | (21.173) | 1.099.942 | 131.587 | 700.779 | 822.885 | 3.296.237 | 383.495 | 3.679.732 |
| Transfer | - | - | - | - | - | - | - | - | 6.798 | (700.779) | 693.981 | - | - | - |
| Total comprehensive income | - | - | - | (2.734) | (45.876) | - | 366 | 142.346 | - | 740.723 | - | 834.825 | 96.997 | 931.822 |
| As of 30 September 2019 | 342.000 | 108.056 | (498.670) | (92.163) | 6.605 | 647.779 | (20.807) | 1.242.288 | 138.385 | 740.723 | 1.516.866 | 4.131.062 | 480.492 | 4.611.554 |

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STATEMENTS ORIGINALLY ISSUED IN TURKISH
ÜLKER BİSKÜVİ SANAYİ A.Ş. AND ITS SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS FOR THE PERIOD ENDED
30 SEPTEMBER 2019 AND 2018
(Amounts expressed in thousands of Turkish Lira ("TL") unless otherwise stated)**

| | Notes | Condensed Unaudited Current Period 1 January - 30 September 2019 | Restated Condensed Unaudited Previous Period 1 January - 30 September 2018 |
|--|--------------|---|---|
| CASH FLOWS FROM OPERATING ACTIVITIES | | | |
| Net profit for the period | | 818.146 | 644.656 |
| Adjustments to Reconcile Net Profit | | | |
| Adjustment for Depreciation and Amortization Expenses | | | |
| Depreciation expenses of tangible assets | 11-12 | 121.942 | 104.980 |
| Amortization expenses of intangible assets | 14 | 4.172 | 2.537 |
| Adjustment for Impairment Loss (Reversal) | | | |
| Provision for doubtful receivables | 7 | (1.154) | 5.256 |
| Adjustment for impairment loss of other financial investments Loss/(gain) | | | |
| Increase in financial investments | | (19) | (115) |
| Adjustment for impairment loss of inventories | 10 | 10.559 | 3.221 |
| Adjustment for Provisions | | | |
| Adjustments for Provisions Related with Employee Benefits | | | |
| Provision for employment benefits | | 41.415 | 27.927 |
| Provision for unused vacation | | 4.979 | 11.959 |
| Provision for premium | | 33.245 | 19.960 |
| Provision for Lawsuits | | 874 | 226 |
| Adjustments for Other Provisions | | | |
| Change in Other Provisions (net) | | 114.852 | 184.417 |
| Adjustments for Dividend Income | | (83) | (102) |
| Adjustments for Interest Income | | (331.352) | (151.225) |
| Adjustments for Interest Expense | | | |
| Interest Expense | 19 | 311.417 | 237.930 |
| Discount Expense | | - | 12.042 |
| Adjustment for Tax Expenses | 20 | 188.390 | 168.241 |
| Adjustments for Losses (Gains) on Disposals of Non-Current Assets | | | |
| Adjustments for Gains Arised from Sale of Tangible Assets | | 1.692 | 978 |
| Adjustments for which Cash Effects are Investing of Financing Cash Flow | | | |
| Change in foreign currency of financial liabilities (net) | 18-19 | 153.165 | 1.778.983 |
| Change in foreign currency from investing activities (net) | | (318.932) | (2.117.535) |
| Commission expenses and finance service income (net) | | 20.184 | 19.490 |
| Income from derivative instruments (net) | | - | (1.901) |
| Other Adjustments to Reconcile Profit/(Loss) | | | |
| Rent income | | (7.934) | (6.702) |
| Net operating cash flows provided before changes in working capital | | 1.165.558 | 945.223 |

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ÜLKER BİSKÜVİ SANAYİ A.Ş. AND ITS SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS FOR THE PERIOD ENDED
30 SEPTEMBER 2019 AND 2018
(Amounts expressed in thousands of Turkish Lira ("TL") unless otherwise stated)**

| | Notes | Condensed Unaudited Current Period 1 January- 30 September 2019 | Restated Condensed Unaudited Previous Period 1 January- 30 September 2018 |
|--|--------------|--|--|
| Changes in Working Capital | | | |
| Increase in trade receivables | | (49.691) | (33.776) |
| Increase in trade receivables from related parties | | (591.357) | (915.104) |
| (Increase)/decrease in inventories | | (67.738) | 76.079 |
| Increase in other receivables and other current assets | | (6.608) | (16.978) |
| Decrease in trade payables | | (72.214) | (191.485) |
| Increase in trade payables to related parties | | 69.936 | 136.809 |
| Decrease in other payables and liabilities | | (14.237) | (6.567) |
| Net cash generated/(used) from operations | | 433.649 | (5.799) |
| Payments related with provisions for employee benefits | | | |
| Employment termination benefit paid | | (15.601) | (14.924) |
| Unused vacation paid | | (6.400) | (10.585) |
| Performance premium paid | | (34.647) | (21.475) |
| Lawsuits provision paid | | (362) | (113) |
| Taxes paid | | (108.546) | (75.704) |
| Collections from doubtful trade receivables | 7 | 367 | 38 |
| Net cash generated/(used) from operating activities | | 268.460 | (128.562) |
| CASH FLOWS FROM INVESTING ACTIVITIES | | | |
| Proceeds from sales of tangible and intangible assets | | 5.518 | 29.248 |
| Purchase of property, plant and equipment | | (75.410) | (193.822) |
| Purchase of intangible assets | | (2.157) | (4.359) |
| Changes in non-trade receivables from related parties | | (336.478) | (68.193) |
| Cash generated from dividends | | 83 | 102 |
| Interest received | | 331.352 | 151.225 |
| Repayments from given other advances and payables | | 2.406 | 59.483 |
| Rent Income | | 7.934 | 6.702 |
| Proceeds from sales of other businesses or share of funds or debt instruments | | - | 40.746 |
| Net cash (used)/generated from investing activities | | (66.752) | 21.132 |
| CASH FLOWS FROM FINANCING ACTIVITIES | | | |
| Proceeds from borrowings | | 320.342 | 309.462 |
| Repayments of borrowings | | (78.258) | (729.707) |
| Cash inflow from derivative instruments | | - | 1.901 |
| Commission paid | | (20.184) | (19.490) |
| Interest paid | | (260.868) | (182.187) |
| Change in non-trade payables to related parties | | 17 | (239.907) |
| Net cash used in financing activities | | (38.951) | (859.928) |
| NET CHANGE IN CASH AND CASH EQUIVALENTS | | 162.757 | (967.358) |
| THE EFFECT OF FOREIGN EXCHANGE RATE | | | |
| CHANGE ON CASH AND CASH EQUIVALENTS | | 274.384 | 1.811.772 |
| CASH AND CASH EQUIVALENTS AT THE | | | |
| BEGINNING OF THE PERIOD | 4 | 3.378.761 | 3.189.865 |
| CASH AND CASH EQUIVALENTS AT THE END OF | | | |
| THE PERIOD | 4 | 3.815.902 | 4.034.279 |

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ÜLKER BİSKÜVİ SANAYİ A.Ş. AND ITS SUBSIDIARIES

**NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD ENDED
30 SEPTEMBER 2019**

(Amounts expressed in thousands of Turkish Lira ("TL") unless otherwise stated)

1. ORGANIZATION AND OPERATIONS OF THE GROUP

Ülker Bisküvi Sanayi A.Ş. ("the Company") and its subsidiaries (all together "the Group"), comprises of the parent Ülker Bisküvi Sanayi A.Ş. ("the Company") and fifteen subsidiaries in which the Company owns the majority share of the capital or which are controlled by the Company (2018: Fifteen)

Ülker Bisküvi Sanayi A.Ş. was established in 1944. The Company's core business activities are manufacturing of biscuits, chocolate, chocolate coated biscuits, wafers and cakes.

Ülker Bisküvi Sanayi A.Ş. which is registered at the Capital Market Board, merged under its own title with Anadolu Gıda Sanayi A.Ş., whose shares have been quoted on Borsa Istanbul since 30 October 1996, as of 31 December 2003.

The headquarter of Ülker Bisküvi Sanayi A.Ş. is located Kısıklı Mah. Ferah Cad. No:1 Büyük Çamlıca Üsküdar/Istanbul.

As of 30 September 2019, the total number of people employed by the Group is 8.781, which contains 1.305 employees who worked as subcontractors (31 December 2018: 9.029, subcontractor: 1.180).

The ultimate parent and the controlling party of the Group is pladis Foods Limited. The ultimate controlling party is Yıldız Holding A.Ş.. pladis Foods Limited is subsidiary of Yıldız Holding A.Ş. with a shares of 100%. Yıldız Holding A.Ş. is managed by Ülker Family.

As of 30 September 2019 and 31 December 2018, the names and percentages of the shareholders holding more than 5% of the Company's share capital are as follows:

| Name of the Shareholders | 30 September 2019 | | 31 December 2018 | |
|--|-------------------|----------------|------------------|----------------|
| | Share | Percentage | Share | Percentage |
| pladis Foods Limited | 174.420 | 51,00% | 174.420 | 51,00% |
| Ülker Family Members and Yıldız Holding A.Ş. | 25.580 | 7,48% | 25.580 | 7,48% |
| Other | 142.000 | 41,52% | 142.000 | 41,52% |
| | 342.000 | 100,00% | 342.000 | 100,00% |

**CONVENIENCE TRANSLATION INTO ENGLISH OF CONDENSED FINANCIAL STATEMENTS
ORIGINALLY ISSUED IN TURKISH**

ÜLKER BİSKÜVİ SANAYİ A.Ş. AND ITS SUBSIDIARIES

**NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD ENDED
30 SEPTEMBER 2019**

(Amounts expressed in thousands of Turkish Lira ("TL") unless otherwise stated)

1. ORGANIZATION AND OPERATIONS OF THE GROUP (Continued)

As of 30 September 2019 and 31 December 2018, the details of the subsidiaries under consolidation in terms of direct and effective share of ownership and principal business activities are as follows:

| Subsidiaries | 30 September 2019 | | 31 December 2018 | | Nature of Operation |
|---|---------------------------|------------------------------|---------------------------|------------------------------|-------------------------|
| | Ratio of Direct Ownership | Ratio of Effective Ownership | Ratio of Direct Ownership | Ratio of Effective Ownership | |
| Biskot Bisküvi Gıda Sanayi ve Ticaret A.Ş. | 73,9% | 73,9% | 73,9% | 73,9% | Manufacturing |
| Ülker Çikolata Sanayi A.Ş. | 91,7% | 91,7% | 91,7% | 91,7% | Manufacturing |
| Atlas Gıda Pazarlama Sanayi ve Ticaret A.Ş. | 100,0% | 100,0% | 100,0% | 100,0% | Trading |
| Reform Gıda Paz. San. ve Tic. A.Ş. | 100,0% | 100,0% | 100,0% | 100,0% | Trading |
| İstanbul Gıda Dış Ticaret A.Ş. | 100,0% | 100,0% | 100,0% | 100,0% | Export |
| UI Egypt B.V. | 51,0% | 51,0% | 51,0% | 51,0% | Investing |
| Hi-Food for Advanced Food Industries | - | 51,4% | - | 51,4% | Manufacturing |
| Sabourne Investments Ltd | 100,0% | 100,0% | 100,0% | 100,0% | Investing |
| Food Manufacturers' Company | - | 55,0% | - | 55,0% | Manufacturing /Sales |
| Hamle Company Ltd LLP | 100,0% | 100,0% | 100,0% | 100,0% | Manufacturing /Sales |
| Ulker Star LLC | - | 99,0% | - | 99,0% | Sales |
| UI Mena BV | 100,0% | 100,0% | 100,0% | 100,0% | Investing |
| Amir Global Trading FZE | - | 100,0% | - | 100,0% | Sales |
| Ulker for Trading and Marketing | - | 99,8% | - | 99,8% | Sales |
| International Biscuits Company | 100,0% | 100,0% | 100,0% | 100,0% | Manufacturing /Sales |

Approval of Financial Statements:

The Board of Directors has approved the financial statements and given authorization for the issuance on 5 November 2019. The General Assembly has the authority to amend/modify the financial statements.

2. BASIS OF PRESENTATION OF FINANCIAL STATEMENTS

2.1 Basis of the Presentation

Principles for Preparation of Financial Statements and Significant Accounting Policies

The accompanying consolidated financial statements are prepared in accordance with Communiqué Serial II, No:14.1, "Principles of Financial Reporting in Capital Markets" ("the Communiqué") published in the Official Gazette numbered 28676 on 13 June 2013. According to Article 5 of the Communiqué, consolidated financial statements are prepared in accordance with the Turkish Accounting Standards ("TAS") issued by Public Oversight Accounting and Auditing Standards Authority ("POAASA"). TAS contains Turkish Accounting Standards, Turkish Financial Reporting Standards ("TFRS") and its addendum and interpretations ("TFRIC").

The consolidated financial statements of the Group are prepared as per the CMB announcement of 7 June 2013 relating to financial statements presentations.

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2. BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (Continued)

2.1 Basis of the Presentation (Continued)

Principles for Preparation of Financial Statements and Significant Accounting Policies (Continued)

In accordance with the CMB resolution issued on 17 March 2005, listed companies operating in Turkey are not subject to inflation accounting effective from 1 January 2005. Therefore, the consolidated financial statements of the Group have been prepared accordingly.

The Company and Subsidiaries in Turkey maintain their books of accounts and prepare their statutory financial statements in accordance with the Turkish Commercial Code ("TCC"), tax legislation, the Uniform Chart of Accounts issued by the Ministry of Finance and principles issued by CMB. The foreign subsidiaries maintain their books of account in accordance with the laws and regulations in force in the countries in which they are registered. These consolidated financial statements have been prepared under historical cost conventions except for land, buildings, financial assets and financial liabilities which are carried at fair value. The consolidated financial statements are based on the statutory records, which are maintained under historical cost conventions.

In accordance with the TAS, the entities are allowed to prepare a complete or condensed set of interim financial statements in accordance with TAS 34, "Interim Financial Reporting". In this respect, the Group preferred to present its interim condensed consolidated financial statements. The Group's interim condensed consolidated financial statement does not include all disclosures and notes that should be included at year-end financial statements. Therefore, the interim condensed consolidated financial statements should be examined together with the 31 December 2018 and 31 December 2017 year-end financial statements.

Functional and Presentation Currency

Financial statements of each subsidiary of the Group are presented in the currency of the primary economic environment in which the entities operate (its functional currency). The results and financial position of the each subsidiary are expressed in Turkish Lira, which is the presentation currency of the Group.

As of 30 September 2019, rates declared by Central Bank of Republic of Turkey are;
1 Euro = 6,1836 TL, 1 USD 5,6591 TL, 1 EGP = 0,3473 TL, 1 SAR = 1,5087 TL, 1 KZT = 0,0146 TL,
1 AED = 1,5421 TL (31 December 2018: 1 Euro = 6,0280 TL, 1 USD 5,2609 TL, 1 EGP = 0,2943 TL,
1 SAR = 1,4024 TL, 1 KZT = 0,0138 TL, 1 AED = 1,4336 TL).

For the period between 1 January 2019 and 30 September 2019, average rates declared by Central Bank of Republic of Turkey are;

1 Euro = 6,3299 TL, 1 USD = 5,6338 TL, 1 EGP = 0,3312 TL, 1 SAR = 1,5022 TL, 1 KZT = 0,0148 TL,
1 AED = 1,5352 TL (1 January – 30 September 2018: 1 Euro = 5,4737 TL, 1 USD = 4,6020 TL, 1 EGP = 0,2588 TL, 1 SAR = 1,2271 TL, 1 KZT = 0,0136 TL, 1 AED = 1,2540 TL)

2.2 Changes in the Accounting Policies

Comparative Information and Restatement of Prior Period Consolidated Financial Statements

Accounting policy changes are applied retrospectively and the previous year financial statements are rearranged.

In order to allow the determination of financial position and performance, the Group's consolidated financial statements are prepared in comparison with the previous period. In order to comply with the presentation of consolidated financial statements the current period when deemed necessary, comparative information is reclassified, and material differences are presented. The Group has made some reclassifications in order to conform to current period financial statements for prior periods.

Cost of customer activities amounting to TL 63.146 thousand which had been classified under marketing expenses account in the consolidated statement of financial position as of 1 January 2018 - 30 September 2018 has been reclassified deductively under revenue account. These reclassifications performed in order to conform to changes in presentation in the current period consolidated financial statements are not material to the consolidated financial statements.

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2. BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (Continued)

2.2 Changes in the Accounting Policies (Continued)

Transition to TFRS 9 "Financial instruments"

Group has applied TFRS 9 "Financial instruments", which has replaced TMS 39 on the first application date, 1 January 2018. The amendments include the classification and measurement of financial assets and liabilities and the expected credit risk model which will replace incurred credit risk model. Effect of transition is accounted based on the simplified approach. In accordance with this method, Group recorded the cumulative effect related to the transition of TFRS 9 in retained earnings on the first application date. Therefore, prior year financial statements are not restated and these financial statements are presented in accordance with TMS 39.

As of 1 January 2018 (first application date of TFRS 9), the classification of financial assets is determined considering the entity's business model for managing the financial assets. Group management classifies its financial assets measured at fair value through other comprehensive income. The hedging strategy and documentation of the Group are applicable with TFRS 9, therefore the Group evaluate to recognise hedging accounting similar with prior period.

Effects of the transition to TFRS 9 on the consolidated financial statements as of 1 January 2018 are as follows:

| | 31 December 2017 | TFRS 9 | 1 January |
|---|-------------------------|-----------------|------------------|
| | Restated | Effect | 2018 |
| | | | Restated |
| Consolidated statement of financial position | | | |
| Cash and cash equivalents | 3.189.865 | (10.395) | 3.179.470 |
| Short term trade receivables | 241.929 | (3.633) | 238.296 |
| Deferred tax assets | 46.336 | 3.088 | 49.424 |
| Equity effects of the transition to TFRS 9 | | (10.940) | |

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2. BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (Continued)

2.2 Changes in the Accounting Policies (Continued)

Changes related to the classification of financial assets and liabilities are as follows and these changes in the classification do not result in changes in measurement of assets except for financial assets:

| Financial Assets | Original classification under TMS 39 | New classification under TFRS 9 |
|------------------------------|---|---|
| Cash and cash equivalents | Loans and receivables | Amortized cost |
| Trades receivable | Loans and receivables | Amortized cost |
| Derivative instruments | Fair value through statement of profit or loss | Fair value through statement of profit or loss |
| Financial Investments | Available for sale financial assets | Fair value through other comprehensive income |
| Financial Liabilities | Original classification under TMS 39 | New classification under TFRS 9 |
| Borrowings | Amortized cost | Amortized cost |
| Financial lease liabilities | Amortized cost | Amortized cost |
| Factoring liabilities | Amortized cost | Amortized cost |
| Trade payables | Amortized cost | Amortized cost |

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2. BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (Continued)

2.2 Changes in the Accounting Policies (Continued)

Effect of the restatements are shown below:

| | Reported Previous Period 1 January- 30 September 2018 | Effects of Classifications from TFRS 9 and TFRS 15 | Restated Previous Period 1 January- 30 September 2018 |
|---|--|---|--|
| Profit or Loss | | | |
| Revenue | 4.220.779 | (63.146) | 4.157.633 |
| Cost of Sales (-) | (3.064.072) | - | (3.064.072) |
| GROSS PROFIT FROM OPERATIONS | 1.156.707 | (63.146) | 1.093.561 |
| General Administrative Expenses | (114.177) | - | (114.177) |
| Marketing, Sales and Distribution | (479.499) | 63.146 | (416.353) |
| Research Expenses | (9.868) | - | (9.868) |
| Other Operating Income | 112.081 | 8.527 | 120.608 |
| Other Operating Expense | (90.800) | (4.246) | (95.046) |
| OPERATING PROFIT FROM MAIN OPERATION | 574.444 | 4.281 | 578.725 |
| Income from Investment Activities | 2.565.490 | - | 2.565.490 |
| Expenses from Investment Activities | (290.904) | - | (290.904) |
| OPERATING PROFIT BEFORE FINANCIAL INCOME | 2.849.030 | 4.281 | 2.853.311 |
| Financial Income | 438.789 | - | 438.789 |
| Financial Expenses | (2.479.203) | - | (2.479.203) |
| PROFIT BEFORE TAX | 808.616 | 4.281 | 812.897 |
| Tax Expense | (166.617) | (1.624) | (168.241) |
| Tax on Income | (123.842) | - | (123.842) |
| Deferred Tax Income | (42.775) | (1.624) | (44.399) |
| PROFIT FOR THE PERIOD | 641.999 | 2.657 | 644.656 |
| Other Comprehensive Income: | | | |
| Items not to be Reclassified Under | | | |
| Profit and Loss | (7.618) | - | (7.618) |
| Actuarial Loss on Post-Employment Benefit Obligation | (2.512) | - | (2.512) |
| Gains from Financial Assets Measured at Fair Value through Other Comprehensive Income | (5.903) | - | (5.903) |
| Actuarial Loss on Post- Employment Benefit Obligation | | | |
| Deferred Tax Effect | 502 | - | 502 |
| Gains from Financial Assets Measured at Fair Value through Other Comprehensive Income | | | |
| Deferred Tax Effect | 295 | - | 295 |
| Items to be Reclassified Under | | | |
| Profit and Loss | 148.559 | (941) | 147.618 |
| Currency Translation Adjustments | 63.467 | (941) | 62.526 |
| Cash Flow Hedges | 109.605 | - | 109.605 |
| Cash Flow Hedges, Deferred Tax Effect | (24.513) | - | (24.513) |
| OTHER COMPHERENSIVE INCOME | 140.941 | (941) | 140.000 |
| TOTAL COMPHERENSIVE INCOME | 782.940 | 1.716 | 784.656 |

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2. BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (Continued)

2.3 Adoption of New and Revised International Financial Reporting Standards

The Group has applied the standards which are relevant to its operations from the standards, amendments and interpretations applicable from 1 January 2019.

a) Standards, amendments and interpretations applicable as at 30 September 2019:

Amendment to TFRS 9, "Financial instruments"; effective from annual periods beginning on or after 1 January 2019.

Amendment to TAS 28, "Investments in associates and joint venture"; effective from annual periods beginning on or after 1 January 2019.

TFRS 16, "Leases"; effective from annual periods beginning on or after 1 January 2019, with earlier application permitted if TFRS 15 "Revenue from Contracts with Customers" is also applied.

TFRIC 23, "Uncertainty over income tax treatments"; effective from annual periods beginning on or after 1 January 2019.

Annual improvements 2015-2017; effective from annual periods beginning on or after 1 January 2019. These amendments include minor changes to:

TFRS 3 "Business combinations"; - a company remeasures its previously held interest in a joint operation when it obtains control of the business.

TFRS 11, "Joint arrangements"; - a company does not remeasure its previously held interest in a joint operation when it obtains joint control of the business.

TAS 12, "Income taxes" - a company accounts for all income tax consequences of dividend payments in the same way.

TAS 23, "Borrowing costs" - a company treats as part of general borrowings any borrowing originally made to develop an asset when the asset is ready for its intended use or sale.

Amendments to TAS 19, "Employee benefits" on plan amendment, curtailment or settlement; effective from annual periods beginning on or after 1 January 2019. These amendments require an entity to:

use updated assumptions to determine current service cost and net interest for the remainder of the period after a plan amendment, curtailment or settlement; and

recognise in profit or loss as part of past service cost, or a gain or loss on settlement, any reduction in a surplus, even if that surplus was not previously recognised because of the impact of the asset ceiling.

b) Standards, amendments and interpretations that are issued but not effective as at 30 September 2019:

Amendments to TAS 1 and TAS 8 on the definition of material; effective from Annual periods beginning on or after 1 January 2020

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2. BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (Continued)

2.3 Adoption of New and Revised International Financial Reporting Standards (continued)

b) Standards, amendments and interpretations that are issued but not effective as at 30 September 2019 (continued):

Amendments to TFRS 3 - definition of a business; effective from Annual periods beginning on or after 1 January 2020.

TFRS 17, 'Insurance contracts'; effective from annual periods beginning on or after 1 January 2021.

The Group is in the process of assessing the impact of the amendments on financial position or performance of the Group.

As of the reporting date, the Group has completed the activities related to TFRS 16 "Leases, and deemed that TFRS 16 does not have a significant effect on the consolidated financial statements.

3. SEGMENTAL INFORMATION

The Group's core business activities are manufacturing and marketing of biscuit, chocolate coated biscuit, wafer, cake and chocolate. The reports reviewed routinely by the decision makers of the Group comprise consolidated financial information of Ülker Bisküvi Sanayi A.Ş. and its subsidiaries. The chief operating decision-maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the board of directors that makes strategic decisions. The Group management has determined the operating segments based on the reports reviewed by the board of directors that are used to make strategic decisions. The board of directors review segmental analysis on gross profit and operational profit.

The Group, follows its operations with domestic (local operations of Turkish companies in Turkey) and international basis in accordance with TFRS 8. The information for 1 January - 30 September 2019 and 1 January - 30 September 2018.

| | Domestic | Foreign | 1 January-30 September 2019 |
|----------------------|-----------------|----------------|------------------------------------|
| Revenue | 3.499.827 | 2.156.140 | 5.655.967 |
| Gross Profit | 747.552 | 797.949 | 1.545.501 |
| Operating Profit (*) | 452.250 | 384.983 | 837.233 |
| EBITDA (**) | 512.561 | 450.786 | 963.347 |
| EBITDA/Revenue | 14,6% | 20,9% | 17,0% |
| Investment Expense | 117.234 | 25.897 | 143.131 |
| | Domestic | Foreign | 1 January-30 September 2018 |
| Revenue | 2.700.129 | 1.457.504 | 4.157.633 |
| Gross Profit | 548.613 | 544.948 | 1.093.561 |
| Operating Profit (*) | 312.958 | 240.205 | 553.163 |
| EBITDA (**) | 369.640 | 291.040 | 660.680 |
| EBITDA/Revenue | 13,7% | 20,0% | 15,9% |
| Investment Expense | 94.294 | 103.887 | 198.180 |

(*) Profit before other income/expense.

(**) EBITDA (Earnings before interest, tax, depreciation and amortization) is calculated by adding back the non-cash expenses of depreciation and amortization to a firm's operating income. EBITDA isn't a measure of performance identified in TFRS, thus it may not be a tool for comparison for firms.

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4. CASH AND CASH EQUIVALENTS

| | 30 September 2019 | 31 December 2018 |
|----------------------|--------------------------|-------------------------|
| Cash on hand | 551 | 421 |
| Demand deposits | 299.241 | 714.195 |
| Time deposits | 3.522.381 | 2.666.312 |
| Impairment provision | (6.271) | (2.167) |
| | 3.815.902 | 3.378.761 |

Details of time deposits are shown below:

| Currency Type | Annual Weighted Average Effective Interest Rate | Maturity | 30 September 2019 |
|----------------------|--|-----------------|--------------------------|
| TL | 16,82% | October 2019 | 94.437 |
| EUR | 1,25% | October 2019 | 103.363 |
| USD | 2,33% | October 2019 | 3.283.531 |
| GBP | 0,15% | October 2019 | 3.662 |
| EGP | 11,23% | October 2019 | 20.261 |
| KZT | 10,50% | October 2019 | 17.127 |
| | | | 3.522.381 |

| Currency Type | Annual Weighted Average Effective Interest Rate | Maturity | 31 December 2018 |
|----------------------|--|-----------------|-------------------------|
| TL | 20,80% | January 2019 | 25.540 |
| EUR | 1,15% | January 2019 | 5.293 |
| USD | 1,21% | January 2019 | 2.613.527 |
| GBP | 0,25% | January 2019 | 732 |
| EGP | 14,01% | January 2019 | 7.574 |
| KZT | 9,00% | January 2019 | 13.646 |
| | | | 2.666.312 |

5. FINANCIAL INVESTMENTS

Short Term Financial Investments:

Available for sale financial assets

| 30 September 2019 | 31 December 2018 |
|--------------------------|-------------------------|
| 721 | 702 |
| 721 | 702 |

Long Term Financial Investments:

Available for sales financial assets

| 30 September 2019 | 31 December 2018 |
|--------------------------|-------------------------|
| 1.490.059 | 1.340.221 |
| 1.490.059 | 1.340.221 |

Long Term

Available for Sale Financial

| | 30 September 2019 | 31 December 2018 |
|---------------------|--------------------------|-------------------------|
| G New, Inc | 105.612 | 105.612 |
| Godiva Belgium BVBA | 1.384.247 | 1.234.409 |
| Other | 200 | 200 |
| | 1.490.059 | 1.340.221 |

Available for sale financial assets are presented at their fair values. Net changes in fair value of available for sale financial assets attributable to shareholders as at 30 September 2019 amounting to TL 1.242.288 (31 December 2018 :1.099.942 TL) thousand have been directly presented in other comprehensive income under equity.

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6. FINANCIAL LIABILITIES

| | 30 September 2019 | 31 December 2018 |
|---|---------------------------------|--------------------------------|
| Short term liabilities | 355.486 | 85.519 |
| Short term portion of long term liabilities | 2.531.162 | 369.129 |
| Long term liabilities | 2.932.969 | 4.791.105 |
| | 5.819.617 | 5.245.753 |
| <u>Short Term Liabilities</u> | <u>30 September 2019</u> | <u>31 December 2018</u> |
| Bank loans | 162.386 | 66.064 |
| Non-trade payables to related parties (Note 22) | 193.100 | 19.455 |
| | 355.486 | 85.519 |
| <u>Short Term Portion of Long Term Liabilities</u> | <u>30 September 2019</u> | <u>31 December 2018</u> |
| Bank loans | 2.518.239 | 369.129 |
| Financial lease payables | 12.923 | - |
| | 2.531.162 | 369.129 |
| <u>Long Term Liabilities</u> | <u>30 September 2019</u> | <u>31 December 2018</u> |
| Bank Loans | 2.880.328 | 4.791.105 |
| Financial Lease Payables | 52.641 | - |
| | 2.932.969 | 4.791.105 |

The syndication loans have received as of 20 April 2017 and 27 November 2017. Details of Group's syndication loans are as follows: Syndication loan consists of two credit trenches which are USD 136.000.000 and EUR 225.144.922. 14 international banks joined to the syndication. Effective interest rate for both credit trenches are Euribor + 3% for EUR, Libor+ 3.1% for USD and the maturity date is April 2020. Principal payments of the loans are repaid at maturity with semi-annual interest payments.

Syndication loan consists of two credit trenches which are USD 111.498.684 and EUR 290.559.069. 15 international banks joined to the syndication. Effective interest rate for both credit trenches are Euribor + 3.00% for EUR , Libor+ 2.90% for USD and the maturity date is November 2020. Principal payments of the loans are repaid at maturity with semi-annual interest payments

The covenants which belong to syndicated loan are as follows:

- Leverage:** The ratio of the consolidated net debt at balance sheet date to the last twelve months consolidated EBITDA (Earnings before interest, tax, depreciation and amortization) in the valid period should not be over 3,50 to 1.
- Interest Coverage:** Consolidated interest coverage ratio of the Group should be at least 2 to 1.

In current year, the consolidated financial statements of the Group comply with the covenants of the syndication loan agreement.

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6. FINANCIAL LIABILITIES (Continued)

Details of borrowings as of 30 September 2019 and 31 December are as follows:

30 September 2019

| <u>Currency Type</u> | <u>Maturity</u> | <u>Effective Weighted</u> | <u>Short Term</u> | <u>Long Term</u> |
|----------------------|----------------------------|------------------------------|-------------------------|-------------------------|
| | | <u>Average Interest Rate</u> | | |
| TL | October 2019-April 2023 | 20,21% | 206.022 | 52.641 |
| EUR | October 2019-May 2023 | 2,96% | 1.758.240 | 2.018.159 |
| USD | October 2019-November 2020 | 5,52% | 906.784 | 606.647 |
| KZT | October 2019-January 2026 | 10,00% | 6.550 | 255.522 |
| SAR | January 2020-July 2020 | 4,00% | 9.052 | - |
| | | | <u>2.886.648</u> | <u>2.932.969</u> |

31 December 2018

| <u>Currency Type</u> | <u>Maturity</u> | <u>Effective Weighted</u> | <u>Short Term</u> | <u>Long Term</u> |
|----------------------|----------------------------|------------------------------|-----------------------|-------------------------|
| | | <u>Average Interest Rate</u> | | |
| TL | January 2019 | 25,70% | 19.455 | - |
| EUR | January 2019- May 2023 | 2,96% | 294.503 | 3.302.700 |
| USD | January 2019-November 2020 | 5,43% | 118.456 | 1.238.120 |
| EGP | March 2019-September 2019 | 18,75% | 1.669 | - |
| KZT | January 2019-December 2023 | 9,50% | 4.765 | 241.871 |
| SAR | January 2019-July 2020 | 4,16% | 15.800 | 8.414 |
| | | | <u>454.648</u> | <u>4.791.105</u> |

The maturity detail of the bank loans is as follows:

| | <u>30 September 2019</u> | <u>31 December 2018</u> |
|-----------------------------|---------------------------------|--------------------------------|
| to be paid within 1 year | 2.873.725 | 454.648 |
| to be paid within 1-2 years | 2.438.613 | 4.336.860 |
| to be paid within 2-3 years | 151.401 | 145.670 |
| to be paid within 3-4 years | 151.069 | 145.332 |
| to be paid within 4-5 years | 75.364 | 102.776 |
| Above 5 years | 63.881 | 60.467 |
| | <u>5.754.053</u> | <u>5.245.753</u> |

Financial Lease Liabilities

Short Term Financial Lease Liabilities

Financial lease liabilities
Future finance charges on finance leases (-)

| <u>30 September 2019</u> | <u>31 December 2018</u> |
|---------------------------------|--------------------------------|
| 29.282 | - |
| (16.359) | - |
| <u>12.923</u> | <u>-</u> |

Long Term Financial Lease Liabilities

Financial lease liabilities
Future finance charges on finance leases (-)

| <u>30 September 2019</u> | <u>31 December 2018</u> |
|---------------------------------|--------------------------------|
| 73.215 | - |
| (20.574) | - |
| <u>52.641</u> | <u>-</u> |

| | <u>30 September 2019</u> | <u>31 December 2018</u> |
|-----------------------------|---------------------------------|--------------------------------|
| to be paid within 1 year | 12.923 | - |
| to be paid within 1-2 years | 16.927 | - |
| to be paid within 2-3 years | 22.172 | - |
| to be paid within 3-4 years | 13.542 | - |
| | <u>65.564</u> | <u>-</u> |

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7. TRADE RECEIVABLES AND PAYABLES

| | 30 September 2019 | 31 December 2018 |
|--|--------------------------|-------------------------|
| Short Term Due from Related Parties | | |
| Due from related parties (Note 22) | 2.156.046 | 1.564.689 |
| | 2.156.046 | 1.564.689 |
| Other Trade Receivables | | |
| Trade receivables | 428.782 | 352.982 |
| Notes receivables | - | 766 |
| Provision for doubtful receivables | (18.578) | (19.351) |
| | 410.204 | 334.397 |
| Total Short Term Trade Receivables | 2.566.250 | 1.899.086 |

The movement of the allowance for doubtful receivables as of 30 September 2019 and 2018 is as follows:

| | 1 January - 30 September 2019 | 1 January - 30 September 2018 |
|--|--|--|
| In accordance with TAS 39 as of 1 January | | |
| Accounting policy change for TFRS 9 | (19.351) | (8.212) |
| | - | (3.633) |
| Restated as of 1 January | (19.351) | (11.845) |
| Current period expense | (1.318) | (5.313) |
| Canceled provision | 2.472 | 57 |
| Currency translation differences | (748) | (5.425) |
| Collection | 367 | 38 |
| Closing balance | (18.578) | (22.488) |
| | 30 September 2019 | 31 December 2018 |
| Short Term Trade Payables | | |
| Due to related parties (Note 22) | 590.244 | 520.308 |
| Trade payables | 552.512 | 593.789 |
| | 1.142.756 | 1.114.097 |

8. OTHER RECEIVABLES AND PAYABLES

| | 30 September 2019 | 31 December 2018 |
|-------------------------------------|--------------------------|-------------------------|
| Other Receivables | | |
| Due from related parties (Note 22) | 337.105 | 627 |
| Short term other receivables | 33.120 | 38.554 |
| | 370.225 | 39.181 |
| | 30 September 2019 | 31 December 2018 |
| Other Short Term Receivables | | |
| VAT receivables | 11.787 | 19.339 |
| Deposits and guarantees given | 16.744 | 13.440 |
| Receivables from personnel | 1.573 | 2.020 |
| Other | 3.016 | 3.755 |
| | 33.120 | 38.554 |
| | 30 September 2019 | 31 December 2018 |
| Other Long Term Receivables | | |
| Deposits and guarantees given | 365 | 234 |
| | 365 | 234 |

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8. OTHER RECEIVABLES AND PAYABLES (Continued)

| | 30 September 2019 | 31 December 2018 |
|------------------------------------|--------------------------|-------------------------|
| Other Payables | | |
| Due from related parties (Note 22) | 1.194 | 1.177 |
| Other short term payables | 8.061 | 5.631 |
| | 9.255 | 6.808 |
| | | |
| | 30 September 2019 | 31 December 2018 |
| Other Short Term Payables | | |
| Deposits and guarantees received | 3.223 | 3.214 |
| Other short term payables | 4.838 | 2.417 |
| | 8.061 | 5.631 |

9. DERIVATIVE INSTRUMENTS

As date of 20 April 2017, the Group received syndication loans which are USD 136.000.000 and EUR 225.144.922 respectively. Effective interest rate for both credits are fluctuated and the maturity date is April 2020. Principal payments of the loans are repaid at maturity with semi-annual interest payments in parallel with repayment schedule, the Group entered into a cross currency fixed interest rate swap contracts amounting to USD 116.000.000 and EUR 30.000.000, respectively to manage its exposure to interest rate and foreign currency fluctuations.

Derivative instruments as of 30 September 2019 and 31 December 2018 are as follows:

| | 30 September 2019 | | 31 December 2018 | |
|--|----------------------------|-------------------|----------------------------|-------------------|
| | Contract Amount | Fair Value | Contract Amount | Fair Value |
| Derivative instruments held for hedge | | | | |
| Cross Currency Fixed Interest Rate Swap | 528.132 | 307.072 | 528.132 | 323.087 |
| Total Asset | 528.132 | 307.072 | 528.132 | 323.087 |

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10. INVENTORIES

Details of inventory are as follows;

| | 30 September 2019 | 31 December 2018 |
|--|--------------------------|-------------------------|
| Raw materials | 287.205 | 229.264 |
| Work in progress | 23.781 | 16.907 |
| Finished goods | 266.253 | 265.841 |
| Trade goods | 75.992 | 59.854 |
| Other inventories | 49.431 | 44.517 |
| Allowance for impairment on inventory(-) | (21.230) | (11.829) |
| | 681.432 | 604.554 |

Inventory is presented on cost value and allowance for impairment is booked for inventory valuing lower than cost.

The movement of allowance for impairment on inventory for the periods ended on 30 September 2019 and 2018 are below:

| | 1 January- 30 September 2019 | 1 January- 30 September 2018 |
|----------------------------------|---|---|
| Opening balance | (11.829) | (10.062) |
| Charge for the period | (10.559) | (3.221) |
| Reversal of provision | 1.451 | 1.895 |
| Currency translation differences | (293) | (665) |
| Closing balance | (21.230) | (12.053) |

11. INVESTMENT PROPERTIES

| | 1 January- 30 September 2019 | 1 January- 30 September 2018 |
|------------------------|---|---|
| Opening balance | 21.036 | 16.196 |
| Charge for the period | - | - |
| Closing balance | 21.036 | 16.196 |

The fair value of the Group's investment properties at 31 December 2018 has been calculated on the basis of a valuation carried out at that date by 31 December 2018, by independent valuers not related to the Group. NOVA Taşınmaz Değerleme ve Danışmanlık A.Ş. is one of the accredited independent valuers by Capital Markets Board of Turkey, and has appropriate qualifications and recent experience in the valuation of properties in the relevant locations. The valuation, which conforms to International Valuation Standards, based on market evidence of transaction prices for similar properties.

The rent income earned by the Group from its investment properties amounting to TL 1.255 thousand (30 September 2018: TL 972 thousand) within the current period. Direct operating expenses arising from the investment properties in the current period amounting to TL 70 thousand. (30 September 2018: TL 59 thousand).

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12. TANGIBLE ASSETS

Movement of tangible assets between 1 January 2019 and 30 September 2019 is as follows:

| Cost | 1 January 2019 | Addition | Disposal | Transfers (Note 14) | Currency Translation Differences | 30 September 2019 |
|---------------------------------|-----------------------|----------------------------------|-----------------|--------------------------------|---|--------------------------|
| Land | 714.750 | - | - | (1.966) | 3.494 | 716.278 |
| Buildings | 698.303 | 72.617 | - | 14.033 | 17.161 | 802.114 |
| Machinery, plant and equipment | 2.038.567 | 7.189 | (10.849) | 23.426 | 57.715 | 2.116.048 |
| Vehicles | 11.697 | 31 | (147) | - | 569 | 12.150 |
| Furniture and fixture | 95.810 | 4.005 | (541) | 4.898 | 2.789 | 106.961 |
| Leasehold improvements | 41.326 | 430 | - | - | 19 | 41.775 |
| Other tangible assets | 798 | - | - | - | 60 | 858 |
| Construction in progress | 44.470 | 56.702 | (557) | (40.391) | 2.539 | 62.763 |
| | 3.645.721 | 140.974 | (12.094) | - | 84.346 | 3.858.947 |
| Accumulated Depreciation | 1 January 2019 | Charge for the Period | Disposal | Transfers (Note 14) | Currency Translation Differences | 30 September 2019 |
| Buildings | (346.062) | (16.250) | - | - | (4.396) | (366.708) |
| Machinery, plant and equipment | (925.608) | (95.534) | 4.609 | - | (28.647) | (1.045.180) |
| Vehicles | (7.054) | (1.010) | - | - | (404) | (8.468) |
| Furniture and fixture | (70.149) | (6.090) | 275 | - | (1.905) | (77.869) |
| Leasehold improvements | (19.545) | (2.994) | - | - | (5) | (22.544) |
| Other tangible assets | (937) | (64) | - | - | (36) | (1.037) |
| | (1.369.355) | (121.942) | 4.884 | - | (35.393) | (1.521.806) |
| Net Book Value | 2.276.366 | | | | | 2.337.141 |

From depreciation and amortization expenses, TL 115.296 thousand (30 September 2018: TL 98.855 thousand) is included in cost of goods sold, TL 289 thousand (30 September 2018: TL 384 thousand) is included in research and development expenses, TL 2.429 thousand (30 September 2018: TL 1.844 thousand) is included in marketing and selling expenses, TL 8.100 thousand (30 September 2018: TL 6.434 thousand) is included in general and administrative expenses. There are TL 70.000 worth buildings acquired through financial leasing in the current period. There is not any mortgage or collateral on tangible assets in the current period. In 2019, the Group has no capitalized interest and foreign exchange losses with regards to borrowings and accounted for such borrowing costs under tangible assets (30 September 2018: TL 532 thousand interest, TL 7.068 thousand foreign exchange difference).

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12. TANGIBLE ASSETS (Continued)

Movement of tangible assets between 1 January 2018 and 30 September 2018 is as follows:

| Cost | 1 January 2018 | Addition | Disposal | Transfers (Note 14) | Currency Translation Differences | 30 September 2018 |
|--------------------------------|-----------------------|-----------------|------------------|--------------------------------|---|--------------------------|
| Land | 731.004 | - | (14.810) | - | 13.676 | 729.870 |
| Buildings | 753.909 | 3.730 | (151.959) | 28.245 | 66.733 | 700.658 |
| Machinery, plant and equipment | 1.566.324 | 27.572 | (7.835) | 172.117 | 239.383 | 1.997.561 |
| Vehicles | 10.787 | 129 | (965) | 255 | 3.234 | 13.440 |
| Furniture and fixture | 79.633 | 3.354 | (171) | 1.334 | 9.860 | 94.010 |
| Leasehold improvements | 37.362 | 1.671 | - | - | 99 | 39.132 |
| Other tangible assets | 556 | - | - | - | 327 | 883 |
| Construction in progress | 189.912 | 157.366 | (3.768) | (204.535) | 16.072 | 155.047 |
| | 3.369.487 | 193.822 | (179.508) | (2.584) | 349.384 | 3.730.601 |

| Accumulated Depreciation | 1 January 2018 | Charge for the Period | Disposal | Transfers | Currency Translation Differences | 30 September 2018 |
|---------------------------------|-----------------------|----------------------------------|-----------------|------------------|---|--------------------------|
| Buildings | (440.109) | (12.290) | 142.719 | - | (29.000) | (338.680) |
| Machinery, plant and equipment | (750.452) | (83.740) | 5.730 | - | (108.968) | (937.430) |
| Vehicles | (5.281) | (1.184) | 718 | - | (2.232) | (7.979) |
| Furniture and fixture | (58.599) | (5.124) | 115 | - | (7.394) | (71.002) |
| Leasehold improvements | (15.981) | (2.597) | - | - | (18) | (18.596) |
| Other tangible assets | (285) | (45) | - | - | (730) | (1.060) |
| | (1.270.707) | (104.980) | 149.282 | - | (148.342) | (1.374.747) |

| | | |
|-----------------------|------------------|------------------|
| Net Book Value | 2.098.780 | 2.355.854 |
|-----------------------|------------------|------------------|

There are not any fixed assets acquired through financial leasing as of 30 September 2018. There is not any mortgage or collateral on tangible assets in the current period.

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12. TANGIBLE ASSETS (Continued)

The estimated useful lives of tangible assets are as follow:

| | Useful Life |
|---------------------------------|--------------------|
| Buildings | 25 – 50 year |
| Machinery, plant and equipments | 4 – 20 year |
| Vehicles | 4 – 10 year |
| Other tangible assets | 4 – 10 year |
| Furniture and fixtures | 3 – 10 year |
| Leasehold improvements | During rent period |

The Group decided to apply revaluation model to land and buildings in accordance with TMS 16. Land and buildings were revalued with "compare with similars" technique on 15 January 2018. The revaluation was performed by Nova Taşınmaz Değerleme ve Danışmanlık A.Ş. authorized by Capital Markets Board. Properties were accounted on 31 December 2017 financial statements based on their fair values. The frequency of revaluations are related with the changes on the market values of the properties. If there is material change at the fair value, revaluation is performed. If not, properties are only subject to periodical revaluation.

13. GOODWILL

| | 30 September 2019 | 31 December 2018 |
|----------------------------------|--------------------------|-------------------------|
| 1 January | 331.975 | 253.507 |
| Currency translation adjustments | 14.765 | 78.468 |
| Closing Balance | 346.740 | 331.975 |

Goodwill details are as follow:

| Company | 30 September 2019 | 31 December 2018 |
|----------------|--------------------------|-------------------------|
| UI Mena B.V. | 333.538 | 319.335 |
| IBC | 13.202 | 12.640 |
| | 346.740 | 331.975 |

UI Mena B.V.

Yıldız Holding A.Ş. acquired United Biscuit Group as of 3 November 2014. Goodwill accounted at Yıldız Holding's financial statement related with UI MENA operations is accounted to these financial statement by restating prior years.

International Biscuits Company

Yıldız Holding A.Ş. acquired United Biscuit Group as of 3 November 2014. Goodwill accounted at Yıldız Holding's financial statement related with IBC acquisition is accounted to these financial statement by restating prior years.

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14. INTANGIBLE ASSETS

Movements of intangible assets between 1 January 2019 – 30 September 2019 are as follows:

| Cost | 1 January 2019 | Addition | Transfer | Currency Translation Differences | 30 September 2019 |
|----------------------------|---------------------------|-----------------|-----------------|---|------------------------------|
| Rights (*) | 263.730 | 1.703 | - | 18.997 | 284.430 |
| Other intangible assets | 3.251 | 454 | - | - | 3.705 |
| | 266.981 | 2.157 | - | 18.997 | 288.135 |

| Accumulated Amortization | 1 January 2019 | Charge for the Period | Transfer | Currency Translation Differences | 30 September 2019 |
|-------------------------------------|---------------------------|----------------------------------|-----------------|---|------------------------------|
| Rights | (6.382) | (3.880) | - | (678) | (10.940) |
| Other intangible assets | (2.841) | (292) | - | - | (3.133) |
| | (9.223) | (4.172) | - | (678) | (14.073) |
| Net Book Value | 257.758 | | | | 274.062 |

Movements of intangible assets between 1 January 2018 - 30 September 2018 are as follows:

| Cost | 1 January 2018 | Addition | Transfer (Note 12) | Currency Translation Differences | 30 September 2018 |
|----------------------------|---------------------------|-----------------|-------------------------------|---|------------------------------|
| Rights (*) | 185.326 | 4.305 | 2.533 | 105.262 | 297.426 |
| Other intangible assets | 3.120 | 54 | 51 | - | 3.225 |
| | 188.446 | 4.359 | 2.584 | 105.262 | 300.651 |

| Accumulated Amortization | 1 January 2018 | Charge for the Period | Transfer | Currency Translation Differences | 30 September 2018 |
|-------------------------------------|---------------------------|----------------------------------|-----------------|---|------------------------------|
| Rights | (2.608) | (2.251) | - | (656) | (5.515) |
| Other intangible assets | (2.959) | (286) | - | - | (3.245) |
| | (5.567) | (2.537) | - | (656) | (8.760) |
| Net Book Value | 182.879 | | | | 291.891 |

(*) As of 30 September 2019 Rights contain reacquired rights related with Saudi distribution agreements of Groups products in Saudi Arabia amounting to TL 225.164 thousand (30 September 2018: TL 238.338 thousand), the remaining amount TL 41.692 thousand (30 September 2018: TL 46.847 thousand) contains the right of Rana brand. Reacquired rights are not subject to depreciation and has indefinite useful life. Impairment test is applied every year of when there is any indicator that impairment may occur.

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14. INTANGIBLE ASSETS (Continued)

The intangible assets are amortized on a straight-line basis over their estimated useful lives.

| | Useful Life |
|-------------------------|------------------------------|
| Rights | 2 years - Indefinite life |
| Other intangible assets | 2 – 12 years |
| Brand | Indefinite life |

15. OTHER PROVISIONS, CONTINGENT ASSETS AND LIABILITIES

Guarantees Given

(Balances denominated in foreign currencies have been presented in their original currency)

| | 30 September 2019 | | | 31 December 2018 | | |
|---|-------------------|---------------|----------------|------------------|---------------|----------------|
| | TL | USD | EURO | TL | USD | EURO |
| A) CPM's given in the name of own legal personality (*) | 373.640 | 49.252 | - | 374.039 | 57.302 | - |
| B) CPM's given on behalf of the fully consolidated companies | - | - | 87.922 | 226 | - | 87.922 |
| C) CPM's given on behalf of third parties for ordinary course of business (**) | - | - | 97.270 | - | - | 96.294 |
| D) Total amount of other CPM's given | | | | | | |
| i.Total amount of CPM's given on behalf of the majority shareholder (**) | - | - | - | - | - | - |
| ii.Total amount of CPM's given on behalf of the group companies which are not in scope of B and C | - | - | - | - | - | - |
| iii.Total amount of CPM's given on behalf of third parties which are not in scope of C | - | - | - | - | - | - |
| Total | 373.640 | 49.252 | 185.192 | 374.265 | 57.302 | 184.216 |

(*) Non-cash risk amounting to TL 54,9 million and USD 6,8 million.

(**) Includes the surety given for the group's raw material supplier in relation to the raw material purchases to be made on behalf of the group.

(***) The ratio of other collaterals, pledges and mortgages given by the group to the group's parent company's equities is 0% as of 30 September 2019 (31 December 2018: 0%).

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15. OTHER PROVISIONS, CONTINGENT ASSETS AND LIABILITIES (Continued)

Guarantees Given (Continued)

On February 2018, Yıldız Holding A.Ş. started to negotiate with the creditors in order to refinance the loan payables for which no guarantee was provided and the balances which are used by the holding and various Yıldız Holding group entities in connection with the miscellaneous loan agreements the holding company entered into with Turkish banks. The purpose of these negotiations is to move all loan payable balances to the level of Yıldız Holding A.Ş. within the framework of a single maturity, interest rate and payment plan.

The company's ultimate parent company Yıldız Holding A.Ş. and some Yıldız Holding Group entities including Ülker Bisküvi's subsidiaries entered into syndicated loan agreement with some of the "creditors" of Yıldız Holding A.Ş. and Yıldız Holding Group entities.

The bank loans of Ülker Bisküvi's subsidiaries which are totally TL 511,1 million and TL 72,4 million contingencies as of 8 June 2018, were increased to the level of Yıldız Holding A.Ş. through syndication. The company's total debt has not increased as a result of the syndicated loan. Related Ülker Bisküvi's subsidiaries became guarantors of Yıldız Holding A.Ş. as of the date of using the loan limited to the current total bank loan risk exposure.

16. REVENUE AND COST OF SALES

a) Revenue

The detail of operating income is as follows:

| | 1 January - 30 September 2019 | 1 July- 30 September 2019 | 1 January - 30 September 2018 | 1 July - 30 September 2018 |
|---------------------------------|--|--|--|---|
| Domestic sales(*) | 6.196.538 | 2.089.006 | 4.698.549 | 1.632.250 |
| Export sales | 1.205.442 | 400.797 | 793.198 | 288.133 |
| Sales returns and discounts (-) | (1.746.013) | (596.694) | (1.334.114) | (482.709) |
| Sales Income (net) | 5.655.967 | 1.893.109 | 4.157.633 | 1.437.674 |
| Cost of merchandises sold | (3.994.853) | (1.360.463) | (2.972.214) | (1.048.993) |
| Cost of trade goods sold | (115.613) | (34.483) | (91.858) | (3.604) |
| Cost of sales | (4.110.466) | (1.394.946) | (3.064.072) | (1.052.597) |
| Gross Profit | 1.545.501 | 498.163 | 1.093.561 | 385.077 |

(*) Denotes domestic sales in Turkey and in countries where abroad subsidiaries are located.

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17. EXPENSES BY NATURE

The detail of operating expenses is as follow:

| | 1 January - 30 September 2019 | 1 July - 30 September 2019 | 1 January - 30 September 2018 | 1 July - 30 September 2018 |
|--|--|---|--|---|
| General Administrative Expenses | | | | |
| Personnel expenses | (69.428) | (22.353) | (55.296) | (19.740) |
| Operating expenses | (51.977) | (32.661) | (26.601) | (8.453) |
| Consultancy expenses | (10.309) | (3.220) | (10.171) | (4.822) |
| Depreciation and amortization expenses | (8.100) | (2.688) | (6.434) | (2.376) |
| Other | (21.388) | (5.695) | (15.675) | (4.209) |
| | (161.202) | (66.617) | (114.177) | (39.600) |
| Marketing Expenses | | | | |
| Marketing operating expenses | (391.273) | (107.731) | (302.088) | (103.385) |
| Personnel expenses | (99.753) | (31.724) | (80.172) | (29.806) |
| Rent expenses | (11.212) | (3.936) | (8.645) | (3.194) |
| Depreciation and amortization expenses | (2.429) | (833) | (1.844) | (637) |
| Other | (28.859) | (9.652) | (23.604) | (8.663) |
| | (533.526) | (153.876) | (416.353) | (145.685) |
| Research Expenses | | | | |
| Personnel expenses | (8.271) | (2.527) | (6.682) | (2.138) |
| Materials used | (1.189) | (467) | (784) | (252) |
| Depreciation and amortization expenses | (289) | (84) | (384) | (155) |
| Other | (3.791) | (1.373) | (2.018) | (548) |
| | (13.540) | (4.451) | (9.868) | (3.093) |

18. FINANCIAL INCOME

| | 1 January - 30 September 2019 | 1 July - 30 September 2019 | 1 January - 30 September 2018 | 1 July - 30 September 2018 |
|------------------------------------|--|---|--|---|
| Foreign exchange gain | 521.251 | 437.795 | 436.160 | 420.353 |
| Income from derivative instruments | - | - | 1.901 | - |
| Other | 1.744 | 581 | 728 | 587 |
| | 522.995 | 438.376 | 438.789 | 420.940 |

19. FINANCIAL EXPENSES

| | 1 January - 30 September 2019 | 1 July - 30 September 2019 | 1 January - 30 September 2018 | 1 July - 30 September 2018 |
|--|--|---|--|---|
| Foreign exchange losses from financing | (674.416) | (208.453) | (2.215.143) | (1.549.304) |
| Interest expenses | (311.417) | (111.842) | (237.930) | (85.644) |
| Other | (21.928) | (7.163) | (26.130) | (13.781) |
| | (1.007.761) | (327.458) | (2.479.203) | (1.648.729) |

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20. TAX ASSET AND LIABILITIES

The Group accounts deferred tax assets and liabilities for temporary timing differences rooted from differences between legal financial statements and financial statements prepared in accordance with TFRS. The differences in question are caused generally by the fact that some profit and loss accounts come up in different periods in legal financial statements and financial statements prepared in accordance with TFRS. These differences are specified below.

Turkish tax legislation does not permit a parent company and its subsidiary to file a consolidated tax return. Therefore, deferred tax positions of the firms with deferred tax assets is netted against those with deferred tax liabilities and reflected on a separate-entity basis.

The Law was published in the Official Gazette on 5 December 2017. Accordingly, the corporate income tax rate for all companies will be increased from 20% to 22% for the years 2018, 2019 and 2020. Therefore, deferred tax assets and liabilities shall be measured in accordance with materiality at the tax rate of 22% that are expected to apply to these periods when the assets is realised or the liability is settled, based on the Law that have been enacted. For the periods 2021 and after, the reversals of temporary differences will be measured by 20%. The exemption to be applied on the capital gains obtained from the sales of the real estates held by the corporate tax payers for at least two years has been reduced from 75% to 50% with the regulation published in the Official Gazette dated 5 December 2017.

The rate applied in the calculation of deferred tax assets and liabilities for entities in Turkey is 22% (2018: 22%, 2020: 22%), for entities in Saudi Arabia and Kazakhstan is 20% (2018: 20%), for entities in Egypt 22,5% (2018: 22,5%), and for entity in Kyrgyzstan 10% (2018: 10%), for entity in the United Arab Emirates is zero (2018: Zero).

Deferred tax bases:

| | 30 September 2019 | 31 December 2018 | 30 September 2019 | 31 December 2018 |
|---|------------------------------|-----------------------------|------------------------------|-----------------------------|
| Indexation and useful life differences | | | | |
| of tangible and intangible assets | - | - | 1.083.519 | 1.099.723 |
| Investment properties valuation differences | - | - | 19.785 | 19.785 |
| Marketable securities valuation differences | - | - | 1.307.672 | 1.157.372 |
| Derivative instruments | - | - | 307.072 | 323.087 |
| Profit margin elimination on inventories | (20.366) | (6.515) | - | - |
| Discount of trade receivables / | | | | |
| payables (net) | - | - | 5.119 | 5.804 |
| Allowance of employee termination | | | | |
| benefits | (109.656) | (87.259) | - | - |
| Provision of doubtful receivables | (13.396) | (8.463) | - | - |
| Previous year losses | (70.247) | (66.494) | - | - |
| Provision for lawsuits | (6.064) | (5.758) | - | - |
| Impairment on inventories | (17.660) | (11.670) | - | - |
| Turnover premium provision | (38.748) | - | - | - |
| Provision for unused vacation | (15.764) | (15.340) | - | - |
| Other | (68.876) | (26.697) | 9.130 | 16.721 |
| | (360.777) | (228.196) | 2.732.297 | 2.622.492 |

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20. TAX ASSET AND LIABILITIES (Continued)

Deferred tax assets / liabilities (continued):

| | 30 September 2019 | 31 December 2018 | 30 September 2019 | 31 December 2018 |
|--|------------------------------|-----------------------------|------------------------------|-----------------------------|
| Indexation and useful life differences of tangible and intangible assets | - | - | 146.471 | 146.846 |
| Investment properties valuation differences | - | - | 1.979 | 1.979 |
| Marketable securities valuation differences | - | - | 65.384 | 57.869 |
| Derivative instruments | - | - | 67.556 | 71.079 |
| Profit margin elimination on inventories | (4.481) | (1.433) | - | - |
| Discount of trade receivables / payables (net) | - | - | 1.126 | 1.277 |
| Allowance of employee termination benefits | (21.931) | (17.452) | - | - |
| Provision of doubtful receivables | (2.947) | (1.862) | - | - |
| Previous year losses | (14.049) | (13.299) | - | - |
| Provision for lawsuits | (1.334) | (1.267) | - | - |
| Impairment on inventories | (3.885) | (2.567) | - | - |
| Turnover premium provision | (8.525) | - | - | - |
| Investment incentive | (23.464) | (37.596) | - | - |
| Provision for unused vacation | (3.468) | (3.375) | - | - |
| Other | (15.483) | (5.874) | 2.008 | 3.678 |
| | <u>(99.567)</u> | <u>(84.725)</u> | <u>284.524</u> | <u>282.728</u> |

Movement of Deferred Tax Liabilities:

| | 1 January - 30 September 2019 | 1 January - 30 September 2018 |
|---|--|--|
| 1 January – reported | 198.003 | 99.626 |
| TFRS 9 implementation tax effect | - | (3.088) |
| 1 January – restated | 198.003 | 96.538 |
| Taxes netted from funds recognised under equity | (5.364) | 23.716 |
| Currency translation differences | 2.480 | 3.115 |
| Deferred tax expense | (10.162) | 44.399 |
| | <u>184.957</u> | <u>167.768</u> |

As of 30 September 2019, the Group calculated deferred tax assets of TL 70.247 thousand for deductible financial losses in the consolidated financial statements for the current year (31 December 2018: TL 66.494 thousand). The maturities of these losses are as follows:

| | 30 September 2019 | 31 December 2018 |
|--------------|--------------------------|-------------------------|
| 2025 | 70.247 | 66.494 |
| Total | <u>70.247</u> | <u>66.494</u> |

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20. TAX ASSET AND LIABILITIES (Continued)

Corporate tax

The Company and its Turkish subsidiaries are subject to Turkish corporate taxes. Provision is made in the accompanying financial statements for the estimated charge based on the Group's results for the period.

Corporate tax is applied on taxable corporate income, which is calculated from the statutory accounting profit by adding back non-deductible expenses, and by deducting dividends received from resident companies, other exempt income and investment incentives utilized.

The tax rate in 30 September 2019 is 22% (2018: 22%).

In Turkey, advance tax returns are filed on a quarterly basis. The advance corporate income tax rate is 22% in 2019 (2018: 22%).

Losses are allowed to be carried five years maximum to be deducted from the taxable profit of the following years. However, losses occurred cannot be deducted from the profit occurred in the prior years retroactively.

In Turkey, there is no procedure for a final and definitive agreement on tax assessments. Companies file their tax returns between 1st-25th of April following the close of the accounting year to which they relate. The companies with special accounting periods, file their tax returns between 1st-25th of fourth month after fiscal year end. Tax authorities may, however, examine such returns and the underlying accounting records and may revise assessments within five years.

In Turkey, the tax legislation does not permit to file a consolidated tax return. Therefore, provision for taxes, as reflected in the consolidated financial statements, has been calculated on a separate-entity basis.

The corporate tax in Egypt where Hi-Food for Advanced Food Industries and Ulker for Trading and Marketing, a subsidiary of the Group is 22,5% (2018: 22,5%). The corporate tax rate in Saudi Arabia where Food Manufacturers' Company and International Biscuits Company, subsidiaries of the Group is 20% (2018: 20%).

The corporate tax in Kazakhstan where Hamle Company Ltd LLP, a subsidiary of the Group is 20% (2018: 20%).

The corporate tax in Kyrgyzstan where Ülker Star LLC, a subsidiary of the Group is 10% (2018: 10%).

In UAE where Amir Global Trading FZE, a subsidiary of the Group is exempt from corporate tax earnings (2018: 0 %).

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20. TAX ASSET AND LIABILITIES (Continued)

Income withholding tax

In addition to corporate taxes, companies should also calculate income withholding taxes and funds surcharge on any dividends distributed, except for companies receiving dividends who are Turkish residents and Turkish branches of foreign companies. Income withholding tax applied in between 24 April 2003 – 22 July 2006 is 10% and commencing from 23 July 2006, this rate has been changed to 15% upon the Council of Ministers' Resolution No: 2006/10731. Undistributed dividends incorporated in share capital are not subject to income withholding tax.

Provision for taxation as of 30 September 2019 and 31 December 2018 is as follows:

| | 30 September 2019 | 31 December 2018 |
|--------------------------------------|--------------------------|--------------------------|
| Total corporate tax provision | (198.552) | (118.197) |
| Prepaid taxes and funds | 105.625 | 102.983 |
| Taxation in the balance sheet | (92.927) | (15.214) |
| | 30 September 2019 | 30 September 2018 |
| Current period corporate tax expense | 198.552 | 123.842 |
| Deferred tax income | (10.162) | 44.399 |
| Tax expense in the income statement | 188.390 | 168.241 |

21. EARNINGS PER SHARE

A summary of the Group's weighted average number of shares outstanding as of 30 September 2019 and 2018 and computation of earnings per share set out here as follows:

| | 1 January - 30 September 2019 | 1 January - 30 September 2018 |
|--|--|--|
| Weighted average number of common stock outstanding | 34.200.000 | 34.200.000 |
| Net profit | 740.723 | 572.062 |
| Basic Earnings per Share | 2,17 | 1,67 |

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22. BALANCES AND TRANSACTIONS WITH RELATED PARTIES

The detail of receivables from related parties is as follows:

| | 30 September 2019 | 31 December 2018 |
|-----------------------|--------------------------|-------------------------|
| Trade receivables | 2.156.046 | 1.564.689 |
| Non-trade receivables | 337.105 | 627 |
| | 2.493.151 | 1.565.316 |

The detail of trade and non-trade receivables is as follows:

| | 30 September 2019 | | 31 December 2018 | |
|--|--------------------------|------------------|-------------------------|------------------|
| | Trade | Non-Trade | Trade | Non-Trade |
| Principle Shareholder | | | | |
| Yıldız Holding A.Ş. | 166 | - | - | - |
| Other Companies Controlled by the Principle Shareholder | | | | |
| Horizon Hızlı Tük. Ür. Paz. Sat. ve Tic. A.Ş. | 1.161.788 | - | 764.899 | - |
| Pasifik Tük. Ürün. Satış ve Ticaret A.Ş. | 603.670 | - | 472.546 | - |
| Yeni Teközel Markalı Ürünler Dağıtım Hizmetleri A.Ş. | 140.124 | - | 107.634 | - |
| G2M Eksper Satış ve Dağıtım Hizmetleri A.Ş. (*) | 71.836 | - | 54.316 | - |
| G New, Inc (**) | - | 336.392 | - | - |
| United Biscuits (UK) Ltd. | 30.779 | - | 38.137 | - |
| Other | 147.683 | 713 | 127.157 | 627 |
| | 2.156.046 | 337.105 | 1.564.689 | 627 |

(*) G2m Dağıtım Paz. and Tic. A.Ş. and Eksper Tüketim Mad. Sat. ve Paz. A.Ş. were merged as of 28 February 2019 and have been operating under the title of g2mEksper Satış ve Dağıtım Hizmetleri A.Ş. since 27 March 2019.

(**) The amount of 336.392 is given to G New, Inc as capital advance and that is presented as non-trade receivable since the capital increase has not been realized yet.

The Group's trade receivables from related parties mainly arise from sales to Horizon Hızlı Tüketim Ürünleri Pazarlama Satış ve Tic. A.Ş. and Pasifik Tük. Ürün. Satış ve Ticaret A.Ş. those make the sale and distribution of products throughout Turkey.

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22. BALANCES AND TRANSACTIONS WITH RELATED PARTIES (Continued)

The detail of advances given to related parties is as follow:

| | 30 September 2019 | 31 December 2018 |
|-----------------------------|--------------------------|-------------------------|
| Önem Gıda San. ve Tic. A.Ş. | 10.356 | 36.368 |
| | 10.356 | 36.368 |

The detail of payables to related parties is as follows:

| | 30 September 2019 | 31 December 2018 |
|--------------------|--------------------------|-------------------------|
| Trade payables | 590.244 | 520.308 |
| Non-trade payables | 1.194 | 1.177 |
| | 591.348 | 521.485 |

The detail of trade and non-trade payables to related parties is as follows:

| | 30 September 2019 | | 31 December 2018 | |
|--|--------------------------|------------------|-------------------------|------------------|
| | Trade | Non-Trade | Trade | Non-Trade |
| <i>Principle Shareholder</i> | | | | |
| Yıldız Holding A.Ş. | 87.516 | - | 61.240 | - |
| <i>Other Companies Controlled by the Principle Shareholder</i> | | | | |
| Önem Gıda San. ve Tic. A.Ş. | 372.763 | - | 244.060 | - |
| United Biscuits (UK) Ltd. | 45.037 | - | 42.619 | - |
| pladis Foods Limited | 34.744 | - | - | - |
| CCC Gıda San. ve Tic. A.Ş. | 12.940 | - | 14.660 | - |
| Besler Gıda ve Kimya San. ve Tic. A.Ş. | 11.576 | - | 65.178 | - |
| Adapazarı Şeker Fabrikası A.Ş. | 9.383 | - | 38.251 | - |
| Marsa Yağ San. ve Tic. A.Ş. | 2.604 | - | 25.298 | - |
| Other | 13.681 | 1.194 | 29.002 | 1.177 |
| | 590.244 | 1.194 | 520.308 | 1.177 |

The detail of due to related parties as loan payable is as follows:

| | 30 September 2019 | 31 December 2018 |
|---------------------|--------------------------|-------------------------|
| Yıldız Holding A.Ş. | 193.100 | 19.455 |
| | 193.100 | 19.455 |

The detail of due to related parties as financial lease payable is as follows:

| | 30 September 2019 | 31 December 2018 |
|-------------------------------|--------------------------|-------------------------|
| Pervin Finansal Kiralama A.Ş. | 65.564 | - |
| | 65.564 | - |

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22. BALANCES AND TRANSACTIONS WITH RELATED PARTIES (Continued)

The detail of purchases from and sales to related parties is as follows:

| | 1 January - 30 September 2019 | | 1 July - 30 September 2019 | | 1 January - 30 September 2018 | | 1 July - 30 September 2018 | |
|--|--|------------------|---------------------------------------|------------------|--|------------------|---------------------------------------|----------------|
| | Purchases | Sales | Purchases | Sales | Purchases | Sales | Purchases | Sales |
| <i>Other Companies Controlled by the Principle Shareholder</i> | | | | | | | | |
| Önem Gıda San. ve Tic. A.Ş. | 1.345.911 | 558 | 391.049 | - | 898.962 | 370 | 299.855 | 356 |
| Besler Gıda ve Kimya San. ve Tic. A.Ş. | 175.883 | 750 | 55.065 | 661 | 174.019 | 1.563 | 67.711 | 1.563 |
| United Biscuits (UK) Ltd. | 63.882 | 80.798 | 9.801 | 27.671 | 58.485 | 60.839 | 26.549 | 30.656 |
| CCC Gıda San. ve Tic. A.Ş. | 41.776 | 1.790 | 14.727 | 1.743 | 12.947 | - | 3.790 | - |
| Marsa Yağ San. ve Tic. A.Ş. | 41.660 | - | 10.113 | - | 52.236 | - | 20.132 | - |
| Pendik Nişasta San. A.Ş. | 34.305 | - | 9.664 | - | 37.592 | - | 8.212 | - |
| Horizon Hızlı Tük. Ür. Paz. Sat. ve Tic. A.Ş. | 91 | 2.162.499 | - | 735.786 | 2.134 | 1.730.638 | 972 | 569.196 |
| Teközel Gıda Tem. Sağ. Mark. Hizm. A.Ş. | - | - | - | - | 216 | 37.019 | 43 | - |
| Pasifik Tüketim Ürünleri Satış ve Tic. A.Ş. | - | 1.042.834 | - | 346.721 | - | 753.441 | - | 247.204 |
| Yeni Teközel Markalı Ürünler Dağıtım Hizmetleri A.Ş. | - | 190.704 | - | 63.669 | - | 84.745 | - | 45.518 |
| Other | 18.482 | 257.250 | 8.023 | 98.348 | 15.014 | 155.254 | 5.391 | 67.378 |
| | 1.721.990 | 3.737.183 | 498.442 | 1.274.599 | 1.251.605 | 2.823.869 | 432.655 | 961.871 |

The Group mainly acquires raw materials from Besler Gıda ve Kimya Sanayi ve Ticaret A.Ş., which produces vegetable oil and margarine, Önem Gıda San. ve Tic. A.Ş and Pendik Nişasta San. A.Ş.. The major part of selling and distribution operations of the Group all Turkey are operated by Horizon Hızlı Tüketim Ürünleri Pazarlama Satış ve Tic. A.Ş. and Pasifik Tük. Ürün. Satış ve Ticaret A.Ş.

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22. BALANCES AND TRANSACTIONS WITH RELATED PARTIES (Continued)

The detail of income and expenses pertaining to interest, rent and services arising from transactions with related parties is as follows;

For the nine months period ended 30 September 2019:

| | Rent Income/(Expense) Net | Service Income/(Expense) Net | Interest and Foreign Exchange Income/(Expense) Net |
|--|--|---|---|
| Principle Shareholder | | | |
| Yıldız Holding A.Ş. | (128) | (143.031) | (104.003) |
| Other Companies Controlled by the Principle Shareholder | | | |
| pladis Foods Limited | - | (34.744) | - |
| Horizon Hızlı Tük. Ür. Paz. Sat. ve Tic. A.Ş. | 16 | (19.550) | 90.185 |
| Pasifik Tüketim Ürünleri Satış ve Tic. A.Ş. | 67 | (12.959) | 43.671 |
| Önem Gıda San. ve Tic. A.Ş. | 2.308 | (11.979) | 5.465 |
| United Biscuits (UK) Ltd. | 9 | (6.769) | 3.116 |
| İzsal Gayrimenkul Geliştirme A.Ş. | (1.444) | (1.820) | - |
| Besler Gıda ve Kimya San. Ve Tic. A.Ş. | - | (179) | (1.100) |
| CCC Gıda San. ve Tic. A.Ş. | (560) | 1.842 | (699) |
| Other | 1.210 | (6.253) | 4.996 |
| | 1.478 | (235.442) | 41.631 |

For the 3 months period between 1 July and 30 September 2019:

| | Rent Income/(Expense) Net | Service Income/(Expense) Net | Interest and Foreign Exchange Income/(Expense) Net |
|--|--|---|---|
| Principle Shareholder | | | |
| Yıldız Holding A.Ş. | (14) | (46.003) | (59.785) |
| Other Companies Controlled by the Principle Shareholder | | | |
| pladis Foods Limited | - | (25.385) | - |
| Horizon Hızlı Tük. Ür. Paz. Sat. ve Tic. A.Ş. | - | (7.884) | 31.779 |
| Pasifik Tüketim Ürünleri Satış ve Tic. A.Ş. | 14 | (3.097) | 14.431 |
| Önem Gıda San. ve Tic. A.Ş. | 861 | (5.862) | 2.947 |
| United Biscuits (UK) Ltd. | - | (5.765) | 2.037 |
| İzsal Gayrimenkul Geliştirme A.Ş. | (451) | (786) | - |
| CCC Gıda San. ve Tic. A.Ş. | (184) | 565 | 195 |
| Other | 338 | (3.348) | (2.025) |
| | 564 | (97.565) | (10.421) |

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For the nine months period ended 30 September 2018:

| | Rent | Service | Interest and |
|---|-------------------------|-------------------------|-------------------------|
| | Income/(Expense) | Income/(Expense) | Foreign |
| | Net | Net | Exchange |
| | | | Income/(Expense) |
| | | | Net |
| Principle Shareholder | | | |
| Yıldız Holding A.Ş. | (594) | (117.140) | 483.313 |
| Other Companies Controlled by the | | | |
| Principle Shareholder | | | |
| Önem Gıda San. ve Tic. A.Ş. | 2.313 | (27.950) | 813 |
| Horizon Hızlı Tük. Ür. Paz. Sat. ve Tic. A.Ş. | 15 | (11.992) | 31.344 |
| Pasifik Tüketim Ürünleri Satış ve Tic. A.Ş. | 79 | (10.053) | 10.064 |
| United Biscuits (UK) Ltd. | - | (2.238) | 4.942 |
| İzsal Gayrimenkul Geliştirme A.Ş. | (1.346) | (1.389) | - |
| CCC Gıda San. ve Tic. A.Ş. | - | (333) | (9.904) |
| Besler Gıda ve Kimya San. ve Tic. A.Ş. | - | 20 | (3.054) |
| Other | 415 | (803) | 20.154 |
| | 882 | (171.878) | 537.672 |

For the 3 months period between 1 July and 30 September 2018:

| | Rent | Service | Interest and |
|---|-------------------------|-------------------------|-------------------------|
| | Income/(Expense) | Income/(Expense) | Foreign |
| | Net | Net | Exchange |
| | | | Income/(Expense) |
| | | | Net |
| Principle Shareholder | | | |
| Yıldız Holding A.Ş. | (46) | (42.599) | 211.561 |
| Other Companies Controlled by the | | | |
| Principle Shareholder | | | |
| Önem Gıda San. ve Tic. A.Ş. | 750 | (10.832) | (946) |
| Horizon Hızlı Tük. Ür. Paz. Sat. ve Tic. A.Ş. | 12 | (4.289) | 20.293 |
| Pasifik Tüketim Ürünleri Satış ve Tic. A.Ş. | 25 | (3.228) | 8.305 |
| United Biscuits (UK) Ltd. | - | (1.140) | 5.032 |
| İzsal Gayrimenkul Geliştirme A.Ş. | (453) | (421) | - |
| CCC Gıda San. ve Tic. A.Ş. | - | (313) | (6.803) |
| Besler Gıda ve Kimya San. ve Tic. A.Ş. | - | (12) | (1.522) |
| Other | 258 | (61) | 9.068 |
| | 546 | (62.895) | 244.988 |

Benefits provided to members of BOD and key management personnel:

| | 30 September 2019 | 31 December 2018 |
|------------------------------------|--------------------------|-------------------------|
| Fees and other short term benefits | 28.069 | 22.115 |
| | 28.069 | 22.115 |

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23. NATURE AND LEVEL OF RISKS DERIVED FROM FINANCIAL INSTRUMENT

Foreign currency risk management

Transactions in foreign currencies expose the Group to foreign currency risk.

This risk mainly arises from fluctuation of foreign currency used in conversion of foreign assets and liabilities into Turkish Lira. Foreign currency risk arises as a result of trading transactions in the future and the difference between the assets and liabilities recognized. In this regard, the Group manages this risk with a method of netting foreign currency denominated assets and liabilities. The management reviews the foreign currency open position and provides measures when needed.

The group mainly faces USD, EUR, GBP, CHF and DKK currency risks.

The foreign currency denominated assets and liabilities of monetary and non-monetary items are as follows:

| | 30 September 2019 | | | | |
|---|--------------------------|----------------|------------------|--------------|--------------|
| | TL | USD | EURO | GBP | CHF |
| 1. Trade Receivables | 332.229 | 43.298 | 13.194 | 808 | - |
| 2a. Monetary Financial Assets | 4.320.994 | 743.558 | 17.645 | 577 | 1 |
| 2b. Non-Monetary Financial Assets | - | - | - | - | - |
| 3. Other | 42.809 | 6.565 | 882 | 26 | 4 |
| 4. CURRENT ASSETS | 4.696.032 | 793.421 | 31.721 | 1.411 | 5 |
| 5. Trade Receivables | - | - | - | - | - |
| 6a. Monetary Financial Assets | - | - | - | - | - |
| 6b. Non-Monetary Financial Assets | - | - | - | - | - |
| 7. Other | - | - | - | - | - |
| 8. NON-CURRENT ASSETS | - | - | - | - | - |
| 9. TOTAL ASSETS | 4.696.032 | 793.421 | 31.721 | 1.411 | 5 |
| 10. Trade Payables | 137.928 | 15.328 | 6.826 | 1.196 | 117 |
| 11. Financial Liabilities | 2.663.830 | 160.024 | 284.339 | - | - |
| 12a. Other Monetary Financial Liabilities | 792 | - | 127 | 1 | - |
| 12b. Other Non-monetary Financial Liabilities | 17.750 | 2.902 | 209 | 5 | - |
| 13. CURRENT LIABILITIES | 2.820.300 | 178.254 | 291.501 | 1.202 | 117 |
| 14. Trade Payables | - | - | - | - | - |
| 15. Financial Liabilities | 2.624.804 | 107.198 | 326.373 | - | - |
| 16a. Other Monetary Financial Liabilities | - | - | - | - | - |
| 16b. Other Non-monetary Financial Liabilities | - | - | - | - | - |
| 17. NON-CURRENT LIABILITIES | 2.624.804 | 107.198 | 326.373 | - | - |
| 18. TOTAL LIABILITIES | 5.445.104 | 285.452 | 617.874 | 1.202 | 117 |
| 19. Net Assets of Off Statement of Financial Position (19a-19b) | 841.964 | 116.000 | 30.000 | - | - |
| 19a. Net Assets of Off Statement of Financial Position | - | - | - | - | - |
| 19b. Net Liabilities of Off Statement of Financial Position | (841.964) | (116.000) | (30.000) | - | - |
| 20. Net Foreign Currency Asset / (Liability) Position (9-18+19) | 92.892 | 623.969 | (556.153) | 209 | (112) |
| 21. Monetary Items Net Foreign Currency Asset / (Liability) Position (1+2a+5+6a-10-11-12a-14-15-16a) | (774.131) | 504.306 | (586.826) | 188 | (116) |
| 22. Total Fair Value of Financial Instruments Used to Hedge the Foreign Currency Position | 307.072 | 42.778 | 10.510 | - | - |
| 23. Total value of Hedged Foreign Currency Assets | - | - | - | - | - |
| 24. Total value of Hedged Foreign Currency Liabilities | - | - | - | - | - |

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23. NATURE AND LEVEL OF RISKS DERIVED FROM FINANCIAL INSTRUMENTS (Continued)

Foreign currency risk management (Continued)

| | 31 December 2018 | | | | |
|---|------------------|----------------|------------------|--------------|-------------|
| | TL | USD | EUR | GBP | CHF |
| 1. Trade Receivables | 229.628 | 27.963 | 13.209 | 435 | - |
| 2a. Monetary Financial Assets | 4.006.762 | 760.408 | 897 | 139 | - |
| 2b. Non-Monetary Financial Assets | - | - | - | - | - |
| 3. Other | 7.016 | 729 | 520 | 7 | - |
| 4. CURRENT ASSETS | 4.243.406 | 789.100 | 14.626 | 581 | - |
| 5. Trade Receivables | - | - | - | - | - |
| 6a. Monetary Financial Assets | - | - | - | - | - |
| 6b. Non-Monetary Financial Assets | - | - | - | - | - |
| 7. Other | 8.050 | 26 | 1.305 | 7 | - |
| 8. NON-CURRENT ASSETS | 8.050 | 26 | 1.305 | 7 | - |
| 9. TOTAL ASSETS | 4.251.456 | 789.126 | 15.931 | 588 | - |
| 10. Trade Payables | 140.448 | 17.050 | 7.741 | 571 | 54 |
| 11. Financial Liabilities | 412.958 | 22.516 | 48.856 | - | - |
| 12a. Other Monetary Financial Liabilities | 687 | 87 | 38 | - | - |
| 12b. Other Non-monetary Financial Liabilities | 32.469 | 5.534 | 370 | 169 | - |
| 13. CURRENT LIABILITIES | 586.562 | 45.187 | 57.005 | 740 | 54 |
| 14. Trade Payables | - | - | - | - | - |
| 15. Financial Liabilities | 4.540.820 | 235.344 | 547.893 | - | - |
| 16a. Other Monetary Financial Liabilities | - | - | - | - | - |
| 16b. Other Non-monetary Financial Liabilities | - | - | - | - | - |
| 17. NON-CURRENT LIABILITIES | 4.540.820 | 235.344 | 547.893 | - | - |
| 18. TOTAL LIABILITIES | 5.127.382 | 280.531 | 604.898 | 740 | 54 |
| 19. Net Assets of Off Statement of Financial Position (19a-19b) | 791.104 | 116.000 | 30.000 | - | - |
| 19a. Net Assets of Off Statement of Financial Position | - | - | - | - | - |
| 19b. Net Liabilities of Off Statement of Financial Position | (791.104) | (116.000) | (30.000) | - | - |
| 20. Net Foreign Currency Asset / (Liability) Position (9-18+19) | (84.822) | 624.595 | (558.967) | (152) | (54) |
| 21. Monetary Items Net Foreign Currency Asset / (Liability) Position (1+2a+5+6a-10-11-12a-14-15-16a) | (858.523) | 513.374 | (590.422) | 3 | (54) |
| 22. Total Fair Value of Financial Instruments Used to Hedge the Foreign Currency Position | 323.088 | 46.390 | 13.111 | - | - |
| 23. Total value of Hedged Foreign Currency Assets | - | - | - | - | - |
| 24. Total value of Hedged Foreign Currency Liabilities | - | - | - | - | - |

The Group's export and import balances for nine-months period are presented below:

| | 1 January – 30 September 2019 | 1 January – 30 September 2018 |
|---------------|-------------------------------------|-------------------------------------|
| Total exports | 1.205.442 | 793.198 |
| Total imports | 276.437 | 254.580 |

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23. NATURE AND LEVEL OF RISKS DERIVED FROM FINANCIAL INSTRUMENTS (Continued)

Foreign currency risk sensitivity

The Group is exposed to foreign exchange risk arising primarily from USD and EUR. The table below shows, the foreign currency sensitivity of the Company arising from 10% change in US dollar and EUR rates. The rate used as 10% is a fair benchmark for the Company as it is limited to capital commitment threshold. This rate is the anticipated rate change of the Company's senior management. Sensitivity analysis includes only the monetary items in foreign currency at year end and shows the effect of 10% increase in USD and in EUR foreign currency rates. Negative value implies the effect of 10% increase in USD and in EUR foreign currency rates against TL on the decrease in the net profit.

| | 30 September 2019 | | 30 September 2018 | |
|--|---|---|---|---|
| | Income / Expense | | Income / Expense | |
| | Appreciation of foreign currency | Depreciation of foreign currency | Appreciation of foreign currency | Depreciation of foreign currency |
| In case of % 10 appreciation of USD against TL | | | | |
| 1 - US Dollar net asset/liability | 351.037 | (351.037) | 387.600 | (387.600) |
| 2- Part of hedged from US Dollar risk (-) | | | | |
| 3- US Dollar net effect (1 +2) | 351.037 | (351.037) | 387.600 | (387.600) |
| In case of % 10 appreciation of EUR against TL | | | | |
| 4 - Euro net asset/liability | (344.319) | 344.319 | (399.033) | 399.033 |
| 5 - Part of hedged from Euro risk (-) | | | | |
| 6- Euro net effect (4+5) | (344.319) | 344.319 | (399.033) | 399.033 |
| Total (3 + 6) | 6.718 | (6.718) | (11.433) | 11.433 |

24. FINANCIAL INSTRUMENTS

Fair Value of Financial Assets

Fair value measurements by level of the following fair value measurement hierarchy is as follows:

- Level 1: Quoted prices in active markets for identical assets or liabilities.
- Level 2: Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices).
- Level 3: Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs)

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24. FINANCIAL INSTRUMENTS (Continued)

The classification of the Company's financial assets and liabilities at fair value is as follows:

| | 30 September 2019 | Fair value hierarchy as of reporting date | | |
|--|----------------------|--|------------------|---------------|
| | | Level 1 TL | Level 2 TL | Level 3 TL |
| Financial assets | | | | |
| Financial assets at fair value through profit and loss | | | | |
| - Shares | 721 | 721 | - | - |
| Financial assets at fair value through comprehensive income statement | | | | |
| - Shares | 1.489.859 | - | 1.489.859 | - |
| - Derivative instruments | 307.072 | - | 307.072 | - |
| Total | 1.797.652 | 721 | 1.796.931 | - |

| | 31 December 2018 | Fair value hierarchy as of reporting date | | |
|---|---------------------|--|------------------|---------------|
| | | Level 1 TL | Level 2 TL | Level 3 TL |
| Financial assets | | | | |
| Financial assets at fair value through profit and loss | | | | |
| - Shares | 702 | 702 | - | - |
| Financial assets at fair value through comprehensive income statement | | | | |
| - Shares | 1.340.021 | - | 1.340.021 | - |
| - Derivative instruments | 323.087 | - | 323.087 | - |
| Total | 1.663.810 | 702 | 1.663.108 | - |

25. EVENTS AFTER THE BALANCE SHEET DATE

Godiva Belgium BVBA, in which the company has a shareholding of %19.23 as of 30 September 2019, has informed us that their shareholders used their receivables from Godiva Belgium BVBA amounting to EUR 564.737.875,70 in a capital increase as of 10 October 2019. The company does not have any receivables from Godiva Belgium BVBA to be used in this capital increase. Although the General Assembly Meeting of Godiva Belgium for dividend distribution has not been held yet, the company has decided not to participate in this capital increase, in order to maximize its cash position, because net of the capital increase amount payable by the company and the possible dividend amount to be received after such participation in the capital increase will be lower than the possible dividend amount to be obtained in case of non-participation in the capital increase. After the capital increase, the partnership share decreased from %19.23 to %12.95.