ÜLKER BİSKÜVİ

Annual Report 2019

Sustainable success

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Biscuit

Biskrem, Çizi, Çiziviç, İkram, Altınbaşak, Halley, Hanımeller, Krispi, Ülker Pötibör, Ülker Çubuk Kraker, Ülker Susamlı Çubuk Kraker, Ülker Bebe Bisküvi, Saklıköy, McVitie's, Çokoprens, Probis, Rondo, 9 Kat, 9 Kat Rulokat, 9 Kat İnce Gofret, Kat Kat Tat, Ülker Deluxe, Canpare, Dore, Haylayf, Taç Kraker

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SALES VOLUME BY CATEGORY

(Thousand Tons)	2018	%	2019	%	Growth in 2018-2019
Biscuit	313	56	328	57	5%
Chocolate	188	34	199	35	6%
Cake	53	10	49	8	-8%
Confectionary Total	554	100	576	100	4%

NET SALES BY CATEGORY

(TL Million)	2018	%	2019	%	Growth in 2018-2019
Biscuit	2,625	44	3,395	44	29%
Chocolate	2,808	47	3,757	49	34%
Cake	489	9	575	7	18%
Confectionary Total	5,922	100	7,727	100	30%

As Ülker, adding flavor to life with our products for 75 years, we are proud to be among the first companies that come to mind in terms of sustainable success.

We are working for a better future, aligned with the principle of the "wasteless company" model and, through this model, we aim to inspire other companies on sustainability.

With a total of 10 factories, six of which are in Turkey, and thousands of farmers and hundreds of distributors, we work in accordance with our understanding of sustainability and stride confidently into the future.

Key Financial and Operational Indicators

Summary Balance Sheet (TL Million)	2018	2019
Current Assets	6,392	8,720
Non-Current Assets	4,278	4,072
Short-term Liabilities	1,845	6,800
Long-term Liabilities	5,145	1,058
Shareholders' Equity	3,680	4,934

Summary Income Statement (TL Million)	2018	2019
Revenue	5,956	7,803
Gross Profit	1,560	2,139
Operating Profit	779	1,154
Net Profit (Equity Holders of the Parent)	701	905

Ratios	2018	2019
Gross Profit Margin	26.2%	27.4%
EBITDA Margin	15.8%	16.7%
Net Profit Margin	11.8%	11.6%
Earnings per Share (1TL Nominal)	2.05	2.65

Ülker Bisküvi completed 2019 with revenue of TL 7.8 billion, maintaining its strong performance.

Revenue (TL Million)

Shareholders' Equity (TL Million)

Operating Profit (TL Million)

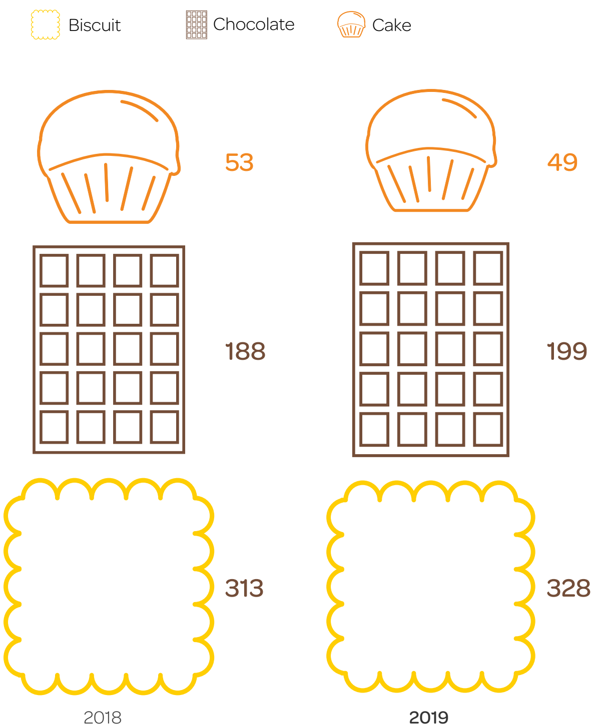
Net Profit (Equity Holders of the Parent) (TL Million)

EBITDA Margin (%)

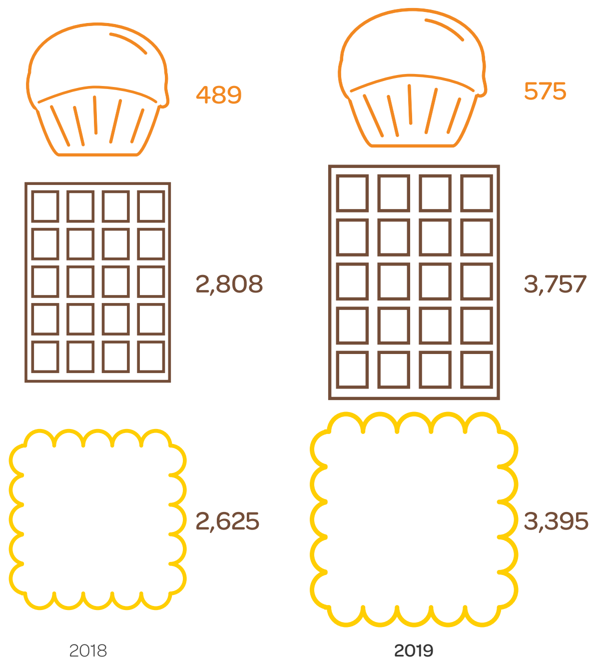
Net Profit Margin (Equity Holders of the Parent) (%)

Sales Volume and Revenue Growth

Sales Volume by Category (Thousand Tons)



Net Sales by Category (TL Million)



Capital Structure

	31 December 2019		31 December 2018	
Title of the Shareholders	Share Value	Share Rate	Share Value	Share Rate
pladis Foods Limited	174,420	51.00%	174,420	51.00%
Yıldız Holding A.Ş. Subsidiaries and Ülker Family Members	25,580	7.48%	25.580	7.48%
Other	142,000	41.52%	142,000	41.52%
Total	**342,000**	**100.00%**	**342,000**	**100.00%**

Ülker's Share Performance on the BIST

41.5% of Ülker's shares are publicly traded on the BIST Star Market under the ticker symbol ULKER.IS. Investors who sought a long-term investment with consistent returns continued to invest in Ülker. The Company's share price stood at TL 22.4 as of December 31, 2019. At year-end, Ülker's market capitalization totaled TL 7,647 million, while the market value of its free-float shares rose to TL 3,065 million.

Company	Ülker Bisküvi
Reuters & Forex Code	ULKER.IS
Bloomberg Code	ULKER TI
Sector	FOOD
Related BIST Index	BIST ALL
	BIST FOOD, BEVERAGE
	BIST INDUSTRIALS
	BIST SUSTAINABILITY
	BIST DIVIDEND
	BIST 100
	BIST 50
	BIST STARS
	BIST ANKARA

Ülker stock performance compared to BIST-100 index performance for the period between the 1st of January and 31st of December 2019 is given in the below chart:

As of 31.12.2019	
Closing Price (TL)	22.4
Free Float (%)	41.5
Market Value (TL)	7,647 million

Stock Performance (%)	2018	2019
TL	14.7	22.4
USD	2.8	3.8

About pladis

pladis operates in 25 plants across 11 countries, with more than 16,000 employees. The Company works with great pleasure to deliver products and services of the highest quality to a potential of 4 billion people worldwide.

pladis is one of the world's leading confectionery companies and brings together Yıldız Holding's core confectionery businesses and beloved brands, including McVitie's and Ülker. pladis is also proud to distribute a range of GODIVA chocolates exclusively for consumer-packaged goods channels around the world.

pladis owns regional brands such as Jacob's, go ahead!, Carr's, Flipz, BN, Verkade and many more, delighting consumers with products across the snacking category including sweet and savory biscuits, wafer, cake, chocolate, gum and candy.

Formed in 2016 with a promise to bring happiness to the world with every bite, pladis is the proud steward of more than 300 years' baking and confectionery heritage. The expertise of its more than 16,000-strong global workforce spans 25 factories in 11 countries.

As a responsible business, delivering the highest quality products and exceptional service, pladis' products are distributed to reach potentially 4 billion people across the world.

Ülker Bisküvi Production Facilities

Silivri, Istanbul Factory

Chocolate and Chocolate Covered Biscuit
Established in 1995.

Capacity:
25 thousand tons/year

Hadımköy, Istanbul Factory

Cake
Established in 1992.

Capacity:
58 thousand tons/year

Topkapı, Istanbul Factory

Chocolate
Established in 1991.

Capacity:
202 thousand tons/year

Ankara Factory

Biscuit and Chocolate Covered
Established in 1969.

Capacity:
150 thousand tons/year
The biggest biscuit production factory of the Middle East region

Karaman Factory

Biscuit, Cake, Cracker and Chocolate
Established in 1986

Capacity:
243 thousand tons/year

Gebze, Kocaeli Factory

Biscuits, Chocolate and Cake
Established in 1997.

Capacity:
146 thousand tons/year

Egypt Factory

Biscuit
Purchased in 2016.

Capacity:
43 thousand tons/year

Kazakistan Factory

Biscuit, Chocolates and Cake
Purchased in 2017.

Capacity:
40 thousand tons/year

Saudi Arabia Factory (FMC)

Biscuit and Chocolate
Purchased in 2016.

Capacity:
46 thousand tons/year

Saudi Arabia Factory (IBC)

Biscuit and Chocolate
Purchased in 2018.

Capacity:
28 thousand tons/year

Ülker Bisküvi continues its production activities with 10 plants in four countries.

Messages from the Chairman and the CEO

As Ülker Bisküvi, we significantly increased our profitability in 2019, while continuing our sustainable growth in all locations where we operate.

Dear Stakeholders,

In 2019, the effects of mobile and strategic decisions were felt even more strongly, both in our country and in the world, with the impact of global and economic developments.

As Ülker Bisküvi, we significantly increased our profitability in 2019, while continuing our sustainable growth in all locations where we operate. We increased our consolidated turnover by 31% to TL 7.8 billion and increased our Operating Amortization and Pre-Tax Profit by 38.8% to 16.7% EBITDA margin. We have continued our undisputed leadership in the overall confectionary market in Turkey. While making our country a production and export base, we continued to increase sales and profitability. We expanded our operations in Turkey with 27.5%, and our export and international operations by 36.9%.

While strengthening our market leadership in the biscuit segment in the Saudi Arabia market, we also reinforced our position in the Middle East and in North Africa, in countries such as Egypt, Qatar, and Lebanon. And, in addition, as Ülker Bisküvi, we successfully completed 2019 with a very robust balance sheet and net debt ratio.

We have been working with the principles of "wasteless company" and efficient production since the day we were founded. We act in the awareness that this is a permanent and effective method for combating inflation.

Today we continue to contribute to our nation's economy with our production in 10 factories, including six in Turkey and four abroad, with our exports to more than 100 countries, and with our approximately 9 thousand employees, on our journey that began in 1944 with a single biscuit variety. While our productivity efforts in Turkey provide cost advantages, we also support growth with the synergy between our new products and products. We export Godiva and McVitie's products, manufactured in our factories in Turkey, to many countries. Accordingly, we aim to make Turkey an even stronger production and export base in the coming years.

Sustainability is an integral part of our business

We have worked in alignment with the "wasteless company" principle and efficient production values since the day we were founded. We act with the awareness that this is a permanent and effective method in combating inflation.

We see sustainability as an integral part of our way of doing business. While conducting our business, we also aim to leave a world where new generations can live happily; as such, we strive to be a pioneer in this field. In 2014, we set long-term goals targeted at the year 2024 in the fields of the environment, the value chain, innovation, employees, social responsibility and leadership. We published our Sustainability Report. While we saved TL 16.5 million through improvement and efficiency efforts carried out in 2018, we have continued to grow since 2014 within the scope of 2024 sustainability targets – without increasing carbon emissions. While recycling 90% of our waste, we have already reached our 2024 target by reducing water use per unit production by 30% compared to 2014. This figure is equivalent to the daily water consumption of a province with a population of 3 million.

We contribute to the development goals of our country

As Ülker Bisküvi, we will maintain our double-digit growth performance in 2020 and support our country's development goals. We will work to gain strength in global competition, maintain our strong position in our markets, and maintain our leadership.

I extend my heartfelt thanks to all our stakeholders who continue to believe in and support us in the added value we provide for our Company and our country.

Mehmet Tütüncü
Chairman of the Board of Directors/CEO

Strategies

Productivity

- Become the most productive company in all segments of the industry,
- Boost product quality by increasing operational efficiency and reducing production costs,
- Achieve more efficiency and productivity in distribution channels and points of sale by cutting sales costs,
- Increase production efficiency, and improve planning and forecast accuracy with new generation digitalized technology.

Brand Investments

- Interpreting consumer demands correctly, and making sure that our consumers reach the products as the products developed in line with consumer needs are offered at the most affordable price and quality,
- Offer our powerhouse brands to consumers at reasonable prices,
- Ensure the continuity of our brand investments,
- Offer new and strong products to consumers.

Strategies

- Increase our operating profit by achieving higher sales volumes and revenues in the biscuit, chocolate and cake operations,
- Expand our business to become a strong regional player with our global, regional and local brands,
- With the acquisition of the Food Manufacturing Company in Saudi Arabia, UI MENA and IBC, use the region as the main production base enabling faster access and creating synergy in the fast-growing Middle East market,
- With Hi-Food in Egypt; gain a position in Egypt where consumption grows rapidly, station it as the base and main production facility for North Africa sales, and enhance our strength in the region with the production operations of McVitie's,
- With the acquisition of Hamle in Kazakhstan and other investments; strategical positioning as the main base to access Central Asia, Russia, and China, and meet new consumers in regions where consumption increases rapidly,
- Increase the existing brand awareness further in Turkey, North Africa, Central Asia and the Middle East,
- Reach new consumers in a wider region, implement synergy activities both in the field and in production,
- Implement and maintain good corporate governance practices at the highest level,
- Achieve strong results that will satisfy all of our stakeholders.

Our Promise to Future Generations: A good world, a strong society, inspiring products.

Current Economic Outlook, Global and Turkish Food Industries

Ülker Bisküvi continued to contribute to sustainable growth and development in 2019 with its efficient production and waste-free company model, fighting effectively against inflation as one of the strongest supporters of the Total Fight Against Inflation Program.

The world economy has entered a period in which global risk perception has increased due to the Brexit process in 2019, the US-China-based trade disputes, and the protectionist policies of the USA on trade. The growth trend in world trade volume - which experienced contractions during 2019 - slowed down due to uncertainties in the global economy caused by geopolitical risks. On the other hand, the world economy is preparing to enter a period of monetary expansion again, with three interest rate cuts implemented by the Fed throughout the year. Liquidity, which penetrates global markets with interest cuts, is expected to ease the cash flow in global markets.

Inflation moved towards a downward trend, declining to 11.84% by the end of 2019 as a result of the stability provided by the New Economy Program (NEP), which draws a three-year roadmap regarding the Turkish economy. With the NEP, it is forecasted that inflation will be reduced to 6% in 2021, unemployment will be reduced to 10.8% and growth will be 2.8%.

As one of the strongest and biggest supporters of the Total Fight Against Inflation Program, Ülker Bisküvi continued to work towards efficient production and waste prevention for an effective and sustainable fight against inflation in 2019.

In 2019, the deficit in foreign trade decreased for Turkey. As of year-end 2019, while the number of exports increased by 2.04% to USD 180.468 billion, imports decreased by 8.99% to USD 210,394 billion.

Turkey's economy grew by 0.9% in the third quarter of 2019.

The food and retail industries continued to grow in 2019. Food retail, which also contributes significantly to the Turkish economy in terms of employment, grew 6% according to December 2019 data from the TAMPF Retail Index, prepared by The Turkish Federation of Shopping Centers and Retailers (TAMPF) and Nielsen. Ülker Bisküvi continued to increase its sales volume and sales revenues in the biscuit, chocolate and cake markets in the confectionary sector, where it continued to operate as of the end of 2019. Making the biggest contribution to the growth in the confectionary market, Ülker Bisküvi maintained its R&D activities consistently throughout the year. The Company continued its value-added product launches in 2019, including Dido Trio, Ülker Karadutlu Kare, Ülker Pistachio Kare, Metro Bal Kaymak, Flipz Unicorn, Flipz Sütlü and Flipz Bitter.

The total market continued its rise on a value basis with a 20.5% growth compared to 2018. The biscuit market expanded by 24.8% in value in 2019, while the chocolate market grew by 20.9% and the cake market by 14.8%.

Production and Capacity

A total of 107,206 tons of biscuits and chocolates were produced in 2019 at Ankara Factory, established on an area of 110,000 m² and operating with a triple shift system.

BISCUIT

Located on a 110,000 m² land parcel, of which 80,000 m² is covered space, running three shifts per day, Ankara Factory produced a total of 107,206 tons of biscuits and chocolate in 2019.

Established in the Gebze Organized Industrial Zone in 1997, the Gebze Factory is located on an 85,330 m² land parcel, of which 80,000 m² is covered space. The factory, which operates according to the triple shift order, produced 100,303 tons of biscuits, crackers, chocolate coating and cakes during 2019.

At the Biskot Karaman Factory, which operates on a total area of 53,600 m², of which 27,298 m² is closed, 103,746 tons of biscuits, crackers, chocolate, chocolate coating and wafers were produced in 2019.

Main Brands

Biskrem, Çizi, Çiziviç, İkram, Altınbaşak, Halley, Hanımeller, Krispi, Ülker Pötibör, Ülker Çubuk Kraker, Ülker Susamlı Çubuk Kraker, Ülker Bebe Bisküvi, Saklıköy, McVitie's, Çokoprens, Probis, Rondo, 9 Kat, 9 Kat Rulokat, 9 Kat İnce Gofret, Kat Kat Tat, Ülker Deluxe, Canpare, Dore, Haylayf, Taç Kraker


ÜLKER
Çikolatalı
halley
Karadut
Marmelatlı
7 adet

Production and Capacity

Ülker Çikolata produced 121,751 tons at the Topkapı Factory in 2019 whereas it produced 16,469 tons of chocolate at the Silivri Factory.

CHOCOLATE

A subsidiary of Ülker, Ülker Çikolata carries out its operations on 29,716 m² closed space established on 84,537 m². Spot: Ülker Çikolata produced 121,751 tons at the Topkapı Factory in 2019 whereas it produced 16,469 tons of chocolate at the Silivri Factory.

At the Biskot Karaman Factory, which produces chocolate, chocolate covered biscuits and bars in 19 production lines, 28,168 tons of chocolate and chocolate-covered products were produced and 103,746 tons of biscuits, crackers, chocolate, chocolate coating and wafers were produced as of the end of 2019.

Main Brands

Ülker Çikolata, Ülker Çikolatalı Gofret, Albeni, Metro, Dido, Caramio, Laviva, Çokokrem, Napoliten, Çokonat, Ülker Flipz, Cocostar, Çokomel, Piko, Çokomilk Godiva, Godiva Masterpieces, Alpella Gofret, Ülker Finger Çikolata, Hobby Krem, Hobby, Smartt Sürpriz Yumurta, Çokomel Pofti, McVitie's, Carmen, Ülker, Rulokat, 9 Kat Rulokat, İnce Gofret, Biskrem, Hanımeller, Tempo, Hobby, Smartt, Çokotoy

Production and Capacity

Ülker, which produces cakes at the Esenyurt Factory, produced 30,102 tons of cakes at the factory, operating with a triple shift system in 2019.

CAKE

Ülker produces cakes at its Esenyurt Factory, which was established in 1993 on a covered area of 27,000 m². In 2019, 30,102 tons of cake was produced at the factory, which operates in the triple shift order.

Main Brands

8 Kek, Pöti, Kekstra, O'lala Sufle, O'lala Bar, O'lala Waffle, O'lala Sufle Mini, Dankek Rulo Pasta, Dankek Çay Saati, Dankek Baton, Dankek Islak Kek, Dankek Lokmalık, Smartt Sütkek, Çokokrem Pankek, Alpella, Peki, Cup Cake, Albeni Kek, Dankek Çikolatalım


YENİ
YENİ

Operational Excellence

Ülker's operational excellence model is based on the principle of "achieving sustainable results with happy and motivated teams that implement perfect systems."

Our Operational Excellence Approach

Ülker has created its own "operational excellence model," inspired by the internationally proven Lean Manufacturing, Total Productive Maintenance, Total Quality Management, Six Sigma and 5S programs. Called the Yıldız Path of Excellence (YMY), the program is based on the principle of "achieving sustainable results with happy and motivated teams that implement perfect systems." Work follow-up is carried out through committees formed on a voluntary basis. These committees, which operate in different fields, include employees from various departments and positions. To help factories to reach their main targets, each committee continues to work in alignment with its own road map.

From operators to senior management, each employee is active in operational excellence processes, utilizing improvement tools from all levels. Each factory creates its strategic plan and sets goals under the name of "Zero Loss Journey," and all improvement activities are managed in line with this plan.

Operational excellence studies are basically advanced in three main focuses: "Zero Work Accidents," "Zero Quality Problems" and "Zero Loss." A total of nearly 2,000 improvements are annually completed and reported, although the number increases each year. With these efforts, approximately TL 20 million was saved in 2017 and TL 16.5 million in 2018. The amount of savings achieved during 2019 was TL 10 million. These savings are obtained from improvements, without investment and with minimal expenditure.

Operational excellence studies are carried out by teams created on a voluntary basis at Ülker Factories. However, all the training, consultancy and coaching needs of the factory teams are met by the Operational Excellence (OM) Center Team, consisting of four people. The OM, which submits reports of the relevant studies directly to the General Manager, continues to support the factories under the HSE and Vice President of Quality. The operational excellence journey is maintained in the most efficient way with regular factory visits. Ülker compares its factories with each other in terms of the results they achieve and the systems they apply in the journey of operational excellence and turns them into "standard" by rewarding the best practices. With the GOYA (Roam, Don't Sit Anymore) practices carried out between the factories, best practices are assessed on-site and rapidly disseminated. The learning that emerges within this scope is documented in handbooks to ensure corporate memory. Currently, two handbooks have been published, and distributed to all teams: the "Operational Excellence Handbook," describing the operational excellence model that has been implemented so far; and the "Maintenance Function Handbook," covering Ülker standards of maintenance. As well, online platforms are actively used within the scope of digitalization, and any updates that may occur in subsequent editions of the manuals are recorded.

Ülker classifies factories according to the level of operational excellence they have achieved and differentiates their support needs accordingly. In each phase of the four-phase model used in this classification study, the activities to be performed by the factories and the results to be achieved are specified. The current phase level of the factory is determined through regular evaluations and this is turned into an opportunity for recognition, appreciation and reward. The phase transitions of the factories are symbolically identified with a red apple.

Operational Excellence Studies in 2019

1. Operational Excellence Evaluations

At the beginning of 2019, the phase transition criteria of the Operational Excellence (OM) model, which has been in effect since 2013, were prepared. The criteria specify what should be executed in all phases for all OM committees. OM committees operating at the factories have had the opportunity to learn the standard steps expected to be taken towards achieving their business unit targets.

2. Handbooks

Within the scope of operational excellence studies, handbooks are created that explain the expertise in basic functions. These studies are given below:

YMY Handbook: Describes the guiding standards that explain the basic principles of operational excellence. It was updated in 2019 and prepared for reprinting.

Maintenance Handbook: All applications of the Maintenance Handbook, 100% of which have been completed, have been implemented. In 2019, inspections and implementation levels of standards were reviewed in Ülker Turkey Factories.

Production Handbook: The Production Handbook, which describes the basic standards of production within the scope of OM studies, was written in 2019 by a core team of production representatives in business units.

Operational Excellence

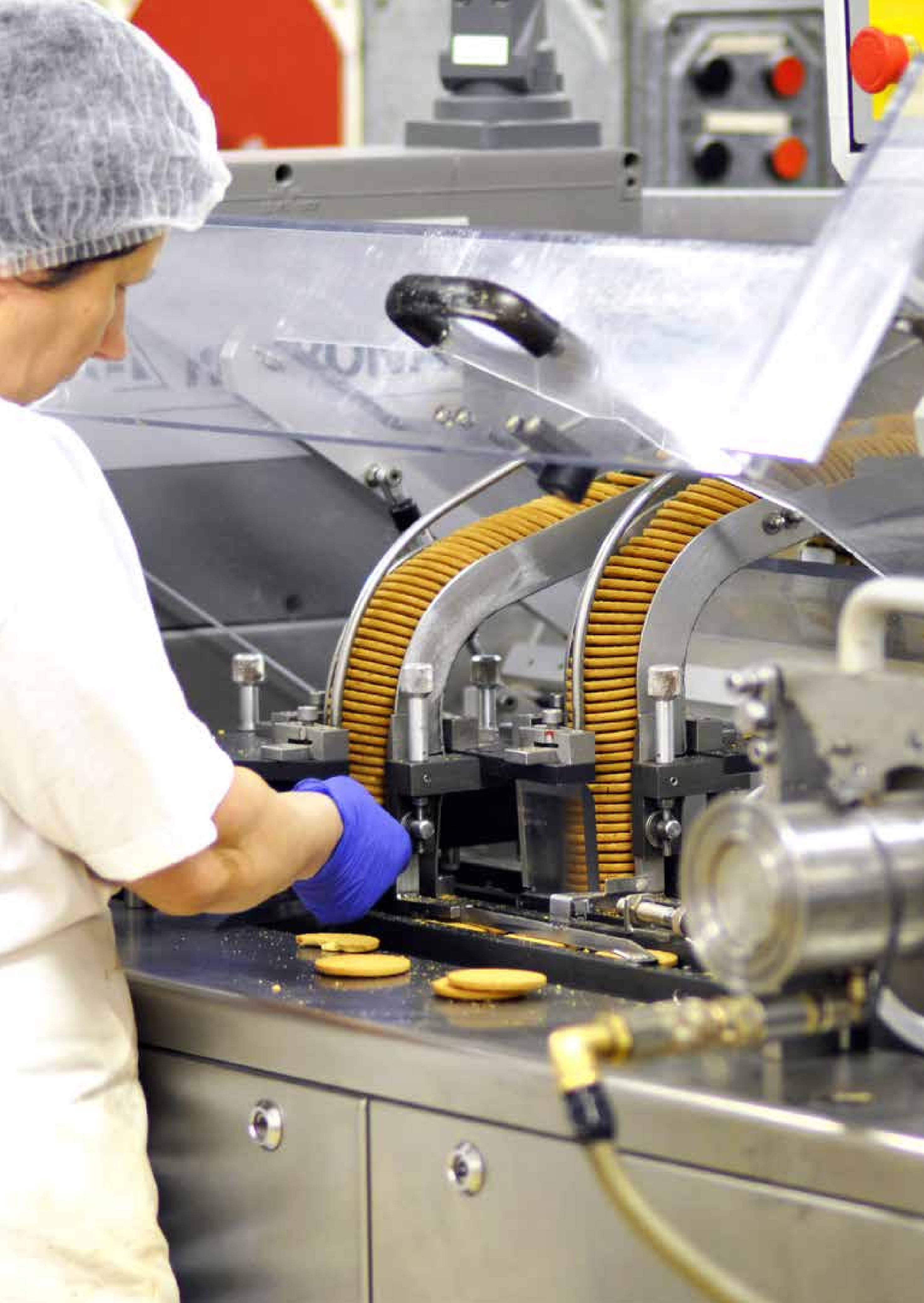
All white-collar workers are evaluated in eight factories within Ülker Turkey under the Star Development Program (YGP), via competency development studies and development plans, supported by Human Resources.

3. Corporate Memory
With the 2019 Sharepoint studies, small technical improvements and 10 Step Kaizen studies were all recorded.

4. Operator Development Program
In order to raise the production operators of the future in alignment with the development plans, the required technical and social competencies for operators are determined, along with their development levels, in a holistic manner.

5. Star Development Program
All white-collar workers are evaluated in eight factories within Ülker Turkey under the Star Development Program (YGP), via competency development studies and development plans, supported by Human Resources. With YGP, operational excellence studies tools and approaches are provided to employees at the required level.

6. Operational Excellence Tools
Operational Excellence tools are mechanisms created by combining universally recognized continuous improvement systems and Ülker Turkey know-how. "Star Development Teams" are systematic improvement studies in 10 steps that can be an example of Operational Excellence tools. Sustainable development is achieved in the fields of occupational safety, quality assurance and efficiency with this approach, which standardizes the activities carried out by a core team of five or six people in a focused improvement area.



Investments

Ülker Bisküvi continued its investments in 2019 in order to maintain its pioneering position in the sector and invested approximately TL 141 million in consolidation.

In 2019, Ülker Bisküvi further reinforced its robust market position with new capital investments that included new installations in the factories, capacity increases, modifications to production lines, product upgrades, and improvements in hygienic conditions and warehousing processes.

Ülker's capital expenditures aim to increase consumer satisfaction, improve product quality more and more, and to make its cost structure more competitive by increasing operational efficiency.

In 2019, Ülker carried out the following modernization activities with an approximately TL 141 million investment on a consolidated basis:

- Packing machinery purchase,
- Production feeding unit renewal,
- Service tank renewal,
- New packaging machinery purchase,
- New production line assembly.

Subsidiaries and Financial Investments

Biskot Bisküvi Gıda

Thanks to the merger of AGS-Anadolu Gıda San. ve Tic. A.Ş., a cakes producer, with Biskot Bisküvi Gıda San. ve Tic. A.Ş. at 2011 year-end, the Company attained a larger production volume. Its product portfolio consists of biscuit (petit-beurre biscuits, fingers), special biscuit, cream-filled biscuits, sandwich biscuits, crackers, wafers, chocolate wafers, rolled wafers, cake (muffin, baton), chocolate-covered cakes, chocolate-covered bar, chocolate-covered marshmallow, chocolate cream, chocolate eggs with toys, and giftable chocolates. Our major brands are Ülker, Alpella and Karsa. The Company, which also produces for PL (private label) brands, stands out with its unique products (dragee, cornet, drop, egg, etc.). Biskot Bisküvi Gıda continues its operations with 16 production facilities in the Silivri Branch, now comprising an area of 42,500 m^2 of closed space, with the addition of a new building.

Ülker Çikolata

In 2011, Ülker acquired a majority stake in Ülker Çikolata Sanayi A.Ş., previously jointly held by Yıldız Holding. The company manufacturing under the categories of solid chocolate, chocolate covered products, cream chocolate, catering chocolate and powdered cocoa and is the market leader in the sector, continues its production activities in a total closed area of 84,537 m^2 in Istanbul Topkapı.

Godiva

With Godiva Belgium BVBA, in which Ülker Bisküvi has a 12.95% stake and G-New Inc, in which Ülker Bisküvi has a 12% stake, Godiva Chocolatier Inc. is the owner of the Godiva brand, the world's leading brand of premium chocolate and chocolate-coated products. In 2008, Yıldız Holding acquired Godiva Chocolatier Inc. for USD 850 million, the largest overseas acquisition by a Turkish company and created a true success story over the last ten years. Today, Silivri Factory is the production hub for Godiva Masterpiece chocolate.

Hi-Food for Advanced Food Industries (S.A.E.)

Hi-Food for Advanced Food Industries was established on January 15, 2004. Its mission is to produce biscuits in the factory in Egypt and to sell these to the internal market and the internal countries in the region.

Food Manufacturers Company

The Food Manufacturers Company was established on January 25, 2000. Biscuits, cakes and chocolates are manufactured in the factory in Saudi Arabia for sale in the domestic market and the countries in the region.

Hamle Company Ltd. LLP

Acquired in 2017 from Maia International B.V. which 100% is owned by Yıldız Holding A.Ş. In the factory located in Kazakhstan, biscuits, cakes and coated chocolate are produced to sell to the domestic market and the countries in the region.

Amir Global

In line with its strategy, Ülker Bisküvi bought, in 2017, UI Mena BV company the only shareholder of Amir Global Trading FZE, which has distribution/production rights of the United Biscuits Limited products in Saudi Arabia, Middle East and North Africa.

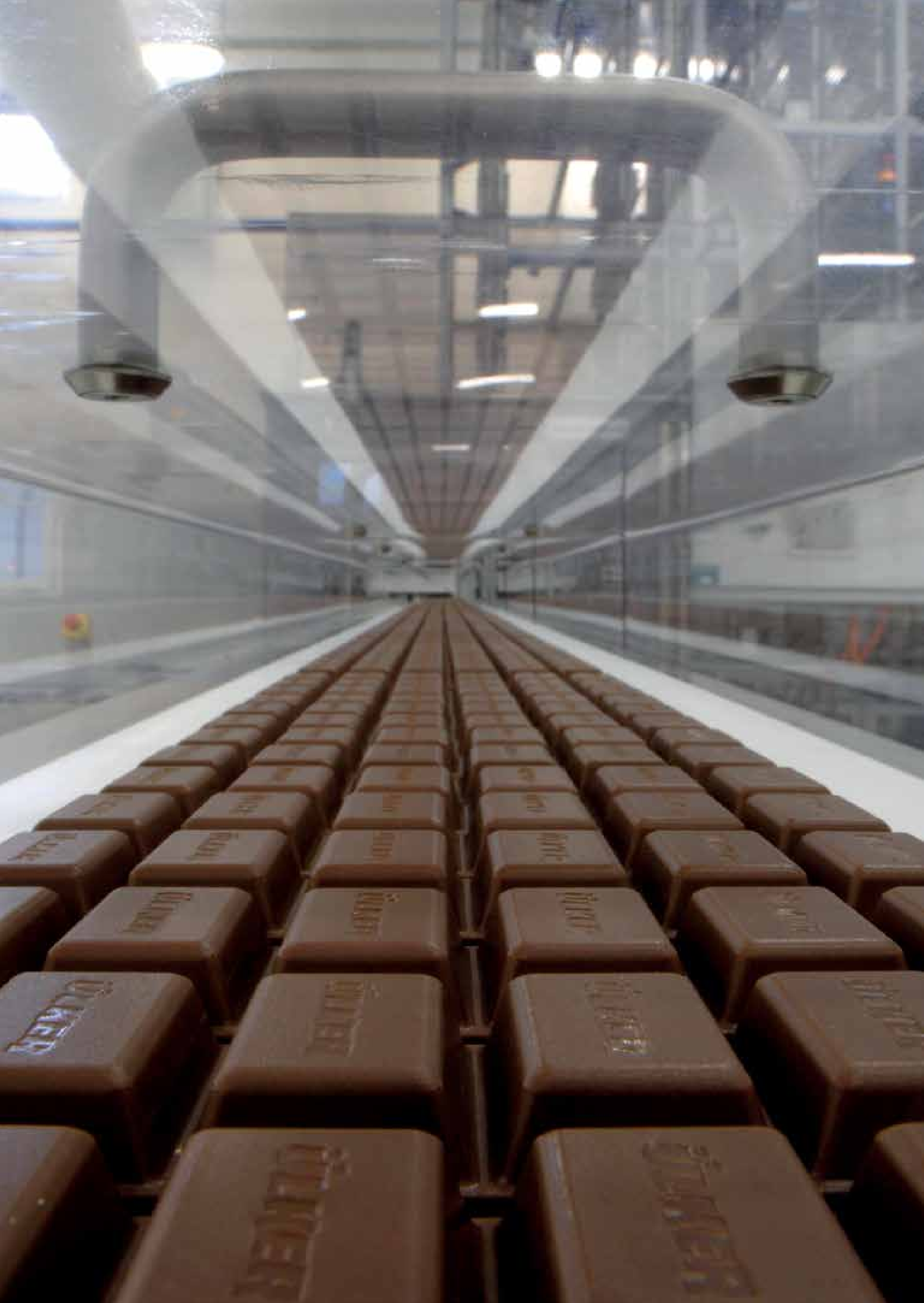
International Biscuits Company

In line with its 2018 strategy, Ülker Bisküvi acquired the entire shares of International Biscuits Company, which was owned by UB Group Limited, a subsidiary of Yıldız Holding. Biscuit and coated chocolate production is carried out at the factory located in Saudi Arabia.

Subsidiaries and Financial Investments

	31 December 2019		31 December 2018		
Subsidiaries	Direct Ownership Rate	Effective Ownership Rate	Direct Ownership Rate	Effective Ownership Rate	Main Field of Activity
Biskot Bisküvi Gıda Sanayi ve Ticaret A.Ş.	73.90%	73.90%	73.90%	73.90%	Production
Ülker Çikolata Sanayi A.Ş.	91.70%	91.70%	91.70%	91.70%	Production
Atlas Gıda Pazarlama Sanayi ve Ticaret A.Ş.	100.00%	100.00%	100.00%	100.00%	Trade
Reform Gıda Paz. San. ve Tic. A.Ş.	100.00%	100.00%	100.00%	100.00%	Trade
İstanbul Gıda Dış Ticaret A.Ş.(*)	-	-	100.00%	100.00%	Export
UI Egypt B.V.	51.00%	51.00%	51.00%	51.00%	Investment
Hi-Food for Advanced Food Industries	-	51.40%	-	51.40%	Production
Sabourne Investments Ltd	100.00%	100.00%	100.00%	100.00%	Investment
Food Manufacturers' Company	-	55.00%	-	55.00%	Production-Sales
Hamle Company Ltd LLP	100.00%	100.00%	100.00%	100.00%	Production-Sales
Ulker Star LLC	-	99.00%	-	99.00%	Sales
UI Mena BV	100.00%	100.00%	100.00%	100.00%	Investment
Amir Global Trading FZE	-	100.00%	-	100.00%	Sales
Ulker for Trading and Marketing	-	99.80%	-	99.80%	Sales
International Biscuits Company	100.00%	100.00%	100.00%	100.00%	Production-Sales

(*) To expand the Company's investment and sales organizations abroad, to focus more on the development of jobs in the centers of this country, and to ensure efficiency, the Company transferred 20,249,999 of the total 20,250,000 shares of Istanbul Food Foreign Trade Inc., which he owns 100%, at a price of 114,854,580 Turkish Liras on 27.12.2019.



Sustainability

The core of our sustainability activities goes back to the day Ülker was founded; based on our founder Sabri Ülker's "wasteless company model."

We hold ISO 1400, ISO 9001 and ISO 22001 certificates in all our facilities.

As part of sustainability efforts, we continue to integrate the Greenhouse Gas Emissions Accounting and Verification System, and ISO50001 Energy Management System at our factories.

We won first prize for Turkey at the European Union Environment Awards and were granted the right to represent our country in Europe.

We preserve the diversity of hazelnuts and support hazelnut producers with the Sustainable Hazelnut Farming Project.

In line with our 2024 sustainability targets, we reduced the amount of waste that we regularly send to storage facilities.

Sustainability

Our Understanding of Sustainability

The core of our sustainability activities goes back to the day Ülker was founded; based on our founder Sabri Ülker's "wasteless company model." Mr. Sabri Ülker created a company culture that neither wastes a gram of flour, a drop of water, nor the labor of man. He left this culture to the next generations. And with the strength he gave us, we're trying to develop this heritage, and pass it on to the next generations.

The resources of our world are limited. We believe that it is our primary responsibility to consciously use these limited resources, to manage our talents correctly, and to respond both to our world that has an increasing population and to our consumers who have changing expectations and needs. Because our leadership position in the sector requires us to be a pioneer and an example in the field of sustainability.

We focused our sustainability efforts at Ülker Bisküvi on generating long-term value and establishing the necessary strategies, policies and objectives in order to manage the risks that may arise due to economic, environmental and social factors. The Ülker Bisküvi Sustainability Platform provides that these efforts comply with the Corporate Governance Principles as well as with the decisions, management and processes of the Company. The Sustainability Platform is represented at an executive level by the president, vice president and general manager. The Platform continuously monitors the environmental, social and administrative developments, most of which occur outside the direct influence of Ülker Bisküvi, and fulfills its predefined duties and responsibilities.

Our mission of "contributing to a happier world" determines our relationship with the environment as part of our sustainability strategy.

The sustainability efforts carried out under six categories at Ülker Bisküvi continued at an accelerated pace in 2019. We follow our progress in line with our goals at regularly held sustainability platform meetings. At the platform meetings held this year, we updated the performance indicators for all units.

Activities that we carry out in line with our leadership goal are officially recognized by the indices that assess sustainability performances. Thanks to our world-class environmental, social and corporate governance practices, we maintained our position in the leading sustainability indices. We have been a part of the FTSE4Good Emerging Markets Index since 2016, and the Borsa Istanbul Sustainability Index since 2015. We are among the companies that made it to the finals at the Edie Sustainability Awards in the categories of water management, logistics and sustainability reporting.

By focusing on a healthy and active life, we inform all consumers and other stakeholders in this regard transparently and support a healthy society, while focusing on facilitating and simplifying life.

We carry out all of our activities with the awareness that our products depend on the earth, water and nature. Our mission of "contributing to a happier world" determines our relationship with the environment, which we adopt as one of the most important areas of our sustainability strategy. Ülker Bisküvi considers issues related to environmental sustainability in different areas such as climate change and energy, natural resource management, packaging, and waste management and biodiversity. In addition, we manage our impact through the Environmental Management System, which was developed within the framework of our common Environmental Policy. We hold ISO 14001, ISO 9001 and ISO 22001 certificates at all of our factories in Turkey.

Achieving Growth Without Increasing Carbon Emissions

As part of our growth target without increasing carbon emissions, we continued to conduct energy studies in Ülker Bisküvi factories, establish detailed energy monitoring systems and develop new projects in 2019. Since the date we set this target, we managed to grow without an increase in carbon emission, and our aim is to continue this trend until 2024. As part of Operational Sustainability efforts, we continue to integrate the Greenhouse Gas Emissions Accounting and Verification System, and ISO50001 Energy Management System at our factories. In 2018, we started the necessary works in our only factory that does not have ISO 50001 and the certification process is in progress. We also provide training workshops on sustainability to our factory personnel as part of these efforts. As part of the Carbon Disclosure Project (CDP), we started in 2016, we continue to share our climate change strategy and carbon emissions with our reporting.

Sustainable Supply Chain

We strive for sustainable production throughout the entire value chain. Thus, by supporting our stakeholders, we strengthen together, ensure supply security, and contribute to social development as well as the reduction of environmental impacts throughout the supply chain. Within the scope of the Sustainable Supply Chain Project in 2019, we aim to measure the performance of our critical suppliers in our 2019 Sustainability Report through our social and environmental compliance self-assessment questionnaires.

Protecting Biodiversity

Protecting and managing biodiversity plays an important role in Ülker's sustainability vision, its strategic objectives and its environmental protection activities. Our main approach in this field is based on assessing and monitoring the impact of our operations on biodiversity, ensuring that we adhere to defined objectives and do the necessary reporting.

Sustainability

Sustainable Hazelnut Farming Project

We preserve the diversity of hazelnuts and support hazelnut producers with the Sustainable Hazelnut Farming Project, which is carried out in cooperation with an international foundation. One of our major objectives is to show that hazelnut production can be improved in terms of ecological sustainability, as much as it can in terms of economic and social sustainability, in areas such as Giresun, where hazelnuts are found in natural vegetation and where they are produced. In addition, we issued a report on Ülker Bisküvi's Contributions to Turkey's Sustainable Growth Strategy.

Employees

Our employees are the most important part of our sustainability efforts at Ülker Bisküvi. We know that we can achieve success only through the common efforts of our employees. By keeping people at the center, we create the ground for the development of new talents. We refrain from hierarchical structures in internal communication and we offer all our employees the value they deserve. Also in 2019, we continued to attract new talent to our company with the "Job Stajyer" program.

We pay attention to provide diversity and equal opportunity at work. Therefore, we support projects such as; "Young Platform" and "More Women In The Boards" which aim to empower and integrate young people and women into business life.

Occupational Health and Safety

We consider providing a safe and hygienic working environment as one of our responsibilities. Occupational Health and Safety (OHS) efforts are managed under the responsibility of the Operational Excellence, Health, Safety, Energy and Environment General Manager and the senior executives who are members of the Sustainability Platform. We aim to proactively assess potential OHS risks and take precautionary measures, thereby preventing accidents. As part of our efforts on operational excellence, we create awareness in our employees about safe behaviors and provide regular trainings on this topic. In order to foster a strong OHS culture across our company, our OHS team performs internal inspections at our factories, identifies the safety gaps and carries out the necessary projects to address these gaps. Thereby, we achieve minimizing workplace accidents while contributing to the corporate culture.

We have been awarded a gold medal in Brandon Hall Awards, in the category of Training and Development, with our "Zero Mistake Training Program" which we have been implementing in our factories since 2012 using the motto "Our Target is Zero Mistake." In addition, we aim to ensure that our employees adopt sustainability in both their personal and business lives through sustainability trainings that we have provided to 2,500 employees in the last two years.

Employee Satisfaction

The happiness of our employees is a priority for us. According to the results of the employee loyalty and satisfaction survey, which we conduct every two years, the level of employee loyalty materialized as 77% in 2017. By further improving this rate above the Turkish average, we are confidently moving forward towards our goal of taking part in the "High-Performance Companies" category and reducing our employee change rate to 3.5% by 2024.

Human Resources

While Ülker Bisküvi focuses on operational excellence, it also progresses with leaders who foster a culture of innovation, and human resources systems that produce international solutions from a global perspective.

In line with Ülker's vision to "to further strengthen and advance its brand reputation, which is the most preferred brand by consumers, and become one of the top five companies in the world within the next 10 years," Ülker acts with its global vision and an innovative and sustainable system. The Company's human resources vision is to establish a competitive, active, pioneer in innovation and an innovator organization, to embrace a culture based on ethical principles and earned values, and always sticking to rational decisions.

It is aimed to increase Ülker's competitive advantages in both domestic and foreign markets via effective human resources practices, which aim to achieve superior quality in all business processes, high levels of motivation and loyalty among employees, and a culture of collaboration.

As in previous years, the Company organized a series of events in 2019 to increase the level of motivation of the entire workforce, encourage social interaction among employees and foster their loyalty toward the Company.

Stars of the Year

Traditionally organized for all our employees to participate in, with the aim of sharing the best business practices, and of awarding behaviors that contribute to teamwork, the project "Stars of the Year" encourages our employees to practice new and different ideas. Within the scope of "Stars of the Year," Projects are developed and put into practice under categories such as; GOYA, Zero Mistake, Unity of Purpose, Leadership, Contribution to Growth, Innovation, Cost Advantage, Digital Leadership, Occupational Safety.

Voice of the Stars

Ülker Bisküvi pays attention to the voice of their employees with the Employee Loyalty Survey "Voice of the Stars" conducted every two years in order to enable sustained employee satisfaction. The survey, which is organized by an international and independent consultancy firm, was conducted on a global scale for the first time in 2017 and it's still being conducted. Major categories of the survey were; Communication, Collaboration, Customer Oriented Approach, Innovation, Career Development, Quality, Loyalty.

The survey results are shared with all our employees and a platform is prepared where we talk about (with the Focus Groups that we also structure within the company) and implement the actions that can be taken. In this way, not only changes related to the operation but also activities that increase motivation and corporate loyalty are organized in order to move the Company to a better point.

Ülker is committed to supporting its employees, viewed as "the Company's most important capital and asset," not only to reach business targets and enhance competitiveness but also for their own personal development.

Ülker offers personnel various training opportunities in a diverse range of topics that include:

- Leadership Training Courses (Leadership Summit, Leadership Compass, Leadership Map, First Step to Leadership)
- Personal Development (Catalog) Courses
- Ethical and Operational Principles Training
- Occupational Safety and Health Training
- Entry Level Manager Training
- Star Operator Training
- Technical Trainings

With the "Human Resources Planning (IKP)" process, which was initiated in 2011 and developed further in Ülker, the management positions were backed up for the sustainable success of the Company and "Individual Development Plans" were implemented for the career development of the employees. In order to create a "feedback culture" within the framework of the Human Resources Planning and Performance Management Process initiatives, the Company actively encouraged managers to provide feedback to employees.

With the "We First" slogan, in order to provide our employees with opportunities that can use their potentials or lead a career in our affiliates, internal job notices were created for open positions and shared with employees.

Ülker, providing "happy moments" to Turkish people with its high-quality standards since 1944, is determined to show maximum effort to develop its human resources according to the principle of continuity in service, in line with its future goals in the forthcoming period.

Quality and R&D

Ülker Bisküvi maintains development with new investments, technological renewal, institutionalization efforts, new markets and new products, in line with its objectives and using all its resources in the most effective way.

Ülker Biscuit Quality System, Principles and Importance

The Ülker Bisküvi quality system is a management system based on input control, process control and finished product control, food safety requirements of production facilities, and quality and food safety requirements in storage, sales and distribution. It is aimed to operate the input, process and food safety parameters according to the "zero error" principle within this system. In case a defect or non-conformity occurs, corrective and preventive measures are taken within the framework of the continuous enhancement so that the non-conformity does not occur again. Regarding the products demanded by the consumers, the general principle is to continuously manufacture them at the same standards each time and to establish and operate the entire infrastructure and control system required for delivering them to the consumers. Quality teams lead the activities carried out to eliminate "non-conformity" for sustainable quality standards and keep track of the outcomes. The continuous and sustainable quality approach carries us to Zero Defect. Within the framework of a sustainable quality approach, targets are set and systematically monitored in the following issues. Operational perfection efforts contribute significantly to the sustainability of the quality system. Within this scope, we make sure that production line workers actively participate in enhancement activities regarding quality problems and ensure that they solve these problems.

The specifications of all products and raw materials produced in Ülker Esenyurt, Gebze and Ankara Biscuit Plants are defined by the R&D, Marketing and Quality teams and are constantly reviewed in line with customer requirements and legal regulations. Production activities are carried out within the determined limits of the control criteria defined at each stage of the process beginning from raw material supply up to the final product. As part of the quality control procedures, elements that can pose a risk to product quality and food safety were controlled by critical control points (CCP). While the manufactured products are regularly monitored throughout their shelf life, work on product controls, equipment, environment and hygiene controls of employees are carried out in a planned manner. Specific trainings for Ülker Bisküvi's employees and subcontractor employees determined according to the needs of Quality, Food Safety, Occupational Health and

Safety, Environmental Management System, Allergen Management, Pest Control, Critical Control Points, Halal Management, etc. were organized and These trainings were provided systematically under the umbrella of Zero Mistake Handbook Trainings. Ülker always aims to consistently increase customer satisfaction. Therefore, the Company continuously solicits consumer feedback and takes any corrective and preventive action that is required. Our Company makes prompt and highly efficient manufacturing in conformity with Food Laws and Legislations in national and international markets. In addition, inspections and analyses are conducted in collaboration with suppliers to prevent any quality-related problems at the source. In order to ensure that consumers and customers can make informed purchasing decisions, control measures that will certify the verification of product claims and declarations and protect the brand and product integrity are determined and followed up.

Ülker Bisküvi uses all its resources most effectively and continues to develop with technological renovation, institutionalization, new markets, new products, and the new investments it makes in line with its targets. Furthermore, Ülker Bisküvi manufactures products in a manner sensitive to the environment, respecting ethical principles, paying attention to food safety and defense, and thus the Company offers products to its consumers accordingly. Ankara, Gebze and Esenyurt Factories of Ülker Bisküvi that adopts the principle of producing "Delicious, Healthy and Reliable" products in continuous and superior quality in hygienic conditions in compliance with laws and regulations and have documented this understanding, hold the following quality certification:

- ISO 9001:2015 Quality Management System
- ISO 22000 2018 Food Safety Management Systems
- ISO 14001 Environment Management Systems
- OHSAS 18001 and ISO 45001 Occupational Health and Safety Management System
- ISO 27001 Information Security Management System
- ISO 5001 Energy Management System
- BRC (Achieved Grade: A)
- IFS (Higher Level)
- HALAL

Chocolate Quality Assurance Studies in 2019

Ülker Çikolata quality system is a management system based on input control, process control and finished product control, the food safety requirements of production facilities, and the quality and food safety requirements in storage, sales and distribution. It is aimed to operate the input, process and food safety parameters according to the "zero error" principle within this system. In case a defect or non-conformity occurs, corrective and preventive measures are taken within the framework of the continuous enhancement so that the non-conformity does not reoccur. Regarding the products demanded by consumers, the general principle is to continuously manufacture these products at the same standards each time and to establish and operate the entire infrastructure and control system required for delivering them to the consumers. Quality teams lead the activities carried out to eliminate "non-conformity" for sustainable quality standards and keep track of the outcomes. The continuous and sustainable quality approach carries us to a Zero-Defect situation. Within the framework of a sustainable quality approach, targets are set and systematically monitored in the issues noted above.

Quality and R&D

Operational perfection efforts contribute significantly to the sustainability of the quality system.

Operational perfection efforts contribute significantly to the sustainability of the quality system. Within this scope, we make sure that production line workers actively participate in enhancement activities regarding quality problems and ensure that they solve these problems. Problems are examined by forming Star Development Teams (YGT). Consumer feedback, 5S, Q points, pollution sources, lubrication points, line panels and production line cleaning processes are some of these enhancement activities.

The specifications of all products and raw materials produced in Ülker Çikolata facilities are defined by the R&D, Marketing and Quality teams and are constantly reviewed in line with customer requirements and legal regulations. Production activities are carried out within the determined limits of the control criteria defined at each stage of the process, beginning from raw material supply up to the final product. As part of the quality control procedures, elements that could pose a risk to

product quality and food safety are controlled by critical control points (CCP). While the manufactured products are regularly monitored throughout their shelf life, work on product controls, equipment, environment and employees' hygiene controls are carried out in a planned manner. Specific trainings for Ülker Çikolata's employees and subcontractor employees, determined according to the needs of the Quality, Food Safety, Occupational Health and Safety, Environmental Management System, Allergen Management, Pest Control, Critical Control Points, Halal Management, etc., are organized and these trainings are provided systematically under the umbrella of Zero Mistake Handbook Trainings. Ülker always aims to consistently increase customer satisfaction. Therefore, the Company continuously solicits consumer feedback and takes any corrective and preventive action that is required. Our Company conducts prompt and highly efficient manufacturing in conformity with Food Laws and Legislation in national and international markets. In addition, inspections and analyses are conducted in collaboration with suppliers to prevent any quality-related problems at the source. In order to ensure that consumers and customers can make informed purchasing decisions, control measures that will ensure the verification of product claims and declarations and protect the brand and product integrity are determined and followed up.

Ülker Çikolata sustains development with new investments, technological renewal, institutionalization efforts, new markets and new products, in line with its objectives, using all its resources in the most effective way. Furthermore, Ülker Bisküvi manufactures products in a manner sensitive to the environment, with respect to ethical principles, and with attention paid to food safety and protection, and thus the Company offers products to its consumers accordingly. Ülker Çikolata has adopted the principle of producing "Delicious, Healthy and Reliable" products in continuous and superior quality, and in hygienic conditions in compliance with laws and regulations, and has documented this understanding. The Company holds the following quality certifications:

- ISO 9001:2015 Quality Management System
- ISO 22000 2018 Food Safety Management Systems
- ISO 14001 Environment Management Systems
- OHSAS 18001 Occupational Health and Safety Management System
- ISO 27001 Information Security Management System
- ISO 50001 Energy Management System
- BRC (Achieved Grade: A)
- IFS (Higher Level)
- HALAL
- KOSHER

Bakery Products R&D Activities

In bakery products R&D studies, our business processes and outputs have been developed based on maintaining speed and innovation in the local market, creating a working culture parallel to the global R&D organization.

In 2019, the Bakery Products R&D unit carried out numerous projects. In line with the determined strategies, customer-oriented activities continued incessantly and rapidly in areas such as; new-product development, existing-product improvement, cost reduction, quality development, alternative raw material approval, and technical/technological support. The outcomes of our categorical project management have contributed a great deal this year.

The projects were evaluated on the basis of business scope, consumer, and technology; and innovative projects were accorded priority. In line with the three-year pipeline strategy, new projects aligned with the innovation culture have been studied this year as R&D. For 2019, our R&D Center official studies and reporting were performed, and the certificate extension was again approved by the Ministry.

In 2019, 166 projects were worked on within the scope of R&D studies and 55 of these projects were completed. Ten projects are in progress; 38 consumer tests were conducted, and the taste of the products was documented and detailed via consumer tests.

With the opportunities provided by the newly established R&D Center infrastructure in both large and small R&D trials in 2019, 2,256 pilots and laboratory trials were reached.

In 2019, the R&D pilot infrastructure was enriched and rendered better service. The newly established lab infrastructure provided an optimal environment for performing product development trials, allowing the Company to develop products faster with lower costs.

New products of R&D activities:

- Hanımeller Kurabiyem
- McVitie's Karamelli Bisküvi
- Altınbaşak Çörekotlu Kinoalı Kraker
- 9 Kat Tat İnce Çilekli Kremalı Gofret
- Ülker Kakaolu Bisküvi
- O'lala Browni Muffin Kek
- O'lala Mini Brownie Çikolatalı Kek
- O'lala Mini Brownie Karamelli Kek
- Halley Mini Karadut Dolgulu
- Halley Karadut Dolgulu
- Krispi Tırtıklı Kraker Peynir-Soğan
- Krispi Tırtıklı Kraker Baharatlı
- Krispi Tırtıklı Kraker Acılı 48grx20
- Krispi Tırtıklı Kraker Acılı 92grx14

Quality and R&D

In 2019, in addition to the products promoted for the national market, products were developed for various international markets.

Global Vision Global Products R&D Activities

In order to centralize R&D activities and create synergy, Cake and Biscuit R&D teams are merged into one organization. In this regard, new missions and tasks have been added to ongoing activities.

The projects were evaluated on the basis of business scope, consumer, and technology; and innovative projects were given priority. The R&D team proposed new projects with the aim of fostering a culture of innovation.

One of the most important steps of the quality movement initiated within the framework of Ülker's quality road map is that the specifications have continued to be updated and developed. System and product revisions in conformity with the quality priority are monitored and carried out with full force.

Ülker Chocolate R&D Studies in 2019

Ülker Çikolata R&D Department continues to work in four different categories: coated products, cocoa and cocoa products-solid-spread products, Godiva-catering-dragee and PL products and technical operations. A total of 206 projects were carried out in 2019 in the fields of developing new products, cost improvement, alternative raw materials, process and quality improvement in FMC Saudi Arabia locations, together with Ülker Çikolata, Önem Gıda, Ülker Çikolata Silivri, Biskot Karaman.

Ülker Çikolata R&D Department launched 36 products, including new product, weight transition, increasing the number of products, export and global projects developed for different countries, taking into account customer needs and emerging trends. The launches of projects for the domestic market, including the products of Dido Trio, Ülker Karadutlu Kare, Ülker Antepfıstıklı Kare, Metro Bal Kaymak, Flipz Unicorn, Flipz Sütlü and Flipz Bitter, have been successfully completed.

In 2019, in addition to the products promoted for the national market, products were developed for various international markets, USA, UK, China, Japan, and Saudi Arabia in particular. New product launches, including the Godiva Pure Bar series, Godiva Minibar series, Godiva US Domes, Godiva Signature tablet series launches have been completed.

As a result of the studies carried out with Eksper Gıda, new chocolate recipe, powder cocoa development and praline varieties development activities were successfully completed in the HORECA channel and the market share in the cocoa products category increased approximately 145% compared to last year.

Within the scope of cost reduction studies in Ülker Çikolata, Önem Gıda and Ülker Çikolata Silivri factories, alternative raw materials, process development, recipe optimization studies have been completed and total potential of 12.5 million TL has been created.

As part of new product development and cost improvement in existing products, 34 consumer tests have been conducted in collaboration with the Department of Consumer Technical Research.

As part of new product development and in relation to existing products, a total of 110 difference test surveys were conducted with employees who were selected as panelists from the Ülker Çikolata Silivri and Ülker Çikolata factories.

Social Responsibility

Witnessing the growth of tens of generations since 1944, Ülker's sensitivity and sustainability in social responsibility stem from its deep-rooted history.

Ülker consistently contributes to the physical, social, cultural and mental development of children via its social responsibility projects. In the last decade, approximately 1.5 million children have been reached through projects such as the Ülker Children's Cinema Festival, Football Villages and the Ülker Children's Art Workshop. Between the years of 2007-2016, more than 330 thousand children were introduced into sports at an early age through children's football projects, and multi-dimensional support was provided to their development with organized events. Girls and boys who participated in the organized Football Villages were successful in their clubs and succeeded in playing at A team level, and some were chosen for the U-15 National Teams.

Ülker has been involved in projects that facilitate the meeting of art and the people since 2018 via sponsorship of "Istanbul Modern-Your Thursday" and "Print Museum-Free Tuesday Day Support." The Company has also been an important part of the "Make Happy, Be Happy Day" celebrations in 2019 with all the companies of Yıldız Holding. Ülker employees and managers organized various events and organizations designed to bring joy to children throughout the year. In addition to book and stationery donations, providing necessary assistance for the renovation of schools, school painting, sapling plantings, and visits to the House of Love were among these activities. Ülker directs its social responsibility activities in adherence to the motto of its founder Sabri Ülker, *"We believe that every person has the right to have a happy childhood wherever they live in the world."*

Corporate Governance Principles Compliance Report

PART I- CORPORATE GOVERNANCE PRINCIPLES: COMPLIANCE STATEMENT

The Company has provided in detail below the assessment and findings on the level of compliance with the Corporate Governance Principles and our comments on the potential improvement areas related to compliance in terms of scope and quality. Pursuant to Capital Markets Board Communiqué and Article 6362 of the Capital Market Law No: 6362, dated December 6, 2012, and II-17.1 Corporate Governance Communiqué released on 3.1.2014, issuance of a "Corporate Governance Compliance Report" and compliance with specified Corporate Governance Principles have become mandatory for companies traded on Borsa Istanbul (BIST). Accordingly, the Company has resolved that the requirements imposed by the CMB be strictly followed, and the Company has also completed all the works necessary for compliance with the other principles specified in the Communiqué. The established Committees of the Board of Directors actively carry out their tasks. Committee working principles were announced on the website. Committee chairmen were formed amongst the independent members of the Board of Directors while independent member candidates are in majority in the committees. Three weeks prior to the General Assembly, information document, meeting agenda, annual report, résumés of the member candidates for the Board of Directors and other information to be announced were submitted to the information of the investors and shareholders. Related party transactions were submitted to the information of the Board of Directors, and by getting the approval of the independent members of the Board of Directors a decision was taken to continue the transactions. Our company website and annual report were reviewed and efforts were undertaken to update them. A report for the "extensive and continuous transactions in 2019" was prepared and published on the Public Disclosure Platform upon the decision of the Board of Directors. Independence of the independent members of the Board of Directors was examined, and new candidates were presented by the Nomination Committee to the Board of Directors. Within the scope of the sustainability activities, the first comprehensive sustainability report was released in 2016 whereas the third sustainability report was released in 2019 and made available and accessible for the shareholders and stakeholders at the investor relations website of Ülker Bisküvi.

Reasons for the Corporate Governance Principles that are not implemented:

No model or mechanism was created for the stakeholders to participate in the management. However, the independent members of the Board of Directors make sure that the Company and shareholders, as well as all stakeholders, are represented in the management.

"There is no written compensation policy for the employees that must be established in accordance with Article 3.1.2 of the Corporate Governance Principles, related work is in progress.

Some of the members of the Board of Directors participates in several committees.

As per Article 4.6.5 of the "Corporate Governance Principles," the remuneration of the members of the Board of Directors and executive senior managers, as well as all other benefits granted, are publicly announced via Annual Report. However, the announcement is not made on a personal basis but made to indicate the differentiation between the Board of Directors and executive senior managers.

Although there is no female member in the Board of Directors, as a core principle of our Human Resources Policy, we provide equal treatment and do not tolerate discrimination, regardless of sex, ethnic origin, religion, race, nationality, age, physical capability, pregnancy, marital status, sexual orientation, union membership, political opinion and similar matters, as part of processes including recruitment, training, career and wage management and in the working environment. We manage these processes transparently, and only on the basis of employees' qualifications, experience and performance.

There is no provision in the Articles of Association as an individual right that enables to request a special audit from the General Assembly to shareholders. The regulations of the Turkish Commercial Code and the Capital Markets Board are deemed sufficient to appoint a private auditor. Pursuant to the regulations stipulated by the Turkish Commercial Code no. 6102 enacted on 01.07.2012, shareholders' right to request private audit is protected.

The Company also plans to implement those principles that have not been implemented yet as soon as possible, although there have not been any conflicts of interest among stakeholders due to the limited number of corporate governance principles implemented to date.

Although full compliance with non-compulsory Corporate Governance Principles is aimed, full compliance has not yet been achieved due to reasons such as difficulties in practice in some of the principles, and some principles do not fully match the existing structure of the market and our Company. Work on the principles that have not been put into practice yet are in progress and it is planned to be implemented after the completion of administrative, legal and technical infrastructure works in a way that will contribute to the effective management of our Company.

The Company has also disclosed the following Corporate Governance Principles Compliance Report to the public via the websites: www.ulkerbiskuvi.com.tr and http://ulkerbiskuviyatirimciiliskileri.com/default.aspx

The Corporate Governance Compliance Report as required by the Capital Markets Board Resolution no. 2/49 on 10.01.2019 and the Communiqué no. II-17.1 on Corporate Governance will be published on the Public Disclosure Platform by using the templates of Corporate Governance Compliance Reporting (URF) and Corporate Governance Information Form (KYBF). Related documents can be reached at https://www.kap.org.tr/tr/sirket-bilgileri/ozet/859-ulkerbiskuvi-sanayi-a-s

PART II – SHAREHOLDERS

2.1. 2.1. INVESTOR RELATIONS UNIT

Investor Relations Unit is managed by the Investor Relations Director functioning under Ülker Bisküvi Financial Affairs – CFO office. Our Company executives responsible for relations with the shareholders are listed below.

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E-mail: beste.tasar@ulker.com.tr /ir@ulker.com.tr

The Unit processes any and all written or online inquiries submitted by our shareholders and attends all local and international investor conferences.

The Investor Relations Unit conducts BIST, CMB and CSD disclosures to inform allottees, shareholders and stakeholders, and ensures the continuing communication with these institutions.

In addition to organizing the ordinary and extraordinary general assembly meetings, the Investor Relations Unit may organize other ad-hoc meetings held at the request of shareholders.

2.2. EXERCISE OF SHAREHOLDERS' RIGHT TO INFORMATION

Except for information considered either commercial secret or insider information, all written or verbal requests from our shareholders for information within the period were met. We provided our shareholders with all the information as required under their rights as shareholders via the annual report, material disclosures, and replies to individual inquiries.

The principles regarding the process run by Ülker Bisküvi to provide information to our shareholders in conformity with legal regulations, and the detailed information about the manner, frequency and methods of providing information to the shareholders, is available in "Ülker Bisküvi Information Policy." Current Information Policy text is available for shareholders at our Investor Relations website. The necessary information was made available online to the shareholders at the "Investors Relations" section available at www.ulkerbiskuvi.com.tr and http://ulkerbiskuviyatirimciiliskileri.com/default.aspx and the dedicated section of "Information Society Services" used for the publication of the legally required announcements as per Article 6102 of the Turkish Commercial Code No: 6102, dated January 13, 2011.

Auditing principles and procedures are described in Article 20 of the Company's Articles of Association. No private audit has been requested by the shareholders in 2019.

2.3. GENERAL ASSEMBLY MEETINGS

Pursuant to Article 1527 of the Turkish Commercial Code No. 6102 dated January 13, 2011, which stipulates that online participation in general assembly meetings of joint-stock companies, making proposals and statements online, and online voting shall have the same legal effects in all aspects as participating and voting in any general assembly meeting in person; and that all companies traded on the stock exchange are required to set up and maintain a system allowing online participation in general assembly meetings and voting; the online general assembly convenes on the same date and with a parallel agenda as the physical general assembly.

The Ordinary General Assembly meeting for the year 2018 was held on March 29, 2019, at 11:00 a.m. at the address Kısıklı Mahallesi Ferah Caddesi No: 1 Büyük Çamlıca Üsküdar-ISTANBUL under the supervision of the Ministry Representative Ms. Ayşin Yılmaz AKBAŞ, who was assigned with Istanbul Provincial Trade Directorate's letter no. 43005286 dated March 28, 2019.

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The invitation for the General Assembly, which stated the date and agenda of the meeting, was published in the Turkish Trade Registry Gazette No. 9783 dated March 8, 2019, and in the daily Dünya Newspaper issue dated March 6, 2019, and on the Ülker Bisküvi Sanayi A.Ş. corporate websites, on Public Disclosure Platform end on Electronic General Assembly System as specified by law and the Articles of Association within the prescribed time limit.

The Company makes the financial statements and reports, including the annual report, dividend proposal, electing the members of the Board of Directors, presenting the company auditor, memo on the proposed agenda to be discussed at the General Assembly, and other documents for items of the agenda, if any, and the rationale thereof available for review by our shareholders at the headquarters and branches of the Company starting from the date of the invitation for the General Assembly.

At the General Assembly meeting, issues on the agenda are narrated impartially and in detail with a clear and understandable method and the shareholders are provided with equal opportunity to express their opinions, and raise any questions to create a healthy atmosphere for discussion.

The number of contributions and donations made by the Company during the fiscal period have been discussed at the General Assembly meeting as a separate agenda item and shareholders have been informed about the same.

The agenda items, sample power of attorney, information document, balance sheet, profit-loss statements, independent audit report and footnotes, auditor's report, decision of the board of directors regarding distribution of profit, annual activity report and the decision of the board of directors regarding the selection of an independent audit firm were submitted, announced on http://ulkerbiskuviyatirimciiliskileri.com/default.aspx websites and presented to stakeholders.

No request was sent to the Company by the shareholders regarding the agenda of the meeting.

Decisions taken at our Company's Extraordinary General Assembly Meeting held on March 29, 2019, were registered by Istanbul Trade Registry Office on April 5, 2019.

2.4 VOTING AND MINORITY RIGHTS

According to the Articles of Association, each share carries the right to one vote. Any shareholder, who is entitled to attend General Assembly meetings, may attend the meetings via electronic communication means in accordance with Article 1527 of the Turkish Commercial Code. Pursuant to the Regulation on the General Assembly of Joint Stock Companies to be Held via Electronic Means, the Company may set up an electronic General Assembly system or procure any system developed for this purpose so that shareholders are able to attend, express their views, make suggestions, and cast their votes via electronic communication means. Pursuant to the relevant provision in the Articles of Association, shareholders and their proxies are allowed to exercise their respective rights at any General Assembly meeting, under the referenced regulations via the electronic system set up for this purpose.

The Company does not grant any privileges to share groups or other shares. None of our shareholders controls or is controlled by, the Company. Cumulative voting is not practiced in the Company.

As per Article 27 of the Company's Articles of Association, shareholders representing one-twentieth (1/20) of the share capital can exercise minority rights.

The Articles of Association do not contain any provision prohibiting voting by proxy, who is not a shareholder of the Company.

2.5. DIVIDEND RIGHTS

Our Board of Directors has adopted the profit distribution policy in accordance with the Corporate Governance Principles published by the CMB. The Company distributes profit in accordance with the Turkish Commercial Code, Capital Market Law, Tax Law, other applicable legislation and the articles related to profit distribution in the Company's Articles of Association. The annual profit distribution proposal of the Board of Directors, which includes the matters stipulated in the profit distribution policy and the CMB Corporate Governance Principles, is submitted for the approval of the shareholders at the General Assembly, and it is also publicly disclosed on the Company's website, alongside detailed information on the profit distribution history and capital increases.

The Company has set its profit distribution policy in accordance with the Capital Market Law and Articles of Association, taking into consideration the Company's operational performance, financial situation, and market developments. Starting from the earnings of fiscal year 2012, the Company distributes a minimum of 70% of its net distributable profit for each accounting period in cash, upon the proposal of the Board of Directors and the approval of the General Assembly, with any changes made by these entities, in accordance with Turkish legislation, and after due consideration of the Company's cash flow requirements. This policy will be reviewed each year by the Board of Directors, taking into account any negative developments in domestic and global economic conditions, the situation of current projects and the Company's financial resources. In accordance with the profit distribution policy, dividends are equally distributed to all shares in the relevant accounting period, and no privileges are granted. Again, despite the Articles of Association provides for advanced dividend payment, this particular method has not been employed so far. The profit distribution policy of the Company was submitted to the shareholders in the General Assembly. Our profit distribution policy has been announced to the public, and accessible at the Company website and in annual reports. Based on the decision taken by the Board of Directors on 05/03/2019, in accordance with the Capital Market Legislation regarding the use of 2018 profit and the 33rd article of the Company's Articles of Association and the Profit Distribution Policy of our Company, which was approved by the shareholders at the General Assembly dated March 28, 2013; it was decided with a majority vote of 27,181,993,653 against the 33,910,100 rejection vote, not to distribute the profit share and the current profit of 252,158,076 TL, which is formed according to the provisions of TPL, to be transferred to extraordinary reserves taking into account the long-term strategies, investment, cash and financing policies of our company according to the financial statements prepared in accordance with TFRS / TAS, and the net profit of 700,779,289 TL to be transferred to the previous year's profits.

2.6. SHARE TRANSFER

Following the approval of the amendments to the Articles of Association at the Ordinary General Assembly meeting held on March 28, 2013, the Company shall not issue any registered shares. There are no restrictions in the Company's Articles of Association regarding the transfer of Ülker Bisküvi shares that are publicly traded in Borsa Istanbul, in accordance with the 3rd paragraph of Article 137 of the Capital Markets Law no. 6362.

PART III – PUBLIC DISCLOSURE AND TRANSPARENCY

3.1. COMPANY'S WEBSITE AND CONTENTS THEREOF

Our company website is available both in Turkish and English at www.ulkerbiskuvi.com.tr. Furthermore, the company's investor relations website is available in Turkish and English at http://ulkerbiskuviyatirimciiliskileri.com/default.aspx. The following information is available at the company website for the purpose of disclosure to our shareholders:

- Information on Ülker Bisküvi and its Subsidiaries
- Company's Vision
- Code of Conduct
- Information on the Board of Directors and Executive Management
- Company's Shareholding Structure
- Organizational Chart
- Social Responsibility
- Registration Information and Company Profile
- Articles of Association
- Financial Statements and Notes
- Annual Reports
- Material Event Disclosures
- Report on Compliance with Corporate Governance Principles
- Information on the General Assembly (Agenda, Proceedings, List of Attendees and Proxy Form Template)
- Policies
- Committees
- News and Announcements (Invitations to the General Assembly, and the like)
- List of Corporate Insiders
- Rating Reports
- Ülker on the BIST (Ratios and Charts related to the Company's Shares)
- List of Monitoring Analysts and Investor Presentations
- Sustainability

3.2. ANNUAL REPORT

The Annual Reports issued by our Company are prepared in conformity with; (i) Ministry of Customs and Trade "Regulation on Determining the Minimum Content of the Annual Reports of the Companies" (issued via Official Gazette n.28395 on August 28, 2012); (ii) Capital Markets Board ("CMB") Communiqué n.II-14.1 on "Principles Regarding Financial Reporting in the Capital Markets," and; (iii) Capital Markets Board regulations on Corporate Governance Principles. Upon the approval of our Board of Directors, the Annual Reports of our Company are publicly announced in conformity with the provisions of the relevant legislation and made available on our Investor Relations website.

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PART IV – STAKEHOLDERS

4.1. INFORMATION TO STAKEHOLDERS

In the event there is not any regulation in-laws or contracts regarding the rights of stakeholders, the Company endeavors to protect their rights in good faith and within means available to the Company with due consideration given to the reputation of the Company. Furthermore, Company employees may access the circulars and announcements through our internal portal, and important announcements are disseminated to all of our employees promptly via e-mail. There are no restrictions that prevent stakeholders from contacting the Corporate Governance Committee or the Audit Committee about any Company transactions they deem either unethical or contrary to regulations. Stakeholders may contact these committees by any communication means they prefer.

4.2. PARTICIPATION OF STAKEHOLDERS IN MANAGEMENT

According to the Articles of Association, the Board of Directors has at least seven members who are elected by the General Assembly upon nomination by shareholders of different share classes in accordance with the Articles of Association.

The Board of Directors consists of nine members, three of whom are independent members. Although there are no specific efforts regarding stakeholders' participation in management, the Company takes note of the opinions and suggestions of employees, suppliers, non-governmental organizations and all other stakeholders. Furthermore, the employees are offered the opportunity to share and put into practice their ideas on Idea Stars, the Innovation, Inspiration and Idea Platform. Thus, employees can share their thoughts in order to bring different ideas from processes to business models into life and to find solutions to problems. Employees also have the chance to enter competitions under "calls" announced on Idea Stars and win specific awards.

4.3. HUMAN RESOURCES POLICY

The main purpose of the Company's human resources policy is to build a team of high-performance employees by improving and developing the human capital on the basis of the things done so far. The human resources policy adopted by the Company is fundamentally that of Yıldız Holding's and is available at www.ulkerbiskuvi.com.tr and http://ulkerbiskuviyatirimciiliskileri.com/default.aspx. Ülker Bisküvi A.Ş. (Ülker) operates with the vision of contributing to economic, environmental and social sustainability as part of sustainability efforts. Respect for fundamental human rights is the main objective of all business processes. In this regard, Ülker Human Rights Policy was issued in 2016, on the basis of Universal Declaration of Human Rights, United Nations (UN) Global Compact, UN Convention on the Rights of the Child, International Labor Organization (ILO) Conventions, OECD Guidelines for Multinational Enterprises, UN Guiding Principles on Business and Human Rights, and national laws. The report was translated in the languages of the regions where the Company has operations to ensure understanding of the Policy by stakeholders in all operational regions and made available on the Company website for access by all stakeholders. The Company has never received any complaints that its human resources policy is discriminatory.

4.4. CODE OF CONDUCT AND SOCIAL RESPONSIBILITY

Information on the corporate social responsibility activities of the parent company, Yıldız Holding, is available in our annual reports and on the website: http://ulkerbiskuviyatirimciiliskileri.com/default.aspx. Keenly aware of our social responsibility, the Company takes utmost care to adopt policies that support environmental, sports, educational, and healthcare-related projects. The Code of Conduct is also available in a related section on the website. The Company pursues continuity of service quality and standards in all phases of production. Ultimate attention is paid to the confidentiality of customers' and suppliers' trade secrets. Customer satisfaction is one of the main principles of our Company. Ülker Bisküvi, since its inception, has been a part of a group of companies that produce quality and healthy products; respect their employees; uphold the rights of their partners and shareholders, and of their suppliers and customers; comply with all applicable laws; recognize social values; and have social responsibility. In addition, the Group of companies' management philosophy pursues the highest level of respect and trust among executives, employees, suppliers, and customers; achieves employee cooperation and high performance of personnel; maintains dignity, consistency and a sense of trust and responsibility in its approach; all the while continually striving to improve this management philosophy. The Code of Conduct as adopted by Ülker Bisküvi is generally aboded by all Group companies and is disclosed to the public within the scope of the Group's information policy and is available to our shareholders on the website: http://ulkerbiskuviyatirimciiliskileri.com/default.aspx.

PART V – BOARD OF DIRECTORS

5.1. STRUCTURE AND ORGANIZATION OF THE BOARD OF DIRECTORS

The Board of Directors consists of nine members, three of whom are independent members. The Board of Directors comprises executive and non-executive members. A majority of the Board Members are non-executive members. Non-executive members include independent members, who satisfy all of the criteria set out in the Capital Market Law, who have the capacity to perform their duties with impartiality, and who can devote their time to monitor the functioning of the Company and to fulfill all the responsibilities vested to them as independent members with a knowledge of and experience in the sector. Details of the Company's Board of Directors are as follows:

Name-Surname	Title	Position of the Executive	Term of Office
Mehmet TÜTÜNCÜ	Chairman / CEO	Executive	31.03.2017-31.03.2020
Ali ÜLKER	Deputy Chairman	Executive	31.03.2017-31.03.2020
Murat ÜLKER	Board Member	Not Executive	31.03.2017-31.03.2020
Ahmet ÖZOKUR	Board Member	Not Executive	31.03.2017-31.03.2020
İbrahim TAŞKIN	Board Member	Executive	31.03.2017-31.03.2020
Cengiz SOLAKOĞLU	Board Member	Not Executive	31.03.2017-31.03.2020
Ahmet Murat YALNIZOĞLU	Board Member (Independent)	Not Executive	31.03.2017-31.03.2020
Mehmet Aydın MÜDERRİSOĞLU	Board Member (Independent)	Not Executive	07.09.2017- 31.03.2020
Halil Bülent ÇORAPÇI	Board Member (Independent)	Not Executive	31.03.2017-31.03.2020

Mehmet TÜTÜNCÜ - *Chairman and CEO*

Mehmet Tütüncü obtained his BA degree from the Department of Mechanical Engineering at Gazi University, followed by an MA in the Department of Industrial and Organizational Psychology, Maltepe University. With an IRI scholarship, he took courses in Italy on Production, Quality Control and Maintenance Practices, as well as Strategic Marketing at Harvard Business School, IMD/Switzerland and Insead/Singapore. Mr. Tütüncü began his professional career in 1981 as an engineer at the Ministry of National Education, Construction Department. From 1987 to 1996, he worked as a Production Manager, Enterprise Manager and General Manager, respectively, at Best Rothmans Entegre Sigara ve Tütün Sanayi A.Ş. He assumed his first role at Yıldız Holding as Enterprises Coordinator of Ülker Gıda A.Ş. in 1996. He worked as the General Manager of Ülker Biscuit and Chocolate factories, Ülker Group Vice President, Food and Beverages Group President, and Ulker International Group President.

In 2016, he was appointed as the CEO in charge of Turkey, Middle East, North Africa and Central Asia in the pladis organization established within Yıldız Holding. In 2017, he assumed responsibility for South Asia and Latin America as well as pladis Global Information Systems and Business Models Transformation, acting as Vice CEO. Since October 2018, he has been serving as the Vice Chairman of the Yıldız Holding Board of Directors and CEO of Yıldız Holding. Mehmet Tütüncü, who is a member of TÜGİS Board of Directors and is a member of many Turkish and foreign sectoral organizations, is on the FoodDrinkEurope Board and FoodDrinkEurope Liaison Committee. Since 29.03.2019, he has been serving as the Chairman and CEO of Ülker Bisküvi.

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Ali ÜLKER - *Deputy Chairman*
Born in 1969, Ali Ülker graduated from Boğaziçi University, Faculty of Economics and Administrative Sciences, Department of Economics and Business Administration. He attended various academic programs at IMD and Harvard. Mr. Ülker took part in the De Boccard & Yorke Consultancy Company's Internal Kaizen Study (1992) and the IESC Sales System Improvement and Internal Organization Project (1997). He began his professional career in 1985 as a trainee in the Quality Control Department of Ülker Gıda A.Ş. Later, he served as a trainee, Sales Executive, Sales Coordinator, Product Group Coordinator and Product Group Manager between 1986 and 1998 at the chocolate production facilities and at Atlas Gıda Pazarlama A.Ş. He then served as General Manager of Atlas Gıda Pazarlama in 1998 and assumed the role of General Manager of Merkez Gıda Pazarlama A.Ş. in 2001. He was appointed as the Deputy Chairman of the Organized Retail Food Group in 2002 and as the President of the Group in 2005. Ülker, who has been serving as Vice President of Yıldız Holding since 2011, has also assumed the Chief of Global Innovation and Quality Group (Chief Innovation and Quality Officer). He is married and has three children. He speaks English and German. His hobbies include fishing, watching movies, reading books, and playing basketball and billiards.

Murat ÜLKER - *Board Member*
Murat Ülker graduated from Boğaziçi University, Faculty of Economics and Administrative Sciences, Department of Business Administration, and began his professional career in 1982. He studied abroad, taking sector-related courses at schools such as the American Institute of Baking (AIB) and Zentralfachschule der Deutschen Süßwarenwirtschaft (ZDS). He interned at Continental Baking, in the USA and, for three years, conducted examinations in nearly 60 factories and plants operating in the biscuit, chocolate and food sector in the USA and in Europe. He also assumed roles in various International Executive Services Corps (IESC) projects.

Mr. Ülker began working as Control Coordinator within the Group in 1984 and was appointed as Assistant General Manager for Enterprises and General Manager in the following years. Acting as a Member of the Executive Committee and a Board member in different enterprises within the Group, Mr. Ülker managed numerous new vertical integration-related investments.

Mr. Ülker, who took over as the Chairman of the Holding's Executive Board in 2000, is a Member of the Board of Directors of Ülker Bisküvi. He is married and the father of three children. He speaks English and German and enjoys sailing and traveling with his family.

Ahmet ÖZOKUR - *Board Member*
In 2005, he was appointed General Manager of Datateknik, and he was promoted to the position of CEO of Datateknik Informatics Group within the same year. Subsequently, on January 4, 2010, Mr. Özokur also served as the General Manager of Sağlam Real Estate Investment Trust. Mr. Özokur has an interest in aquatic sports. He is married and has two children.

İbrahim TAŞKIN - *Board Member*
Born in Trabzon in 1965, İbrahim Taşkın completed his primary education in Artvin and his secondary education in İstanbul. He graduated from the Faculty of Law at İstanbul University in 1986. He served as an officer at the Disciplinary Court in Şanlıurfa and completed his compulsory military service in 1988. As a self-employed lawyer, he has been a member of the İstanbul Bar Association since 1989. Between 1990 and1994, he lectured on Constitutional Law, Criminal Law, Criminal Proceedings Law and Occupational Legislation of the Police Forces at the Florya Police Training Center of the General Directorate of Security in Turkey. He is responsible for Legal Affairs at Yıldız Holding since 2004. Currently, he is the "President of Global Legal Affairs" of Yıldız Holding. He also serves as a board member for several companies and works for various associations and foundations in the capacity of founder, manager or member. In addition to his responsibilities in the affiliated companies of the Holding, he also serves as Chairman of the Honor Board and Chairman of the Board of Food Security and Defense. Mr. Taşkın is married with four children, and he speaks English.

Cengiz SOLAKOĞLU – *Board Member*
Having served in Koç Group for 37 years, Mr. Solakoğlu was retired due to limitations on 60 years of age. He is among the founders of the Educational Volunteers Foundation of Turkey (TEGV) and the 1907 Fenerbahçe Association. Mr. Solakoğlu was named a Leader of Civil Society by Ekonomist magazine in 2003. He is married and has two children.

Mehmet Aydın MÜDERRİSOĞLU -
Board Member (Independent)

Born in 1948, Mehmet Aydın Müderrisoğlu graduated from METU Business Administration Department in 1971. Mehmet Aydın Müderrisoğlu went to the USA in 1972 and completed the MBA program at the University of North Carolina at Chapel Hill, and received a Ph.D. in Marketing at the Pennsylvania State University. In 1980, he became a faculty member at the University of Houston College of Business and lectured for 7 years as a Marketing & Business Administration professor. Between 1987 and 1995, Mehmet Aydın Müderrisoğlu worked as a Marketing professor at the Babson College and Harvard University in Massachusetts. Between 1990 and 1995, he organized training programs in the field of marketing and business administration for companies in South America and China. Mehmet Aydın Müderrisoğlu returned to Turkey in 1995 and became Vice Chairman of Strategic Planning at Koç Holding. In 2000, he joined Oyak Group as Assistant General Manager in charge of New Business Development. Between 2006 and 2010, Mehmet Aydın Müderrisoğlu worked as CEO and Consultant at Ereğli Demir Çelik Fabrikaları T.A.Ş. (Ereğli Steel Ind. Co.).

STATEMENT OF INDEPENDENCE

I hereby declare to the Board of Directors, General Assembly, shareholders and all stakeholders that I am nominated to serve as an "independent member" in the Board of Directors of Ülker Bisküvi Sanayi Anonim Şirketi ("Company"), as per the criteria stipulated in the Corporate Governance Principles set forth in Capital Markets Board Communiqué on Corporate Governance (II-17.1) enacted upon publication in the Official Gazette no. 28871 on January 3, 2014; and that:

a) There is no relation of employment in executive positions to assume material roles and responsibilities for the past 5 years between the Company, Subsidiaries where the Company holds control or significant power over management, and the legal entities where such subsidiaries hold control over management, and me, my wife, and up to second-degree relatives by kinship and marriage; that no capital or voting rights or privileged shares more than 5% were held collectively or individually or no material trade relations were established;

b) In the past five years, I was not a shareholder (5% and above) or an employee in executive positions to assume material duties and responsibilities, particularly including roles in Company audits (tax audit, legal audit and internal audit), ratings, and consultancy, nor did I serve as a board member, in the companies to and from which the Company extensively sold or purchased services or products as per the contracts signed, and during periods where products or services were purchased or sold;

c) I have the educational background, knowledge and experience necessary for me to duly perform the tasks I will assume as an independent board member;

d) I do not work full time in public institutions and organizations;

e) I am considered to reside in Turkey pursuant to the Income Tax Law no. 193 dated 31.12.1960;

f) I have strong ethical standards, professional reputation, and experience to contribute positively to Company's operations, to preserve my impartiality in disputes between the Company and shareholders, and to decide with my free will by taking note of the rights of stakeholders;

g) I am able to devote time to the Company to the extent of monitoring the functioning of the Company's activities and fully satisfying the requirements of the tasks I have assumed;

h) I have not served as a board member of the Company for more than 6 years in the past 10 years;

i) I am not an independent member in the Company or in more than 3 companies where the shareholders with management control over the Company hold management control and in more than a total of 5 publicly traded companies;

j) I have not been registered and announced on behalf of the legal person elected as the Member of the Board of Directors.

I declare to the information of the Board of Directors, the General Assembly, our shareholders and all stakeholders.

Respectfully yours,

Mehmet Aydın MÜDERRİSOĞLU

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Halil Bülent ÇORAPÇI (CPA) -
Board Member (Independent)
Born in Yalova, İstanbul in 1936, Halil Bülent Çorapçı graduated with merit from İstanbul Economics and Business School in 1956. He began his professional career in 1953 with the Karamancılar-Gazioğulları Group and has since served in managerial and auditing roles in the Group's companies. He has attended several academic programs abroad. Throughout his career, Çorapçı has been a member of the boards of directors for Karamancılar Holding, Orta Anadolu Mensucat, Anadolu Cam Sanayii, Nasaş Aluminyum, Çelik Halat, Polinas, Henkel, and Turyağ. He is currently a board member at Astay Gayrimenkul A.Ş, Atikpaşa ve Sultanahmet (Four Seasons Hotels) A.Ş., Senapa Stampa Plastik A.Ş., Martı GYO, and Kerevitaş (Super Fresh) A.Ş. He is a member of the İstanbul Chamber of Certified Public Accountants with registration number 20. He used to be a member of the Tax Council, formed by law. Mr. Çorapçı is married with two sons. He speaks English and is an avid reader.

STATEMENT OF INDEPENDENCE
I hereby declare to the Board of Directors, General Assembly, shareholders and all stakeholders that I am nominated to serve as an "independent member" in the Board of Directors of Ülker Bisküvi Sanayi Anonim Şirketi ("Company"), as per the criteria stipulated in the Corporate Governance Principles set forth in Capital Markets Board Communiqué on Corporate Governance (II-17.1) enacted upon publication in the Official Gazette no. 28871 on January 3, 2014; and that:

a) There is no relation of employment in executive positions to assume material roles and responsibilities for the past 5 years between the Company, Subsidiaries where the Company holds control or significant power over management, and the legal entities where such subsidiaries hold control over management, and me, my wife, and up to second-degree relatives by kinship and marriage; that no capital or voting rights or privileged shares more than 5% were held collectively or individually or no material trade relations were established;

b) In the past five years, I was not a shareholder (5% and above) or an employee in executive positions to assume material duties and responsibilities, particularly including roles in Company audits (tax audit, legal audit and internal audit), ratings, and consultancy, nor did I serve as a board member, in the companies to and from which the Company extensively sold or purchased services or products as per the contracts signed, and during periods where products or services were purchased or sold;

c) I have the educational background, knowledge and experience necessary for me to duly perform the tasks I will assume as an independent board member;

d) I do not work full time in public institutions and organizations;

e) I am considered to reside in Turkey pursuant to the Income Tax Law no. 193 dated 31.12.1960;

f) I have strong ethical standards, professional reputation and experience to contribute positively to Company's operations, to preserve my impartiality in disputes between the Company and shareholders, and to decide with my free will by taking note of the rights of stakeholders;

g) I am able to devote time to the Company to the extent of monitoring the functioning of the Company's activities and fully satisfying the requirements of the tasks I have assumed;

h) I have not served as a board member of the Company for more than 6 years in the past 10 years;

i) I am not an independent member in the Company or in more than 3 companies where the shareholders with management control over the Company hold management control and in more than a total of 5 publicly traded companies;

j) I have not been registered and announced on behalf of the legal person elected as the Member of the Board of Directors.

I declare to the information of the Board of Directors, the General Assembly, our shareholders and all stakeholders.

Sincerely,

Halil Bülent ÇORAPÇI

Ahmet Murat YALNIZOĞLU -
Board Member (Independent)

Born in 1957, Murat Yalnızoğlu completed his secondary education at the Istanbul High School for Boys. He obtained a Bachelor's degree from Boğaziçi University, and a Master's degree in industrial and systems engineering from the University of Florida, USA. He began his professional career in 1982 as an entrepreneur in the fields of information systems and software development. In 1989, he worked in the field of information technologies-oriented management consultancy at Arthur Andersen and Andersen Consulting. He later managed consultancy projects for leading companies in Turkey in the areas of strategy and organizational development as a senior executive, founder and partner at Coopers & Lybrand and ARGE Danışmanlık. He has been focusing on developing efficient corporate structures, particularly in large multi-business companies. He has conducted a number of studies on increasing the efficiency of boards of directors, along with defining organizational structures from the "top." In addition to management consultancy, he assumed board membership in numerous companies. Mr. Yalnızoğlu shares his experiences in management, and addresses the benefits of "good" management with non-governmental and professional organizations and universities, in seminars and conferences, and on social media.

STATEMENT OF INDEPENDENCE

I hereby declare to the Board of Directors, General Assembly, shareholders and all stakeholders that I am nominated to serve as an "independent member" in the Board of Directors of Ülker Bisküvi Sanayi Anonim Şirketi ("Company"), as per the criteria stipulated in the Corporate Governance Principles set forth in Capital Markets Board Communiqué on Corporate Governance (II-17.1) enacted upon publication in the Official Gazette no. 28871 on January 3, 2014; and that:

a) There is no relation of employment in executive positions to assume material roles and responsibilities for the past 5 years between the Company, Subsidiaries where the Company holds control or significant power over management, and the legal entities where such subsidiaries hold control over management, and me, my wife, and up to second-degree relatives by kinship and marriage; that no capital or voting rights or privileged shares more than 5% were held collectively or individually or no material trade relations were established;

b) In the past five years, I was not a shareholder (5% and above) or an employee in executive positions to assume material duties and responsibilities, particularly including roles in Company audits (tax audit, legal audit and internal audit), ratings, and consultancy, nor did I serve as a board member, in the companies to and from which the Company extensively sold or purchased services or products as per the contracts signed, and during periods where products or services were purchased or sold;

c) I have the educational background, knowledge and experience necessary for me to duly perform the tasks I will assume as an independent board member;

d) I do not work full time in public institutions and organizations;

e) I am considered to reside in Turkey pursuant to the Income Tax Law no. 193 dated 31.12.1960;

f) I have strong ethical standards, professional reputation and experience to contribute positively to Company's operations, to preserve my impartiality in disputes between the Company and shareholders, and to decide with my free will by taking note of the rights of stakeholders;

g) I am able to devote time to the Company to the extent of monitoring the functioning of the Company's activities and fully satisfying the requirements of the tasks I have assumed;

h) I have not served as a board member of the Company for more than 6 years in the past 10 years;

i) I am not an independent member in the Company or in more than 3 companies where the shareholders with management control over the Company hold management control and in more than a total of 5 publicly traded companies;

j) I have not been registered and announced on behalf of the legal person elected as the Member of the Board of Directors.

I declare to the information of the Board of Directors, the General Assembly, our shareholders and all stakeholders.

Respectfully yours,

Ahmet Murat YALNIZOĞLU

Corporate Governance Principles Compliance Report

The internal and external Group duties of each Board member assumed on behalf of the Company and rationale thereof are disclosed for the information of the General Assembly where the election of each Board member is discussed.

Name-Surname	Title	Position out of Company
Mehmet TÜTÜNCÜ	Chairman and CEO	Memberships of the Board of Directors in group companies
Ali ÜLKER	Deputy Chairman	Memberships of the Board of Directors in group companies
Murat ÜLKER	Board Member	Chairmanship of the Board of Directors in group companies
Ahmet ÖZOKUR	Board Member	Memberships of the Board of Directors in group companies
İbrahim TAŞKIN	Board Member	Memberships of the Board of Directors in group companies
Cengiz SOLAKOĞLU	Board Member	Memberships of the Board of Directors in group companies
Mehmet Aydın MÜDERRİSOĞLU	Board Member (Independent)	Member of the Board of Directors in companies within the group, Ankon Consulting-Consultant
Halil Bülent ÇORAPÇI	Board Member (Independent)	Astay Gayrimenkul A.Ş., Atikpaşa Turizm A.Ş., Sultanahmet (Four Seasons Hotels) A.Ş., Pilen Pak A.Ş., Martı GYO, Kerevitaş (Super Fresh) A.Ş., Bağımsız Senapa Stampa Plastik A.Ş. Board Member
Ahmet Murat YALNIZOĞLU	Board Member (Independent)	IELEV Eğitim Kurumları A.Ş. Board member and Pruva Yönetim Danışmanlığı Ltd. Şti. Company Partner

5.2. RULES OF CONDUCT OF THE BOARD OF DIRECTORS

The Company's Board of Directors held 32 meetings in the period of January – December 2019. Due consideration was given when setting the meeting dates and times so that each and every member is able to attend the meeting. The Board of Directors meets regularly once in a month and as often as necessary to conduct its business and affairs effectively. The Board of Directors must also convene when it is deemed necessary by the Chairman or one-third of the Board members. The meetings of the Board of Directors may be held at the headquarters of the Company or at a convenient location in the city where the headquarters is located or in another city by resolution of the Board of Directors. The Board of Directors may, upon resolution, determine whether or not they will have a distribution of responsibilities among the Board members. An invitation for the meeting must be made by a seven-day prior notice and it includes the agenda and documents related to the call for the meeting. In principle, members participate in a Board of Directors meeting in person. However, it is possible that Board members may participate in a Board of Directors meeting by means of electronic communication. Opinions of a member who does not participate in a Board meeting but submits his/her comments on the agenda in writing shall be presented to the other members.

Any discussion and resolution of the Board of Directors must be recorded in written minutes, which must be signed by each member present at the meeting and then recorded in the book of resolutions. Any member with a dissenting vote must also state his/her rationale for his/her dissenting vote before signing the minutes of that meeting. Minutes of meeting and related documents and correspondence related therewith shall be regularly archived by the Secretariat of the Board of Directors. The Board of Directors shall meet with a quorum of at least more than one-half of the number of members and resolve by a majority of members present at the meeting. In the event there is a tie in the votes, the voted issue shall be discussed at the next meeting. The proposal shall be deemed rejected if it is not approved by a majority vote at the next meeting. Each Board member has one voting right regardless of his/her title and area of duty. The names, duties and responsibilities of members of the Board of Directors are clearly specified in the Articles of Association which is available on our website: www.ulkerbiskuvi.com.tr.

While carrying out their responsibilities, the members of the Board Directors are furnished with all the information necessary for them to fully perform their duties and act prudently and in good faith. No objection has been raised against any resolution adopted by the Board of Directors during 2019. The Board of Directors held five meetings in 2019, with a participation rate of 89%. In 2017, the Audit Committee's, Corporate Governance Committee's and Risk Committee's meeting minutes and reports were monitored and reviewed by the Board of Directors.

Nor has there been any material transaction with respect to related party transactions that were presented to independent members for approval. Any material information which must be disclosed to the public is promptly disclosed after the end of each meeting.

5.3. NUMBER, STRUCTURE, AND INDEPENDENCE OF COMMITTEES FORMED BY THE BOARD OF DIRECTORS

AUDIT COMMITTEE

The Audit Committee, which was established by a resolution of the Board of Directors on May 22, 2006, was restructured by a resolution of the Board of Directors dated August 5, 2008, in accordance with Communiqué No. 22 Serial No. X of the Capital Markets Board. The Audit Committee ensures that the Company's financial and operational functions are monitored in a reliable manner. The purpose of the Committee, which reports directly to the Board of Directors, is to oversee the Company's accounting system, audit and disclosure of financial information, and the functioning and effectiveness of the internal audit system. This Committee meets as necessary, but at least four times each year. In 2019, the Audit Committee had 4 meetings, and meeting minutes and reports were presented to the Board of Directors.

The new members of the Audit Committee as selected by the resolution of the Board of Directors dated September 7, 2017, are as follows:

Chairman	Halil Bülent ÇORAPÇI - Board Member (Independent)
Member	Ahmet Murat YALNIZOĞLU – Board Member (Independent)

CORPORATE GOVERNANCE COMMITTEE

The Company established a Corporate Governance Committee by a resolution of the Board of Directors dated August 5, 2008, in accordance with the Corporate Governance Principles published by the Capital Markets Board. This Committee reports directly to the Board of Directors. The Committee convenes as necessary but at least three times each year. In 2019, the Corporate Governance Committee had 4 meetings, and meeting minutes and reports were presented to the Board of Directors.

The new members of the Audit Committee as selected by resolution of the Board of Directors dated September 7, 2017, are as follows:

Chairman	Ahmet Murat YALNIZOĞLU – Board Member (Independent)
Member	Mehmet Aydın MÜDERRİSOĞLU– Board Member (Independent)
Member	Halil Bülent ÇORAPÇI Board Member (Independent)
Member	Verda Beste TAŞAR - Director of Investment Relations

RISK COMMITTEE

The Company established a Risk Committee in accordance with the Corporate Governance Principles published by the Capital Markets Board and the Articles of Association. This Committee reports directly to the Board of Directors and convenes as necessary. In 2019, the Risk Committee had six meetings, and meeting minutes and reports were presented to the Board of Directors.

The new structure changed with the Board of Directors' decision on June 14, 2016, is as follows.

Chairman	Halil Bülent ÇORAPÇI - Board Member (Independent)
Member	Ahmet Murat YALNIZOĞLU – Board Member (Independent)

Corporate Governance Principles Compliance Report

5.4. RISK MANAGEMENT AND INTERNAL AUDIT MECHANISM

The Company's activities with regard to risk management are carried out by the Risk Committee. Furthermore, our company is also audited regularly by the audit units of Yıldız Holding A.Ş., the parent company, and also by independent auditors. The findings of these audits are communicated to the members of the Audit Committee and to the Board of Directors. The business flows, and procedures of the Company and authorities and responsibilities of employees are controlled within the framework of risk management and are subject to continuous monitoring and checks.

5.5. STRATEGIC OBJECTIVES OF THE COMPANY

Mission, Vision, and Strategic Objectives of the Company The Company and all subsidiaries of Yıldız Holding were founded on the philosophy that "every person has the right to a happy childhood regardless of the country they live in." The vision of Ülker Bisküvi is to further strengthen and advance its brand reputation, which is the most preferred brand by consumers particularly in bakery products, and become one of the top five companies in the world within the next 10 years. The vision and mission of Yıldız Holding and our Company is disclosed to the public and is available on the websites: www.ulker.com.tr and www.ulkerbiskuvi.com.tr.

5.6. REMUNERATION

Remuneration of the members of the Board of Directors is determined – separately for each member – by the General Assembly according to the financial situation of the Company. No loan was extended to any member or executive officer during the period, nor extended, directly or through a third party, any personal loan or given any collateral on their behalf, such as a surety. Principles for remuneration regarding the benefits of executive management and the Board of Directors are explained in detail on the website: http://ulkerbiskuviyatirimciiliskileri.com/default.aspx

Risk Management

Corporate Risk Management efforts include determining potential incidents that may affect Ülker Bisküvi, managing risks in line with the Company's corporate risk-taking profile, and providing an acceptable level of assurance for the Company to achieve its goals. Corporate Risk Management is a systematic process which is utilized in devising strategies, implemented across the Company and impacted by the Company's Board of Directors, senior management as well as all of its employees.

While a potential risk may present a negative factor that must be taken under control, for companies that implement Corporate Risk Management it creates important opportunities. In the previous period, while risks were managed on a segment basis, the risk is considered as a whole in the evolving management approach and evaluated on a corporate basis. Previously, risk assessment was carried out by the internal audit departments of companies, measurements were evaluated in a subjective manner, and risk management functions were unstructured and inconsistent. However, at companies that adopt the principles of Corporate Risk Management, a risk committee ensures effective risk management as imposed by the Board of Directors, and thus risks can be properly measured. Additionally, risk management is structured to cover all management systems of companies.

As a result of proper Risk Management, Companies are able to:

- Sustainable profitability and growth,
- Minimize revenue fluctuation,
- Make healthier decisions about risks,
- Identify opportunities and threats in a better way,
- Increasing competitiveness,
- Efficient use of resources,
- Compliance with laws and regulations, and
- Improve the quality of Corporate Governance.

As a company engaged in production and sales activities in various countries, Ülker Bisküvi is aware of the necessity to monitor risks and take necessary measures, especially about risks arising from currency and interest rates, raw material prices, partnerships and new investments, which have become even more important with the latest developments.

The Company's risk management activities are carried out by the Risk Committee. Furthermore, Ülker Bisküvi is also audited regularly by the audit units of Yıldız Holding A.Ş., the parent company, and also by independent auditors. The findings of these audits are reported to the members of the Audit Board as well as to Board members. The Company's workflows, procedures, and the authorities and responsibilities of employees have been placed under control and subjected to constant supervision within the framework of risk management.

Investor Relations

Ülker Bisküvi Investor Relations aims to ensure that communication is effective, transparent, equal and timely, and envisages the processes to be carried out within the framework of full compliance with the relevant legislation and at the level of "best practices" in the global arena.

Verda Beste Taşar, who acts as the Director of Investor Relations and member of the Corporate Governance Committee pursuant to the provisions of the Communiqué on Corporate Governance no. II-12-1 of the Capital Markets Board, holds a Level 3 License in the field of Corporate Governance Rating and Capital Market Activities, while also working full time directly reporting to Deputy CFO. She periodically reports on studies regarding Investor Relations to the Board of Directors and Corporate Governance Committee. In 2019, she presented reports to the Corporate Governance Committee and also to the Board of Directors on March 5, May 8, August 7, and November 5. During the period, she responded to the applications and questions made by the shareholders by phone, e-mail or one-on-one meetings without any discrimination and participated in five conferences.

Ülker Bisküvi held meetings with investors and analysts at domestic and international meetings and meetings held at the Company headquarters in 2019. The company has attended conferences in New York, London, Warsaw and Prague. At these conferences and meetings, Ülker Bisküvi provided information to shareholders and prospective investors, and regularly received requests for information flow.

The day after publicly announcing the quarterly financial results on the Public Disclosure Platform, Ülker Bisküvi continues to organize Teleconferences and Webcasts in order to provide information to investors and analysts and to answer questions if any. Relevant contact phone numbers and the web address were shared on the meeting date at the Company's official investor relation website http://ulkerbiskuviyatirimciiliskileri.com/default.aspx

Analysts and investors had a great interest in the Teleconference and Webcast, as they asked questions about issues like the strategy, restructuring, market share, and growth objectives of Ülker Bisküvi.

Investor Relations Unit is responsible for establishing the Information Policy of the Company, and for ensuring that this policy is adopted within Ülker Bisküvi.

Tasks of the Unit are as follows:

a) Ensuring that shareholders' records are reliable, secure and up to date,
b) Answering shareholders' written information requests about the Company – apart from those that interfere with trade secrets and that are not publicly announced,
c) Ensuring that the General Assembly Meeting is held in conformity with the applicable legislation, the Articles of Association, and other internal regulations of the Company,
d) Preparing documents that shareholders make use of at the General Assembly Meeting,
e) Keeping a record of the voting results, and ensuring that reports about the results are sent to the shareholders,
f) Overseeing and tracking all issues regarding public disclosure, including the Legislation and the Information Policy of the Company.

Other Issues

EXPLANATIONS REGARDING THE PRIVATE AND PUBLIC AUDITS MADE WITHIN THE ACCOUNTING PERIOD

In 2019, our shareholders did not make any request for a private audit of our Company.

INFORMATION ABOUT THE LAWSUITS FILED AGAINST ÜLKER BISKÜVİ, THAT MIGHT HAVE IMPACTS ON THE FINANCIAL STATUS AND ACTIVITIES OF THE COMPANY; AND POTENTIAL OUTCOMES

There are no lawsuits filed against our Company or consolidated affiliates that would have a significant impact on either the financial situation and activities of our Company or the activities carried out particularly within the scope of our Company's main field of activity.

EXPLANATIONS REGARDING THE ADMINISTRATIVE OR JUDICIAL SANCTIONS IMPOSED ON THE COMPANY AND THE MEMBERS OF THE BOARD DUE TO BREACH OF LEGISLATION

In 2019, no administrative or judicial penalty for any breach of Legislation provisions was given to our Company or the Members of the Board of Directors of our Company.

EXPLANATIONS REGARDING THE IMPORTANT EVENTS THAT TOOK PLACE IN THE COMPANY AFTER THE END OF THE ACTIVITY PERIOD AND THAT MAY HAVE IMPACT ON RIGHTS OF THE SHAREHOLDERS, CREDITORS, AND OTHER RELEVANT PERSONS AND ORGANIZATIONS

None.

OTHER ISSUES AND ADDITIONAL INFORMATION THAT IS NOT GIVEN IN THE FINANCIAL STATEMENTS, BUT THAT MAY BE USEFUL FOR RELEVANT PERSONS

None.

EXPLANATIONS REGARDING CONFLICTS OF INTEREST WITH THE INSTITUTIONS THAT PROVIDE SERVICE ON INVESTMENT ADVISORY AND RATINGS, AND PRECAUTIONARY MEASURES TAKEN BY THE COMPANY

None.

IN CASE AN EXTRAORDINARY GENERAL ASSEMBLY MEETING IS HELD WITHIN THE YEAR; INFORMATION REGARDING THE EXTRAORDINARY GENERAL ASSEMBLY INCLUDING THE MEETING DATE, DECISIONS TAKEN AT THE MEETING, AND PROCEDURES PERFORMED REGARDING THESE DECISIONS

No extraordinary general assembly meeting was held in 2019.

Statement of Responsibility Regarding the Annual Report

BOARD RESOLUTION CONCERNING THE APPROVAL OF THE FINANCIAL STATEMENTS
RESOLUTION DATE: 05.03.2020
RESOLUTION NUMBER: 2020/1

STATEMENT OF RESPONSIBILITY ISSUED AS PER ARTICLE 9 OF THE CAPITAL MARKETS BOARD COMMUNIQUÉ no. II-14.1

Regarding the period between January 1-December 31, 2019, the Capital Markets Board (CMB) Serial II.14.1. consolidated financial statements with the "Communique Regarding The Principles of Financial Reporting in the Capital Market" ("Communiqué") and CMB's decision no. 10.1.2019 dated 2/49 and Turkish Accounting Standards/Turkey Financial Reporting Standards ("TMS/TFRS"), and footnotes prepared in accordance with the formats set by the CMB, and the Statements, enterprise governance compliance report (URF) and Corporate Governance Information Form (KYBF) via year-end Annual Report and PDP platform) in accordance with the regulations of the CMB legislation of The Corporate Governance Reports published in accordance with the templates; our company declares the following:

a) We have reviewed the Consolidated Balance Sheet, Income Statement, Cash Flow Statement, Statement of Change In Share Capital, and Annual Report, and the footnotes prepared by our Company in line with the Capital Market regulations.

b) Within the framework of the information we obtained in the scope of our tasks and responsibilities, we have concluded that the abovementioned does not contain any misleading disclosure of material matters or any deficiencies that might cause misconception about the disclosure as of the date it was made.

c) Within the framework of the information we obtained in the scope of our tasks and responsibilities, we have also concluded that; (i) the consolidated financial statements, prepared and issued in accordance with the financial reporting standards, honestly reflect the facts about the assets, liabilities, financial status, profit/loss of the Company, and (ii) the Annual Report honestly reflects the progress and performance of the business, the financial situation of the Company together with the activities included within the scope of consolidation, as well as the important risks and uncertainties.

With kind regards;

Serkan ASLIYÜCE ***Chief Finance Officer***	**Halil Bülent ÇORAPÇI (CPA)** ***Chairman of the Audit Committee***	**Ahmet Murat YALNIZOĞLU** ***Member of the Audit Committee***

Subsidiary Company Report Results

As per the 199th Article of the Turkish Code of Commerce n.6102 that entered into force on the 1st of July 2012; Ülker Bisküvi Sanayi A.Ş. Board of Directors is responsible for; (i) issuing a report in the 2019 activity period about the relations between the Company. and the Company's controlling shareholder and the affiliates of the controlling shareholders in the previous activity period, and; (ii) include the conclusion of this report in the Annual Report. Necessary explanations about Ülker Bisküvi Sanayi A.Ş.'s transactions with the related parties are given in footnote n.33 of the financial report.

Ülker Bisküvi Sanayi A.Ş. The report issued by Ülker Bisküvi Sanayi A.Ş. Board of Directors states: "We have reached the conclusion based on the circumstances we knew about at the time of making the transaction or taking the measure or avoiding the measure; in all transactions between Ülker Bisküvi Sanayi A.Ş. and its controlling shareholders and the affiliates of the controlling shareholders in 2019, i) appropriate consideration was provided in each transaction, and ii)there were no measures, taken or avoided, that could cause loss for the company, and iii) within this scope there were no transactions or measures that would require offsetting."

CONVENIENCE TRANSLATION INTO ENGLISH OF INDEPENDENT AUDITOR'S REPORT ON THE BOARD OF DIRECTORS' ANNUAL REPORT ORIGINALLY ISSUED IN TURKISH

To the General Assembly of Ülker Bisküvi Sanayi A.Ş.

1. Opinion

We have audited the annual report of Ülker Bisküvi Sanayi A.Ş. (the "Company") and its subsidiaries (collectively referred to as the "Group") for the 1 January - 31 December 2019 period.

In our opinion, the financial information and the analysis made by the Board of Directors by using the information included in the audited financial statements regarding the Group's position in the Board of Directors' Annual Report are consistent and presented fairly, in all material respects, with the audited full set consolidated financial statements and with the information obtained in the course of independent audit.

2. Basis for Opinion

Our independent audit was conducted in accordance with the Independent Standards on Auditing that are part of the Turkish Standards on Auditing (the "TSA") issued by the Public Oversight Accounting and Auditing Standards Authority ("POA"). Our responsibilities under those standards are further described in the Auditor's Responsibilities in the Audit of the Board of Directors' Annual Report section of our report. We hereby declare that we are independent of the Group in accordance with the Ethical Rules for Independent Auditors (the "Ethical Rules") and the ethical requirements regarding independent audit in regulations issued by POA that are relevant to our audit of the financial statements. We have also fulfilled our other ethical responsibilities in accordance with the Ethical Rules and regulations. We believe that the audit evidence we have obtained during the independent audit provides a sufficient and appropriate basis for our opinion.

3. Our Audit Opinion on the Full Set Consolidated Financial Statements

We expressed an unqualified opinion in the auditor's report dated 5 March 2020 on the full set consolidated financial statements for the 1 January - 31 December 2019 period.

4. Board of Director's Responsibility for the Annual Report

Group management's responsibilities related to the annual report according to Articles 514 and 516 of Turkish Commercial Code ("TCC") No. 6102 and Capital Markets Board's ("CMB") Communiqué Serial II, No:14.1, "Principles of Financial Reporting in Capital Markets" (the "Communiqué") are as follows:

a) to prepare the annual report within the first three months following the balance sheet date and present it to the general assembly;

b) to prepare the annual report to reflect the Group's operations in that year and the financial position in a true, complete, straightforward, fair and proper manner in all respects. In this report financial position is assessed in accordance with the financial statements. Also in the report, developments and possible risks which the Group may encounter are clearly indicated. The assessments of the Board of Directors in regards to these matters are also included in the report.

c) to include the matters below in the annual report:

- events of particular importance that occurred in the Company after the operating year,

- the Group's research and development activities,

- financial benefits such as salaries, bonuses, premiums and allowances, travel, accommodation and representation expenses, benefits in cash and in kind, insurance and similar guarantees paid to members of the Board of Directors and senior management.

When preparing the annual report, the Board of Directors considers secondary legislation arrangements enacted by the Ministry of Trade and other relevant institutions.

5. Independent Auditor's Responsibility in the Audit of the Annual Report

Our aim is to express an opinion and issue a report comprising our opinion within the framework of TCC and Communiqué provisions regarding whether or not the financial information and the analysis made by the Board of Directors by using the information included in the audited financial statements in the annual report are consistent and presented fairly with the audited consolidated financial statements of the Group and with the information we obtained in the course of independent audit.

PwC Bağımsız Denetim ve
Serbest Muhasebeci Mali Müşavirlik A.Ş.

Baki Erdal, SMMM
Partner

Istanbul, 5 March 2020

ÜLKER BİSKÜVİ SANAYİ A.Ş. AND ITS SUBSIDIARIES

CONVENIENCE TRANSLATION INTO ENGLISH OF CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2019 TOGETHER WITH INDEPENDENT AUDITOR'S REPORT

(ORIGINALLY ISSUED IN TURKISH)

CONVENIENCE TRANSLATION INTO ENGLISH OF FINANCIAL STATEMENTS ORIGINALLY ISSUED IN TURKISH
ÜLKER BİSKÜVİ SANAYİ A.Ş. AND ITS SUBSIDIARIES
CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2019

CONTENTS **PAGE(S)**

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

ASSETS	Notes	Audited Current Period 31 December 2019	Audited Previous Period 31 December 2018
Current Assets		**8.720.108**	**6.391.831**
Cash and Cash Equivalents	4	5.080.978	3.378.761
Financial Investments	5	4.080	702
Trade Receivables			
- Due From Related Parties	7-33	2.106.741	1.564.689
- Other Trade Receivables	7	259.061	334.397
Other Receivables			
- Due From Related Parties	8-33	115.619	627
- Other Receivables	8	37.283	38.554
Derivatives Instruments	9	358.919	323.087
Inventories	10	592.698	604.554
Prepaid Expenses			
- Due To Related Parties	19-33	41.545	36.368
- Other Prepaid Expenses	19	42.946	39.690
Current Income Tax Assets		4.583	16.899
Other Current Assets	21	75.655	53.503
Non-Current Assets		**4.071.644**	**4.278.041**
Financial Investments	5	946.029	1.340.221
Other Receivables			
- Other Receivables	8	460	234
Investment Properties	11	21.155	21.036
Tangible Assets	12	2.383.177	2.276.366
Intangible Assets			
- Goodwill	13	388.047	331.975
- Other Intangible Assets	14	292.188	257.758
Prepaid Expenses	19	7.602	9.628
Deferred Tax Asset	31	32.986	40.823
TOTAL ASSETS		**12.791.752**	**10.669.872**

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

LIABILITIES	**Notes**	**Audited Current Period 31 December 2019**	**Audited Previous Period 31 December 2018**
Current Liabilities		**6.800.011**	**1.844.865**
Short Term Financial Liabilities	6	150.764	85.519
Short Term Portion of Long Term Financial Liabilities	6	5.088.239	369.129
Trade Payables			
- Due to related parties	7-33	607.365	520.308
- Other trade payables	7	617.233	593.789
Employee Benefit Related Liabilities	20	44.822	33.332
Other Payables			
- Due to Related Parties	8-33	113	1.177
- Other Payables	8	4.994	5.631
Deferred Revenue	22	11.854	37.351
Current Income Tax Liabilities	31	68.967	15.214
Short Term Provisions			
- Short Term Provisions for Employee Benefits	18	66.366	51.301
- Other Short Term Provisions	16	103.331	90.968
Other Current Liabilities	21	35.963	41.146
Non-Current Liabilities		**1.057.509**	**5.145.275**
Long Term Financial Liabilities	6	701.318	4.791.105
Long Term Provisions			
- Long Term Provisions for Employee Benefits	18	161.010	115.344
Deferred Tax Liabilities	31	195.181	238.826
SHAREHOLDERS' EQUITY	23	**4.934.232**	**3.679.732**
Equity Attributable To Equity Holders' of the Parent		**4.411.329**	**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		(485.419)	(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		(26.435)	(21.173)
- Gains from Financial Assets Measured at Fair Value through Other Comperensive Income		513.939	1.099.942
-Other Gains		817.879	-
Other Comprehensive Income/Expense to be Reclassified to Profit and Loss			
- Currency Translation Adjustments		(57.006)	(89.429)
- Cash Flow Hedges		3.695	52.481
Restricted Reserves		131.587	131.587
Retained Earnings		1.509.952	822.885
Net Profit for the Period		905.302	700.779
Non-Controlling Interest		522.903	383.495
TOTAL LIABILITIES AND EQUITY		**12.791.752**	**10.669.872**

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

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

	Notes	**Audited Current Period 1 January - 31 December 2019**	**Audited Previous Period 1 January - 31 December 2018**
PROFIT OR LOSS			
Revenue	24	7.803.120	5.955.508
Cost of Sales (-)	24	(5.663.928)	(4.395.223)
GROSS PROFIT FROM OPERATIONS		**2.139.192**	**1.560.285**
General Administrative Expenses	25-26	(234.744)	(159.664)
Marketing, Sales and Distribution Expenses	25-26	(752.076)	(598.206)
Research and Development Expenses	25-26	(19.956)	(12.551)
Other Operating Income	27	87.331	114.557
Other Operating Expenses	27	(66.029)	(125.337)
OPERATING PROFIT FROM MAIN OPERATIONS		**1.153.718**	**779.084**
Income from Investment Activities	28	1.131.907	1.709.158
Expenses from Investment Activities	28	(125.248)	(13.599)
OPERATING PROFIT BEFORE FINANCIAL INCOME AND EXPENSES		**2.160.377**	**2.474.643**
Financial Income	29	554.695	1.285.301
Financial Expenses	30	(1.466.132)	(2.786.405)
PROFIT BEFORE TAX		**1.248.940**	**973.539**
Tax Expense		**(237.716)**	**(185.918)**
Corporate Tax Expense	31	(232.123)	(118.197)
Deferred Tax Expense	31	(5.593)	(67.721)
PROFIT FOR THE PERIOD		**1.011.224**	**787.621**
Distribution of the Profit for the Period			
Non-Controlling Interest		105.922	86.842
Equity Holders of the Parent		905.302	700.779
Earnings per Share	32	2,65	2,05

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

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

	Audited Current Period 1 January - 31 December 2019	**Audited Previous Period 1 January - 31 December 2018**
PROFIT FOR THE PERIOD	**1.011.224**	**787.621**
Other Comprehensive Income		
Not to be Reclassified To Profit and Loss	**225.532**	**380.902**
Actuarial Loss on Post-Employment Termination Benefit Obligation	(7.930)	(9.539)
Gains from Tangible Asset Revaluation	-	10.677
Gains from Financial Assets Measured at Fair Value through Other Comprehensive Income	201.405	399.836
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	1.586	452
Increases on Revaluation of Plant, Property and Equipment, Deferred Tax Effect	-	(532)
Gains from Financial Assets Measured at Fair Value through Other Comprehensive Income, Tax Effect	30.471	(19.992)
Items to be Reclassified to Profit and Loss	**17.744**	**60.489**
Currency Translation Adjustments	66.530	24.033
Cash Flow Hedges	(62.546)	47.252
Deferred Tax For The Items That Will be Reclassified to Profit and Loss		
Cash Flow Hedges, Deferred Tax Effect	13.760	(10.796)
OTHER COMPREHENSIVE INCOME	**243.276**	**441.391**
TOTAL COMPREHENSIVE INCOME	**1.254.500**	**1.229.012**
Distribution of Total Comprehensive Income		
Non-Controlling Interest	139.408	129.117
Equity Holders of the Parent	1.115.092	1.099.895

(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 Compherensive Income**	**Other Gains**	**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	**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	-	-	(21.143)	-	(24.078)	-	7.090	(397.259)	374.374	-	-	-
Total comprehensive income	-	-	-	(21.763)	36.456	9.885	(5.772)	380.310	-	-	700.779	-	1.099.895	129.117	1.229 012
Dividends paid	-	-	-	-	-	-	-	-	-	-	-	(88.000)	(88.000)	(13.877)	(101.877)
As of 31 December 2018	**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**
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	-	-	13.251	-	-	-	461	(817.879)	817.879	-	(700.779)	687.067	-	-	-
Total comprehensive income	-	-	-	32.423	(48.786)	-	(5.723)	231.876	-	-	905.302	-	1.115.092	139.408	1.254.500
As of 31 December 2019	**342.000**	**108.056**	**(485.419)**	**(57.006)**	**3.695**	**647.779**	**(26.435)**	**513.939**	**817.879**	**131.587**	**905.302**	**1.509.952**	**4.411.329**	**522.903**	**4.934.232**

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

	Notes	Audited Current Period 1 January - 31 December 2019	Audited Previous Period 1 January- 31 December 2018
CASH FLOWS FROM OPERATING ACTIVITIES			
Net Profit for the Period		1.011.224	787.621
Adjustments to Reconcile Net Profit			
Adjustment for Depreciation and Amortization Expenses			
Depreciation expenses of tangible assets	11-12	165.471	145.905
Amortization expenses of intangible assets	14	5.639	3.399
Adjustment for Impairment Loss (Reversal)			
Provision for doubtful receivables	7	(9.307)	4.512
Adjustment for impairment loss of other financial investments Loss/(gain)			
Increase in financial investments		(104)	(83)
Decrease in financial investments		114.002	-
Adjustment for impairment loss of inventories	10	14.654	3.043
Adjustment for Provisions			
Adjustments for Provisions Related with Employee Benefits			
Provision for employment benefits	18	53.788	39.393
Provision for unused vacation	18	17.393	14.675
Provision for premium	18	48.488	24.158
Adjustments for Provision (Cancelled) Lawsuits		2.227	(108)
Adjustments for Other Provisions			
Change in Other Provisions (net)		11.506	48.311
Adjustments for Dividend Income		(83)	(231)
Adjustments for Interest Income and Expense			
Adjustments for Interest Income	28	(536.151)	(190.732)
Adjustments for Interest Expense			
Interest expense	30	413.353	330.265
Rediscounted interest expense (net)	27	5.239	7.863
Adjustments for Gains on Fair Values			
Fair Value Increase of Investment Properties	28	(1.115)	(4.844)
Adjustment for Tax Expenses	31	237.716	185.918
Adjustments for Losses (Gains) on Disposals of Non-Current Assets			
Adjustments for Gains Arised from Sale of Tangible Assets	28	1.846	1.577
Adjustments for Losses (Gains) on Disposals of other Adjustments for which Cash Effects are Investing of Financing Cash Flow			
Change in foreign currency of financial liabilities (net)	29-30	474.289	1.129.076
Change in foreign currency from investing activities (net)	28	(574.714)	(1.492.753)
Commission expenses and finance service income (net)		23.795	43.664
Income from derivative instruments (net)	29-30	-	(1.901)
Other Adjustments to Reconcile Profit/(Loss)			
Rent income	28	(10.444)	(8.576)
Net operating cash flows provided before changes in working capital		**1.468.712**	**1.070.152**

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

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

	Notes	Audited Current Period 1 January- 31 December 2019	Audited Previous Period 1 January- 31 December 2018
Changes in Working Capital			
Increase in trade receivables		(37.918)	(17.834)
Increase in trade receivables from related parties		(491.336)	(1.029.696)
(Increase)/decrease in inventories		(2.569)	26.665
Increase in other receivables and other current assets		10.091	63.864
Decrease in trade payables		(11.802)	(88.681)
Increase in trade payables to related parties		144.627	166.843
(Decrease)/increase in other payables and liabilities		(41.431)	11.766
Net cash generated from operations		**1.038.374**	**203.079**
Payments related with provisions for employee benefits			
Employment termination benefit paid	18	(19.452)	(24.098)
Unused vacation paid	18	(15.715)	(12.383)
Performance premium paid	18	(35.704)	(21.705)
Lawsuits provision paid	16	(525)	(194)
Taxes paid		(171.654)	(141.359)
Collections from doubtful trade receivables	7	255	38
Net cash generated from operating activities		**795.579**	**3.378**
CASH FLOWS FROM INVESTING ACTIVITIES			
Proceeds from sales of tangible and intangible assets		7.544	40.142
Purchase of property, plant and equipment		(135.572)	(225.281)
Purchase of intangible assets	14	(5.178)	(6.862)
Changes in non-trade receivables from related parties		758	(199)
Cash generated from dividends		817.961	231
Interest received		536.151	190.732
Repayments from given other advances and payables		2.026	52.001
Rent Income		10.444	8.576
Payment of capital advance to shareholders		(336.410)	-
Proceeds from sales of other businesses or share of funds or debt instruments		-	40.747
Cash outflows from purchase of other businesses or share of funds or debt instruments		(3.274)	-
Other cash outflows		(17.630)	-
Net cash generated from investing activities		**876.820**	**100.087**
CASH FLOWS FROM FINANCING ACTIVITIES			
Cash inflow from borrowings		317.922	389.808
Repayments of borrowings		(345.444)	(861.537)
Cash inflow from derivative instruments		-	1.901
Dividends paid		-	(101.877)
Commission paid		(23.795)	(43.664)
Interest paid		(414.644)	(337.130)
Change in non-trade payables to related parties		(1.064)	(239.632)
Net cash used in financing activities		**(467.025)**	**(1.192.131)**
NET CHANGE IN CASH AND CASH EQUIVALENTS		**1.205.374**	**(1.088.666)**
THE EFFECT OF FOREIGN EXCHANGE RATE CHANGE ON CASH AND CASH EQUIVALENTS		**496.843**	**1.277.562**
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	**5.080.978**	**3.378.761**

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

(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 fourteen 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 31 December 2019, the total number of people employed by the Group is 8.921, which contains 1.276 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 31 December 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:

		31 December 2019		31 December 2018
Name of the Shareholders	**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%**

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

1. ORGANIZATION AND OPERATIONS OF THE GROUP (Continued)

As of 31 December 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:

	31 December 2019		31 December 2018		
Subsidiaries	**Ratio of Direct Ownership**	**Ratio of Effective Ownership**	**Ratio of Direct Ownership**	**Ratio of Effective Ownership**	**Nature of Operation**
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%	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

(*) On 27 December 2019, the Group sold 20,249,999 of the total 20,250,000 shares of İstanbul Gıda Dış Ticaret A.Ş., with a price of 114,854,580 Turkish Liras (one hundred fourteen million eight hundred fifty four thousand five hundred eighty).

Approval of Financial Statements:

The Board of Directors has approved the financial statements and given authorization for the issuance on 5 March 2020. 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.

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.

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 31 December 2019, rates declared by Central Bank of Republic of Turkey are;
1 Euro = 6,6506 TL, 1 USD 5,9402 TL, 1 EGP = 0,3703 TL, 1 SAR = 1,5834 TL, 1 KZT = 0,0156 TL, 1 AED = 1,6186 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 31 December 2019, average rates declared by Central Bank of Republic of Turkey are; 1 Euro = 6,3481 TL, 1 USD = 5,6712 TL, 1 EGP = 0,3380 TL, 1 SAR = 1,5121 TL, 1 KZT = 0,0148 TL, 1 AED = 1,5453 TL (1 January – 31 December 2018: 1 Euro = 5,6789 TL, 1 USD = 4,8301 TL, 1 EGP = 0,2711 TL, 1 SAR = 1,2878 TL, 1 KZT = 0,0139 TL, 1 AED = 1,3162 TL)

Consolidation

(a) Subsidiaries

Subsidiaries are all entities (including structured entities) over which the group has control. The group controls an entity when the group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are deconsolidated from the date that control ceases.

Inter-company transactions, balances and unrealised gains on transactions between group companies are eliminated. Unrealised losses are also eliminated.

(b) Changes in ownership interests in subsidiaries without change of control

Changes in the Group's ownership interests in subsidiaries that do not result in the loss of control over the subsidiaries are accounted for as equity transactions. The carrying amounts of the Group's interests and the non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiaries. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received is recorded directly in equity and attributed to owners of the Company.

2. BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (Continued)

2.1 Basis of the Presentation (Continued)

Consolidation (Continued)

(c) Losses control of subsidiaries

When the Group loses control of a subsidiary, a gain or loss is recognised in profit or loss and is calculated as the difference between (i) the aggregate of the fair value of the consideration received and the fair value of any retained interest and (ii) the previous carrying amount of the assets (including goodwill), and liabilities of the subsidiary and any non-controlling interests. All amounts previously recognised in other comprehensive income in relation to that subsidiary are accounted for as if the Group had directly disposed of the related assets or liabilities of the subsidiary (i.e. reclassified to profit or loss or transferred to another category of equity as specified/permitted by applicable TAS). The fair value of any investment retained in the former subsidiary at the date when control is lost is regarded as the fair value on initial recognition for subsequent accounting under TFRS 9, when applicable, the cost on initial recognition of an investment in an associate or a joint venture.

2.2 New and Revised International Financial Reporting Standards

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

Standards, amendments and interpretations applicable as at 31 December 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.
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TFRS 16, "Leases"; effective from annual periods beginning on or after 1 January 2019

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:

2. BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (Continued)

2.2 New and Revised International Financial Reporting Standards (Continued)

Standards, amendments and interpretations applicable as at 31 December 2019 (Continued):

Use updated assumptions to determine current service cost and net interest for the reminder 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.

Standards, amendments and interpretations that are issued but not effective as at 31 December 2019:

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

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

Amendments to TFRS 9, IAS 39 and TFRS 7 – Interest rate benchmark reform; 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.

The Group has finalized their assessments for TFRS 16 "Leases" as of 31 December 2019, and concluded that IFRS 16 does not have a significant impact on the consolidated financial statements.

2. BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (Continued)

2.3 Summary of Significant Accounting Policies

The accounting policies applied in preparation of the accompanying financial statements are as follows. This accounting policy was applied in a consistent manner unless otherwise settled:

Revenue recognition

Group recognizes revenue when the goods or services is transferred to the customer and when performance obligation is fulfilled. Goods is counted to be transferred when the control belongs to the customer.

Group recognizes revenue based on the following five main principles according to TFRS 15 "Revenue from Contracts with Customers":

- Identification of customer contracts
- Identification of performance obligations
- Determination of transaction price in the contract
- Allocation of price to performance obligations
- Recognition of revenue when the performance obligations are fulfilled

Group evaluates each contracted obligation separately and respective obligations, committed to deliver the distinct goods or perform services, are determined as separate performance obligations. Group determines at contract inception whether the performance obligation is satisfied over time or at a point in time. When the Group transfers control of a good or service over time, and therefore satisfies a performance obligation over time, then the revenue is recognised over time by measuring the progress towards complete satisfaction of that performance obligation. When a performance obligation is satisfied by transferring promised goods or services to a customer, the Group recognises the revenue as the amount of the transaction price that is allocated to that performance obligation. The goods or services are transferred when the control of the goods or services is delivered to the customers. Following indicators are considered while evaluating the transfer of control of the goods and services, a) presence of Group's collection right of the consideration for the goods or services, b) customer's ownership of the legal title on goods or services, c) physical transfer of the goods or services, d) customer's ownership of significant risks and rewards related to the goods or services, e) customer's acceptance of goods or services. If Group expects, at contract inception, that the period between when the Group transfers a promised good or service to a customer and when the customer pays for that good or service will be one year or less, the promised amount of consideration for the effects of a significant financing component is not adjusted. On the other hand, when the contract effectively constitutes a financing component, the fair value of the consideration is determined by discounting all future receipts using an imputed rate of interest. The difference between the fair value and the nominal amount of the consideration is recognised on an accrual basis as other operating income.

Inventories

Inventories are stated at the lower of cost and net realizable value. Costs, including an appropriate portion of fixed and variable overhead expenses, are assigned to inventories held by the method most appropriate to the particular class of inventory, with the majority being valued on weighted average basis. Net realizable value represents the estimated selling price less all estimated costs of completion and costs necessary to make a sale. When the net realizable value of inventory is less than cost, the inventory is written down to the net realizable value and the expense is included in statement of income/(loss) in the period the write-down or loss occurred. When the circumstances that previously caused inventories to be written down below cost no longer exist or when there is clear evidence of an increase in net realizable value because of changed economic circumstances, the amount of the write-down is reversed. The reversal amount is limited to the amount of the original write-down.

Tangible Assets

Increases in the carrying amounts arising on revaluation of land and buildings are recognised, net of tax, in other comprehensive income and accumulated in reserves in shareholders' equity. To the extent that the increase reverses a decrease previously recognised in profit or loss, the increase is first recognised in profit or loss Revaluations are made for not more than 5 years, not to differ materially from the book value of the fair value to be determined at the balance sheet date. All other tangible assets are shown by deducting accumulated depreciation from the historical cost value. Cost value includes direct asset and associative acquisition costs.

2. BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (Continued)

2.3 Summary of Significant Accounting Policies (Continued)

Tangible Assets (Continued)

Decreases that reverse previous increases of the same asset are first recognised in other comprehensive income to the extent of the remaining surplus attributable to the asset; all other decreases are charged to profit or loss. Each year, the difference between depreciation based on the revalued carrying amount of the asset charged to profit or loss and depreciation based on the asset's original cost, net of tax, is reclassified from the property, plant and equipment revaluation surplus to retained earnings. All other tangible assets are recognized at the value after accumulated depreciation and impairment are deducted from cost values.

Properties in the course of construction for production, rental or administrative purposes, or for purposes not yet determined, are carried at cost, less any recognized impairment loss. Cost includes professional fees and, for qualifying assets, borrowing costs capitalized in accordance with the Group's accounting policy. Such properties are classified to the appropriate categories of property, plant and equipment when completed and ready for intended use.

Assets held under financial leasing are depreciated over their expected useful lives on the same basis as owned assets.Gain or loss from selling or abandoning from service of property, plant and equipment is equal to the difference between revenue and book value of assets and gain or loss is booked under statement of income.

Leases

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

Lease - The Group as lessor

Amounts due from lessees under finance leases are recognized as receivables at the amount of the Group's net investment in the leases. Finance lease income is allocated to accounting periods so as to reflect a constant periodic rate of return on the Group's net investment outstanding in respect of the leases.

Rental income from operating leases is recognized on a straight-line basis over the term of the relevant lease. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognized on a straight-line basis over the lease term.

Assets held under finance leases are initially recognized as assets of the Group at their fair value at the inception of the lease or, if lower, at the present value of the minimum lease payments. The corresponding liability to the lessor is included in the consolidated statement of financial position as a finance lease obligation. Lease payments are apportioned between finance expenses and reduction of the lease obligation so as to achieve a constant rate of interest on the remaining balance of the liability. Finance expenses are recognized immediately in profit or loss, unless they are directly attributable to qualifying assets, in which case they are capitalized in accordance with the Group's general policy on borrowing costs.

Lease - The Group as lessee

Operating lease payments (also in the event that lease incentives are received to enter into operating leases, such incentives are recognized under Profit or Loss Statement) which out of the TFRS 16 scope are recognized as an expense on a straight-line basis over the lease term, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed.

2. BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (Continued)

2.3 Summary of Significant Accounting Policies (Continued)

Business Combinations

The acquisition of subsidiaries and businesses are accounted for using the acquisition method. The consideration transferred in a business combination is measured at fair value, which is calculated as the sum of the acquisition-date fair values of the assets transferred by the Group, liabilities incurred by the Group to the former owners of the acquiree and the equity interests issued by the Group in exchange for control of the acquiree. Bussiness combinations are accounted in accordance with TFRS 3 "Business Combinations" except for the assets (or disposal groups) that are classified as held for sale in accordance with TFRS 5 "Non-current Assets Held for Sale and Discontinued Operations" are measured in accordance with that Standard.

Goodwill is measured as the excess of the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree, and the fair value of the acquirer's previously held equity interest in the acquiree (if any) over the net of the acquisition-date amounts of the identifiable assets acquired and the liabilities assumed. If, after reassessment, the net of the acquisition-date amounts of the identifiable assets acquired and liabilities assumed exceeds the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree and the fair value of the acquirer's previously held interest in the acquiree (if any), the excess is recognized immediately in profit or loss as a bargain purchase gain.

Non-controlling interests that are present ownership interests and entitle their holders to a proportionate share of the entity's net assets in the event of liquidation may be initially measured either at fair value or at the non-controlling interests' proportionate share of the recognized amounts of the acquiree's identifiable net assets. The choice of measurement basis is made on a transaction-by-transaction basis.

When the consideration transferred by the Group in a business combination includes assets or liabilities resulting from a contingent consideration arrangement, the contingent consideration is measured at its acquisition-date fair value and included as part of the consideration transferred in a business combination. Changes in the fair value of the contingent consideration that qualify as measurement period adjustments are adjusted retrospectively, with corresponding adjustments against goodwill. Measurement period adjustments are adjustments that arise from additional information obtained during the 'measurement period' (which cannot exceed one year from the acquisition date) about facts and circumstances that existed at the acquisition date.

Transactions with non-controlling interests

The Group applies a policy of treating transactions with non-controlling interests as transactions with equity owners of the Group. For share purchases from non-controlling interests, the difference between any consideration paid and the relevant share acquired of the carrying value of net assets of the subsidiary is deducted from equity. Gains or losses on disposals to non-controlling interests are also recorded in equity. In case of the share sales to non-controlling interests, differences between any proceeds received and the relevant share of non-controlling interests are also recorded in equity.

Investment Properties

Investment properties are properties held to earn rentals and/or for capital appreciation, including property under construction for such purposes. Investment properties are measured initially at cost, including transaction costs. Subsequent to initial recognition, investment properties are stated at fair value. Gains or losses arising from changes in the fair values of investment properties are included in the profit or loss in the year in which they arise.

An investment property is derecognized upon disposal or when the investment property is permanently withdrawn from use and no future economic benefits are expected from disposal. Any gain or loss arising on derecognition of the property (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in profit or loss in the period in which the property is derecognized.

2. BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (Continued)

2.3 Summary of Significant Accounting Policies (Continued)

Investment Properties (Continued)

Transfers are made to or from investment property only when there is a change in use. For a transfer from investment property that is measured at fair value to owner occupied property, the deemed cost for subsequent accounting is the fair value at the date of change in use. If owner occupied property becomes an investment property that is measured at fair value, the Group accounts for such property in accordance with the policy stated under property, plant and equipment up to the date of change in use.

The fair value of investment properties is determined by the valuation institutions with sufficient experience in the valuation of accredited, similar investment properties determined by the CMB. Investment properties enter the 2nd level in the hierarchy table.

Intangible Assets

Intangible assets acquired separately

Intangible assets acquired separately are carried at cost less accumulated amortization and accumulated impairment losses. Amortization is recognized on a straight-line basis over their estimated useful lives. The estimated useful life and amortization method are reviewed at the end of each reporting period, with the effect of any changes in estimate being accounted for on a prospective basis.

Computer software

Acquired computer software licenses are capitalized on the basis of the costs incurred to acquire and bring to use the specific software. These costs are amortized over their estimated useful lives (5–10 years).

Computer software development costs recognized as assets are amortized over their estimated useful lives.

Intangible assets acquired in a business combination

Intangible assets acquired in a business combination are identified and recognized separately from goodwill where they satisfy the definition of an intangible asset and their fair value can be measured reliably. The cost of such intangible assets is initially recognized at their fair value at the acquisition date

Subsequent to initial recognition, intangible assets acquired in a business combination are reported at cost less accumulated amortization and accumulated impairment losses, on the same basis as intangible assets that are acquired separately.

Derecognition of intangible assets

An intangible asset is derecognized on disposal, or when no future economic benefits are expected from use or disposal. Gains or losses arising from derecognition of an intangible asset, measured as the difference between the net disposal proceeds and the carrying amount of the asset, and are recognized in profit or loss when the asset is derecognized.

2. BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (Continued)

2.3 Summary of Significant Accounting Policies (Continued)

Impairment of Assets:

At the end of each reporting period, the Group reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication exists, the recoverable amount of the assets is estimated in order to determine the extent of the impairment loss (if any). When it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs. When a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual cash-generating units or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

Intangible assets with indefinite useful lives and intangible assets not yet available for use are tested for impairment at least annually and whenever there is an indication that the asset may be impaired. Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognized immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as a revaluation decrease.

When an impairment loss subsequently reverses, the carrying amount of the asset (or a cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognized for the asset or (cash-generating unit) in prior years. A reversal of an impairment loss is recognized immediately in profit or loss, unless the relevant asset is carried at revalued amount, in which case the reversal of the impairment loss is treated as a revaluation increase.

Borrowing Costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale.

When the Group borrows funds specifically for the purpose of the qualifying assets, the amount of borrowing costs eligible for capitalization is the actual borrowing costs incurred on that borrowing during the period less any investment income on the temporary investment of those borrowings.

General borrowings of the Group are capitalized to the applicable qualifying assets based on a capitalization rate. The capitalization rate is the weighted average of the borrowing costs applicable to the borrowings of the entity that are outstanding during the period, other than borrowings made specifically for the purpose of obtaining a qualifying asset. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalization.

All other borrowing costs are recognized in the statement of income/ (loss) in the period in which they are incurred.

2. BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (Continued)

2.3 Summary of Significant Accounting Policies (Continued)

Financial instruments

Financial assets

Classification and measurement

Group classified its financial assets in three categories; financial assets carried at amortized cost, financial assets carried at fair value though profit of loss, financial assets carried at fair value though other comprehensive income. Classification is performed in accordance with the business model determined based on the purpose of benefits from financial assets and expected cash flows. Management performs the classification of financial assets at the acquisition date.

(a) Financial assets carried at amortized cost

Assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest, whose payments are fixed or predetermined, which are not actively traded and which are not derivative instruments are measured at amortized cost. They are included in current assets, except for maturities more than12 months after the balance sheet date. Those with maturities more than 12 months are classified as non-current assets. The Group's financial assets carried at amortized cost comprise "trade receivables" and "cash and cash equivalents" in the statement of financial position. In addition, with recourse factoring receivables classified in trade receivables are classified as financial assets carried at amortized cost since collection risk for those receivables are not transferred to counterparty.

Impairment

Group has applied simplified approach and used impairment matrix for the calculation of impairment on its receivables carried at amortized cost, since they do not comprise of any significant finance component. In accordance with this method, if any provision provided to the trade receivables as a result of a specific events, Group measures expected credit loss from these receivables by the life-time expected credit loss. The calculation of expected credit loss is performed based on the past experience of the Group and its expectations for the future indications.

(b) Financial assets carried at fair value

Assets that are held by the management for collection of contractual cash flows and for selling the financial assets are measured at their fair value. If the management do not plan to dispose these assets in 12 months after the balance sheet date, they are classified as non-current assets. Group make a choice for the equity instruments during the initial recognition and elect profit or loss or other comprehensive income for the presentation of fair value gain and loss:

i) Financial assets carried at fair value through profit or loss

Financial assets carried at fair value through other comprehensive income comprise of "financial assets" in the statement of financial position. Group carried these assets at their fair values. The fair value gains and losses are recognized in other comprehensive income after the deduction of impairment losses and foreign exchange income and expenses. When the financial assets carried at fair value through other comprehensive income are sold, fair value gain or loss classified in other comprehensive income is classified to retained earnings.

ii) Financial assets carried at fair value through other comprehensive income

Financial assets carried at fair value through other comprehensive income comprise of financial assets" in the statement of financial position. Group carried these assets at their fair values. The fair value gains and losses are recognized in other comprehensive income after the deduction of impairment losses and foreign exchange income and expenses. When the financial assets carried at fair value through other comprehensive income are sold, fair value gain or loss classified in other comprehensive income is classified to retained earnings.

2. BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (Continued)

2.3 Summary of Significant Accounting Policies (continued)

Financial instruments (continued)

Recognition and de-recognition of financial instruments

All purchases and sales of financial assets are recognized on the trade date i.e. the date that the Group commits to purchase or to sell the asset. These purchases or sales are purchases or sales generally require delivery of assets within the time frame generally established by regulation or convention in the market place.

A financial asset (or, where applicable a part of a financial asset or part of a group of similar financial assets) is derecognized where:

- the rights to receive cash flows from the asset have expired
- the Group retains the right to receive cash flows from the asset, but has assumed an obligation to pay them in full without material delay to a third party under a "pass-through" arrangement; or
- the Group has transferred its rights to receive cash flows from the asset and either (a) has transferred substantially all the risks and rewards of the asset, or (b) has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the assets.

Where the Group has transferred its rights to receive cash flows from an asset and has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the asset is recognized to the extent of the Group's continuing involvement in the consolidated financial statements.

A financial liability is derecognized when the obligation under the liability is discharged or cancelled or expires.

Financial Liabilities

Borrowings are recognized initially at the proceeds received, net of transaction costs incurred. Borrowings are subsequently stated at amortized cost using the effective yield method; any difference between proceeds, net of transaction costs, and the redemption value is recognized in the statement of profit or loss over the period. Borrowing costs are charged to the statement of profit or loss when they are incurred. Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the balance sheet date.

Trade receivable

Trade receivables that are created by the Group by way of providing goods or services directly to a debtor are carried at amortized cost. Receivables with short-term maturities which have no predefined interest rate are measured at the original invoice amount unless the effect of imputed interest is significant.

A doubtful receivable provision for trade receivables is established if there is objective evidence that the Group will not be able to collect all amounts due. The receivables in process of lawsuit or enforcement or in a prior stage, the customer having material financial difficulties, the receivable turning default or the possibility of material and unforeseeable delay in the future collection are included under objective evidences. The amount of provision is the difference between the carrying amount and the recoverable amount, being the present value of all cash flows, including amounts recoverable from guarantees and collateral, discounted based on the original effective interest rate of the originated receivables at inception. Also, Group has applied simplified approach and used impairment matrix for the calculation of impairment on its receivables carried at amortized cost, since they do not comprise of any significant finance component. In accordance with this method, if any provision provided to the trade receivables as a result of a specific events, Group measures expected credit loss from these receivables by the life-time expected credit loss. The calculation of expected credit loss is performed based on the past experience of the Group and its expectations for the future indications.

2. BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (Continued)

2.3 Summary of Significant Accounting Policies (Continued)

Foreign Currency Transactions:

In preparing the consolidated financial statements of the Group, transactions in currencies other than TRY (foreign currencies) are recorded at the rates of exchange prevailing on the dates of the transactions. At balance sheet, monetary items denominated in foreign currencies are retranslated at the rates prevailing on the balance sheet date.

Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing on the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences are recognized in profit or loss in the period in which they arise except for:

- Exchange differences which relate to assets under construction for future productive use, which are included in the cost of those assets where they are regarded as an adjustment to interest costs on foreign currency borrowings,

- Exchange differences on transactions entered into in order to hedge certain foreign currency risks,

- Exchange differences on monetary items receivable from or payable to a foreign operation for which settlement is neither planned nor likely to occur, which form part of the net investment in a foreign operation, and which are recognized in the foreign currency translation reserve and recognized in profit or loss on disposal of the net investment,

They are deferred in equity if they relate to qualifying cash flow hedges and qualifying net investment hedges or are attributable to part of the net investment in a foreign operation.

On consolidation, exchange differences arising from the translation of any net investment in foreign entities, and of borrowings and other financial instruments designated as hedges of such investments, are recognised in other comprehensive income. When a foreign operation is sold or any borrowings forming part of the net investment are repaid, the associated exchange differences are reclassified to profit or loss, as part of the gain or loss on sale.

Goodwill, brand and fair value adjustments arising on the acquisition of a foreign operation are treated as assets and liabilities of the foreign operation and translated at the closing rate

Dividend and interest income

Dividend income from investments is recognized when the shareholder's right to receive payment has been established.

Interest income from a financial asset is recognized when it is probable that the economic benefits will flow to the Group and the amount of income can be measured reliably. Interest income is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount on initial recognition.

Earnings Per Share:

Earnings per share disclosed in the consolidated income statement are determined by dividing net income attributable to equity holders of the parent by the weighted average number of shares outstanding during the period concerned.

2. BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (Continued)

2.3 Summary of Significant Accounting Policies (continued)

Events After the Reporting Period

Events after the reporting period are those events that occur between the balance sheet date and the date when the financial statements are authorized for issue, even if they occur after an announcement related with the profit for the year or public disclosure of other selected financial information.

The Group adjusts the amounts recognized in its financial statements if adjusting events occur after the balance sheet date.

Provisions, Contingent Assets and Contingent Liabilities:

Provisions are recognized when the Group has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation and a reliable estimate of the amount can be made.

The amount recognized as a provision should be the best estimate of the expenditure required to settle the present obligation at the balance sheet date, that is, the amount that an entity would rationally pay to settle the obligation at the balance sheet date.

If some or all of the expenditure required to settle a provision is expected to be reimbursed by another party, the reimbursement could be recognized as an asset when, and only when, it is virtually certain that reimbursement will be received and can be estimated reliably.

Related Party Disclosures:

Related parties in consolidated financial statements: A related party, persons or company that is related to the company that is preparing its consolidated financial statements.

(a) A person or a close member of that person's family is related to an company if that person:

(i) has control or joint control of the company,
(ii) has significant influence over the company,
(iii) is a member of the key management personnel of the ecompany or of a parent of the company.

(b) A company is related to a reporting entity if any of the following conditions applies:

(i) The company members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others).
(ii) One company is an associate or joint venture of the other company (or an associate or joint venture of a member of a group of which the other company is a member).
(iii) Both entities are joint ventures of the same third party.
(iv) One entity is a joint venture of a third entity and the other entity is an associate of the third entity.
(v) The company is a post-employment benefit plan for the benefit of employees of either the company or a compny related to the company. If the company is itself such a plan, the sponsoring employers are also related to the company.
(vi) The entity is controlled or jointly controlled by a person identified in (a).
(vii) A person identified in (a) (i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).

Related party transactions: A company transaction is a transfer of resources, services or obligations between a company and a related party, regardless of whether a price is charged.

2. BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (Continued)

2.3 Summary of Significant Accounting Policies (continued)

Government Grants and Incentives:

Grants from the government are recognised at their fair value where there is a reasonable assurance that the grant will be received and the group will comply with all attached conditions.

Government grants relating to costs are deferred and recognised in the income statement over the period necessary to match them with the costs that they are intended to compensate.

Government grants relating to property, plant and equipment are included in non-current liabilities as deferred government grants and are credited to the income statement on a straight- line basis over the expected lives of the related assets, or altenatively netted off with the cost of related asset.

Current and deferred income tax

Turkish tax legislation does not permit a parent company and its subsidiary to file a consolidated tax return. Therefore, provisions for taxes, as reflected in the consolidated financial statements, have been calculated on a separate-entity basis.

Income tax expense represents the sum of the tax currently payable and deferred tax.

Current tax

The tax currently payable is based on taxable profit for the year. Taxable profit differs from 'profit before tax' as reported in the income statement because of items of income or expense that are taxable or deductible in other years and it items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax

Deferred tax liability or asset is recognized on temporary differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases which are used in the computation of taxable profit. Deferred tax liabilities are generally recognized for all taxable temporary differences. Deferred tax assets are recognized for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilized. Such deferred tax assets and liabilities are not recognized if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

Deferred tax liabilities are recognized for taxable temporary differences associated with investments in subsidiaries and associates, and interests in joint ventures, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments and interests are only recognized to the extent that it is probable that there will be sufficient taxable profits against which to utilize the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset realized, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period. The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expects, at the reporting date, to recover or settle the carrying amount of its assets and liabilities.

2. BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (Continued)

2.3 Summary of Significant Accounting Policies (continued)

Current and deferred income tax (continued)

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Group intends to settle its current tax assets and liabilities on a net basis.

Current and deferred tax for the period

Current and deferred tax are recognized as in profit or loss, except when they relate to items that are recognized in other comprehensive income or directly in equity, in which case, the current and deferred tax are also recognized in other comprehensive income or directly in equity respectively. Where current tax or deferred tax arises from the initial accounting for a business combination, the tax effect is included in the accounting for the business combination.

Employee Benefits

Termination and retirement benefits

Under Turkish law and union agreements, lump sum payments are made to employees retiring or involuntarily leaving the Group. Such payments are considered as being part of defined retirement benefit plan as per TMS 19 (Revised) Employee Benefits ("TMS 19").

The retirement benefit obligation recognized in the consolidated statement of financial position represents the present value of the defined benefit obligation. All actuarial gains and losses calculated are recognized in the other comprehensive statement of profit or loss.

Statement of Cash Flows

In the statement of cash flows, cash flows during the period are classified under operating, investing or financing activities.

The cash flows arisen from operating activities indicate cash flows due to the Group entities' operations.

The cash flows due to investing activities indicate the Group cash flows that are used for and obtained from investments (investments in property, plant and equipment and financial investments).

The cash flows due to financing activities indicate the cash obtained from financial arrangements and used in their repayment.

Share Capital and Dividends

Ordinary shares are classified as equity. Dividends distributed over the ordinary shares are classified as dividend liability after deducting retained earnings at the period in which the dividend distribution decision is made.

Shareholders' Equity

In the restatement of shareholders' equity items, the addition of funds formed due to hyperinflation such as the revaluation value increase fund in share capital is not considered as a contribution from shareholders. Additions of legal reserves and retained earnings to share capital are considered as contributions by shareholders. In the restatement of shareholders' equity items added to share capital the capital increase registry dates or the payment dates are considered.

Revaluation fund included in the value increase funds is related to the value increase at the date of the transaction of the net assets owned by the Group before the sale transaction.

2. BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (Continued)

2.3 Summary of Significant Accounting Policies (continued)

Derivatives and hedging activities

Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently remeasured to their fair value at the end of each reporting period. The accounting for subsequent changes in fair value depends on whether the derivative is designated as a hedging instrument, and if so, the nature of the item being hedged. The Group designates certain derivatives as either:

i. Hedges of the fair value of recognised assets or liabilities or a firm commitment (fair value hedges)

ii. Hedges of a particular risk associated with the cash flows of recognised assets and liabilities and highly probable forecast transactions (cash flow hedges), or,

iii. Hedges of a net investment in a foreign operation (net investment hedges).

The Group documents at the inception of the hedging transaction the relationship between hedging instruments and hedged items, as well as its risk management objective and strategy for undertaking various hedge transactions. The Group also documents its assessment, both at hedge inception and on an ongoing basis, of whether the derivatives that are used in hedging transactions have been and will continue to be highly effective in offsetting changes in fair values or cash flows of hedged items.

The fair values of various derivative financial instruments used for hedging purposes are disclosed in Note 9. Movements in the hedging reserve in shareholders' equity are shown in Note 34. The full fair value of a hedging derivative is classified as a non-current asset or liability when the remaining maturity of the hedged item is more than 12 months; it is classified as a current asset or liability when the remaining maturity of the hedged item is less than 12 months. Trading derivatives are classified as a current asset or liability.

The effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges is recognised in other comprehensive income and accumulated in reserves in equity. The gain or loss relating to the ineffective portion is recognised immediately in profit or loss within other income or other expense.

Amounts accumulated in equity are reclassified to profit or loss in the periods when the hedged item affects profit or loss (for instance when the forecast sale that is hedged takes place). The gain or loss relating to the effective portion of interest rate swaps hedging variable rate borrowings is recognised in profit or loss within 'finance costs.

Goodwill

The amount of goodwill that arising in the purchase transaction, is valued at the cost value at the date of purchase transaction after deducting the impairment provisions, if any.

Goodwill that allocated to cash generating unit is tested annually for impairment, or more frequently if events or changes in circumstances indicate that they might be impaired.

An impairment loss is recognised for the amount by which the cash generating unit's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs of disposal and value in use. Impairment for goodwill is accounted to profit and loss. Impairment losses on goodwill are not reversed. Goodwill related with cash generating unit is considered at sales profit/loss.

The Group acquired business from its ultimate shareholder as under common control and accounted its book values as accounted at ultimate shareholder level including goodwill (Note 13).

2. BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (Continued)

2.4 Critical Accounting Estimates, Assumptions and Judgements:

In the process of applying the entity's accounting policies, which are described in note 2.3, management has made the following judgments that have the most significant effect on the amounts recognized in the financial statements.

Reacquired Rights

The Group accounted for reacquired rights at fair value within scope of the reacquisition of rights which were provided exclusivity before to third parties. Reacquired rights have indefinite useful life and are not subject to amortization. Reacquired rights are tested annually for impairment, or more frequently if events or changes in circumstances indicate that they might be impaired. Reacquired rights comprises from products distribution rights in Saudi Arabia. Discounted cash flow used to identify goodwill is applied with 10,9% discount rate and 2.7% long term growth rate (2018: %12,5 discount rate and %3.0 long term growt rate). A change in discount rate by 1% effects amount of goodwill by TL 5,975 thousand (2018 : TL 5.716 thousand).

The brand of the Group is comprised of the business acquired from its main partner as a business combination that is subject to joint control, and its accounting values in the Group's records, at the level of the parent (Note 14). 2.6% royalty rate and 2.7% final growth rate were used in the royalty free method used to determine the value of the brand. 1% change in the royalty rates used does not cause a impairment.

Deferred taxes:

The Group recognizes deferred tax assets and liabilities based upon temporary differences arising between the financial statements as reported for TFRS purposes and financial statements prepared in accordance with the tax legislation. These differences arise from the differences in accounting periods for the recognition of income and expenses in accordance with TFRS and tax legislation. Group has deferred tax assets resulting from tax loss carry-forwards and deductible temporary differences, all of which could reduce taxable income in the future.

As of 31 December 2019, the Group has accounted for deferred tax assets by TL 21.115 thousand (2018 : TL 37.596 thousand) in consolidated financial statements due to the investment incentives regarding to expansion and product diversifications.

Fully or partial recoverability of tax assets are estimated based on available current evidences. The main factors which are considered include future earnings potential; cumulative losses in recent years; expiration dates of both loss carry-forwards and other tax assets; the carry-forward period associated with the deferred tax assets; future reversals of existing taxable temporary differences; tax-planning strategies that would, if necessary, be implemented, and the nature of the income that can be used to realize the deferred tax asset.

As of 31 December 2019, the Company has accounted for deferred income tax assets amounting to TL 75.059 thousand from the carry forward tax losses amounting to TL 15.012 thousand in the consolidated financial statements. As of 31 December 2018, the Company has accounted for deferred income tax assets amounting to TL 66.494 thousand from the carry forward tax losses amounting to TL 13.299 thousand in the consolidated financial statements

Fair values of derivative instruments and other financial instruments

The Group determines the fair values of its financial instruments without an active market using various market information for similar transaction, similar instruments with fair values and discounted cash flow analysis with an independent third party valuation company Duff and Phelps LLC which has compliance with the valuation competence criteria determined by CMB. 5 years discounted cash flow analysis is applied with 12,0% (2018: 9,4%) discount rate and 2,0% (2018: 1,8%) long term growth rate for G-New and 12,0% (2018: 9,7%) discount rate and 2,0% (2018: 1,8%) long term growth rate for Godiva Belgium which are Group's financial investments. A change in discount rate by 0,3% effects the fair value of G-New and Godiva Belgium amounting to TL 4.101 thousand (2018: TL 6.892 thousand).

Goodwill

The Group acqired business from its ultimate shareholder as under common control and accounted its book values as accounted at ultimate shareholder level including goodwill (Note 13). Discounted cash flow used to identify goodwill is applied with 10,5% discount rate and 2,7% long term growth rate. 1% change in the rates used does not cause a decrease in goodwill.

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

2. BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (Continued)

2.5 Summary of Financial Information Related to Subsidiaries:

Set out below are the summarised financial information for each subsidiary that has non-controlling interests that are material to the Group as of 31 December 2019 and 2018.

Biskot Bisküvi Gıda Sanayi ve Ticaret A.Ş.

	2019	**2018**
Total assets	1.234.995	977.813
Total liabilities	755.898	567.787
Total shareholder's equity	479.097	410.026
Accumulated funds on non-controlling interests	124.930	106.926
Revenue	1.440.272	1.168.929
Net profit for the year	70.696	72.949
Cash flow generated / (used) from operating activities	102.465	(56.996)
Cash flow used in investment activities	(78.445)	(14.724)
Cash flow generated / (used) from financing activities	70.818	(44.704)

Food Manufacturers' Company

	2019	**2018**
Total assets	771.658	655.672
Total liabilities	241.852	280.264
Total shareholders'equity	529.806	375.408
Accumulated funds on non-controlling interests	238.413	168.993
Revenue	1.043.268	788.091
Net profit for the year	106.044	75.412
Cash flow generated from operating activities	156.410	89.605
Cash flow used in investment activities	(10.754)	(49.307)
Cash flow used in financing activities	(16.125)	(1.399)

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

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 – 31 December 2019 and 1 January - 31 December 2018.

	Domestic	**Foreign**	**1 January-31 December 2019**
Revenue	4.728.447	3.074.673	7.803.120
Gross Profit	1.020.998	1.118.194	2.139.192
Operating Profit (*)	595.250	537.166	1.132.416
EBITDA (**)	676.098	627.428	1.303.526
EBITDA/Revenue	14,3%	20,4%	16,7%
Investment Expense	162.967	40.436	203.403

	Domestic	**Foreign**	**1 January-31 December 2018**
Revenue	3.709.288	2.246.220	5.955.508
Gross Profit	748.584	811.701	1.560.285
Operating Profit (*)	420.775	369.089	789.864
EBITDA (**)	497.507	441.661	939.168
EBITDA/Revenue	13,4%	19,7%	15,8%
Investment Expense	118.114	114.029	232.143

(*) 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.

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

4. CASH AND CASH EQUIVALENTS

	31 December 2019	31 December 2018
Cash on hand	180	421
Demand deposits	344.705	714.195
Time deposits	4.743.114	2.666.312
Impairment provision	(7.021)	(2.167)
	5.080.978	**3.378.761**

Details of time deposits are shown below:

Currency Type	Annual Weighted Average Effective Interest Rate	Maturity	31 December 2019
TL	11,08%	January 2020	221.828
EUR	0,05%	January 2020	20.879
USD	2,69%	January 2020	4.449.625
GBP	0,15%	January 2020	5.217
EGP	11,01%	January 2020	21.925
KZT	10,00%	January 2020	23.640
			4.743.114

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:	31 December 2019	31 December 2018
Available for sale financial assets	4.080	702
	4.080	**702**

Long Term Financial Investments:	31 December 2019	31 December 2018
Available for sales financial assets	946.029	1.340.221
	946.029	**1.340.221**

Long Term Available for Sale Financial	31 December 2019	31 December 2018
G New, Inc	312.171	105.612
Godiva Belgium BVBA	633.658	1.234.409
Other	200	200
	946.029	**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 31 December 2019 amounting to TL 513.939 thousand have been directly presented in other comprehensive income under equity.

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

6. FINANCIAL LIABILITIES

	31 December 2019	31 December 2018
Short term liabilities	150.764	85.519
Short term portion of long term liabilities	5.088.239	369.129
Long term liabilities	701.318	4.791.105
	5.940.321	**5.245.753**

Short Term Liabilities	31 December 2019	31 December 2018
Bank loans	66.437	66.064
Non-trade payables to related parties (Note 33)	84.327	19.455
	150.764	**85.519**

Short Term Portion of Long Term Liabilities	31 December 2019	31 December 2018
Bank loans	5.074.414	369.129
Financial lease payables	13.825	-
	5.088.239	**369.129**

Long Term Liabilities	31 December 2019	31 December 2018
Bank Loans	652.490	4.791.105
Financial Lease Payables	48.828	-
	701.318	**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 + 3,00 % for EUR, Libor + 3,10 % for USD and the maturity date is 20 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 27 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:

a) ***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.

b) ***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.

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

6. FINANCIAL LIABILITIES (Continued)

Liabilities:

31 December 2019

Currency Type	Maturity	Effective Weighted Average Interest Rate	Short Term	Long Term
TL	January 2020-April 2023	18,72%	98.153	48.828
EUR	February 2020-May 2023	3,01%	3.585.375	379.467
USD	January 2020-November 2020	4,92%	1.539.388	-
KZT	January 2020-January 2026	10,00%	6.379	273.023
SAR	January 2020-July 2020	4,00%	9.708	-
			5.239.003	**701.318**

31 December 2018

Currency Type	Maturity	Effective Weighted Average Interest Rate	Short Term	Long Term
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
			454.648	**4.791.105**

The maturity detail of the bank loans is as follows:

	31 December 2019	31 December 2018
to be paid within 1 year	5.225.178	454.648
to be paid within 1-2 years	273.085	4.336.860
to be paid within 2-3 years	215.508	145.670
to be paid within 3-4 years	98.892	145.332
to be paid within 4-5 years	52.004	102.776
Above 5 years	13.001	60.467
	5.877.668	**5.245.753**

Short Term Financial Lease Liabilities	31 December 2019	31 December 2018
Financial lease liabilities	29.282	-
Future finance charges on finance leases (-)	(15.457)	-
	13.825	**-**

Long Term Financial Lease Liabilities	31 December 2019	31 December 2018
Financial lease liabilities	65.895	-
Future finance charges on finance leases (-)	(17.067)	-
	48.828	**-**

The maturity detail of the financial lease liabilities is as follows:

	31 December 2019	31 December 2018
to be paid within 1 year	13.825	-
to be paid within 1-2 years	18.108	-
to be paid within 2-3 years	23.720	-
to be paid within 3-4 years	7.000	-
	62.653	**-**

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

6. FINANCIAL LIABILITIES (Continued)

The movement of ifnancial liabilities as of 31 December 2019 and 2018 is as follows

	2019	2018
Financial debt as of January 1	**5.245.753**	**4.310.403**
Addition	387.922	389.808
Repayments	(352.791)	(861.537)
Foreign Exchange difference	571.692	1.331.433
Interest Accrual differences	(191)	1.071
Currency translation differences	87.936	74.575
Closing balance – December 31	**5.940.321**	**5.245.753**

7. TRADE RECEIVABLES AND PAYABLES

	31 December 2019	31 December 2018
Short Term Due from Related Parties		
Due from related parties (Note 33)	2.106.741	1.564.689
	2.106.741	**1.564.689**
Other Trade Receivables		
Trade receivables	269.751	352.982
Notes receivables	83	766
Provision for doubtful receivables	(10.773)	(19.351)
	259.061	**334.397**
Total Short Term Trade Receivables	**2.365.802**	**1.899.086**

The movement of the allowance for doubtful receivables as of 31 December 2019 and 2018 is as follows:

	2019	2018
In accordance with TAS 39 as of 1 January	(19.351)	(8.212)
Accounting policy change for TFRS 9	-	(3.633)
Restated as of 1 January	(19.351)	(11.845)
Current period expense	(688)	(5.712)
Canceled provision	9.995	1.200
Sale of subsidiary	152	-
Currency translation differences	(1.136)	(3.032)
Collection	255	38
Closing balance	**(10.773)**	**(19.351)**

	31 December 2019	31 December 2018
Short Term Trade Payables		
Due to related parties (Note 33)	607.365	520.308
Trade payables	617.233	593.789
	1.224.598	**1.114.097**

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

8. OTHER RECEIVABLES AND PAYABLES

	31 December 2019	31 December 2018
Other Receivables		
Due from related parties (Note 33)	115.619	627
Short term other receivables	37.283	38.554
	152.902	**39.181**

	31 December 2019	31 December 2018
Other Short Term Receivables		
VAT receivables	17.229	19.339
Deposits and guarantees given	18.277	13.440
Receivables from personnel	1.568	2.020
Other	209	3.755
	37.283	**38.554**

	31 December 2019	31 December 2018
Other Long Term Receivables		
Deposits and guarantees given	460	234
	460	**234**

	31 December 2019	31 December 2018
Other Payables		
Due from related parties (Note 33)	113	1.177
Other short term payables	4.994	5.631
	5.107	**6.808**

	31 December 2019	31 December 2018
Other Short Term Payables		
Deposits and guarantees received	124	3.214
Other short term payables	4.870	2.417
	4.994	**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. 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 31 December 2019 and 2018 are as follows:

	31 December 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	358.919	528.132	323.087
Total Asset	**528.132**	**358.919**	**528.132**	**323.087**

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

10. INVENTORIES

Details of inventory are as follows;

	31 December 2019	31 December 2018
Raw materials	231.633	229.264
Work in progress	24.430	16.907
Finished goods	272.475	265.841
Trade goods	34.347	59.854
Other inventories	47.843	44.517
Allowance for impairment on inventory(-)	(18.030)	(11.829)
	592.698	**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 31 December 2019 and 2018 are below:

	1 January- 31 December 2019	1 January- 31 December 2018
Opening balance	(11.829)	(10.062)
Charge for the period	(14.654)	(3.043)
Reversal of provision	8.927	1.582
Currency translation differences	(474)	(306)
Closing balance	**(18.030)**	**(11.829)**

11. INVESTMENT PROPERTIES

	1 January- 31 December 2019	1 January- 31 December 2018
Opening balance	21.036	16.192
Gains from appreciation	1.115	4.844
Sale of subsidiary	(996)	-
Closing balance	**21.155**	**21.036**

The fair value of the Group's investment properties at 31 December 2019 has been calculated on the basis of a valuation carried out at that date by 31 December 2019, 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 1.382 thousand (31 December 2018: TL 992 thousand) as of 31.December 2019. Direct operating expenses arising from the investment properties in the current period amounting to TL 115 thousand. (31 December 2018: TL 74 thousand).

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

12. TANGIBLE ASSETS

Movement of tangible assets between 1 January 2019 and 31 December 2019 is as follows:

Cost	**1 January 2019**	**Addition**	**Disposal**	**Transfer**	**Sale of subsidiary**	**Revaluation increase**	**Currency Translation Differences**	**31 December 2019**
Land	714.750	-	-	-	-	-	5.280	720.030
Buildings	698.303	72.209	-	20.486	-	-	29.439	820.437
Machinery, plant and equipment	2.038.567	14.594	(14.832)	59.071	-	-	99.743	2.197.143
Vehicles	11.697	438	(474)	-	-	-	995	12.656
Furniture and fixture	95.810	6.131	(416)	7.925	(2.281)	-	4.867	112.036
Leasehold improvements	41.326	484	-	490	(814)	-	32	41.518
Other tangible assets	798	71	-	-	-	-	106	975
Construction in progress	44.470	104.298	(995)	(87.972)	-	-	3.847	63.648
	3.645.721	**198.225**	**(16.717)**	**-**	**(3.095)**	**-**	**144.309**	**3.968.443**

Accumulated Depreciation	**1 January 2019**	**Charge for the Period**	**Disposal**	**Transfer**	**Sale of subsidiary**	**Revaluation increase**	**Currency Translation Differences**	**31 December 2019**
Buildings	(346.062)	(22.332)	-	-	-	-	(9.372)	(377.766)
Machinery, plant and equipment	(925.608)	(129.421)	6.660	-	-	-	(47.056)	(1.095.425)
Vehicles	(7.054)	(1.612)	258	-	-	-	(735)	(9.143)
Furniture and fixture	(70.149)	(8.038)	409	-	2.149	-	(3.326)	(78.955)
Leasehold improvements	(19.545)	(3.986)	-	-	647	-	(9)	(22.893)
Other tangible assets	(937)	(82)	-	-	-	-	(65)	(1.084)
	(1.369.355)	**(165.471)**	**7.327**	**-**	**2.796**	**-**	**(60.563)**	**(1.585.266)**
Net Book Value	**2.276.366**							**2.383.177**

From depreciation and amortization expenses, TL 157.735 thousand (31 December 2018: TL 137.383 thousand) is included in cost of goods sold, TL 383 thousand (31 December 2018: TL 445 thousand) is included in research and development expenses, TL 3.082 thousand (31 December 2018: TL 2.561 thousand) is included in marketing and selling expenses, TL 9.910 thousand (31 December 2018: TL 8.915 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.

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

12. TANGIBLE ASSETS (Continued)

Movement of tangible assets between 1 January 2018 and 31 December 2018 is as follows:

Cost	**1 January 2018**	**Addition**	**Disposal**	**Transfer**	**Sale of subsidiary**	**Revaluation increase**	**Currency Translation Differences**	**31 December 2018**
Land	731.003	-	(24.220)	-	-	-	7.967	714.750
Buildings	753.909	6.007	(151.408)	27.548	-	21.475	40.772	698.303
Machinery, plant and equipment	1.566.324	27.040	(10.067)	298.715	-	-	156.555	2.038.567
Vehicles	10.788	197	(1.248)	-	-	-	1.960	11.697
Furniture and fixture	79.632	4.065	(224)	5.449	-	-	6.888	95.810
Leasehold improvements	37.361	312	-	3.587	-	-	66	41.326
Other tangible assets	556	21	-	-	-	-	221	798
Construction in progress	189.917	187.639	(5.262)	(337.487)	-	-	9.663	44.470
	3.369.490	**225.281**	**(192.429)**	**(2.188)**	**-**	**21.475**	**224.092**	**3.645.721**

Accumulated Depreciation	**1 January 2018**	**Charge for the Period**	**Disposal**	**Transfer**	**Sale of subsidiary**	**Revaluation increase**	**Currency Translation Differences**	**31 December 2018**
Buildings	(440.108)	(20.378)	142.637	-	-	(10.798)	(17.415)	(346.062)
Machinery, plant and equipment	(750.456)	(113.529)	6.924	-	-	-	(68.547)	(925.608)
Vehicles	(5.281)	(1.463)	1.002	-	-	-	(1.312)	(7.054)
Furniture and fixture	(58.599)	(6.926)	147	-	-	-	(4.771)	(70.149)
Leasehold improvements	(15.981)	(3.554)	-	-	-	-	(10)	(19.545)
Other tangible assets	(285)	(55)	-	-	-	-	(597)	(937)
	(1.270.710)	**(145.905)**	**150.710**	**-**	**-**	**(10.798)**	**(92.652)**	**(1.369.355)**
Net Book Value	**2.098.780**							**2.276.366**

There are not any fixed assets acquired through financial leasing as of 31 December 2018. There is not any mortgage or collateral on tangible assets in the current period.

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

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

	31 December 2019	**31 December 2018**
1 January	331.975	253.507
Currency translation difference	56.072	78.468
Closing Balance	**388.047**	**331.975**

Goodwill details are as follow:

Company	**31 December 2019**	**31 December 2018**
UI Mena B.V.	373.272	319.335
IBC	14.775	12.640
	388.047	**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.

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

14. INTANGIBLE ASSETS

Movements of intangible assets between 1 January 2019 – 31 December 2019 are as follows:

Cost	1 January 2019	Addition	Disposal	Transfer	Sale of subsidiary	Currency Translation Differences	31 December 2019
Rights (*)	263.730	1.780	(16)	-	(1.561)	36.046	299.979
Other intangible assets	3.251	3.398	-	-	(798)	137	5.988
	266.981	**5.178**	**(16)**	**-**	**(2.359)**	**36.183**	**305.967**

Accumulated Amortization	1 January 2019	Charge for the Period	Disposal	Transfer	Sale of subsidiary	Currency Translation Differences	31 December 2019
Rights	(6.382)	(5.043)	16	-	1.480	(1.201)	(11.130)
Other intangible assets	(2.841)	(596)	-	-	799	(11)	(2.649)
	(9.223)	**(5.639)**	**16**	**-**	**2.279**	**(1.212)**	**(13.779)**
Net Book Value	**257.758**						**292.188**

Movements of intangible assets between 1 January 2018 – 31 December 2018 are as follows:

Cost	1 January 2018	Addition	Disposal	Transfer (Note 12)	Sale of subsidiary	Currency Translation Differences	31 December 2018
Rights (*)	185.326	6.782	-	2.137	-	69.485	263.730
Other intangible assets	3.120	80	-	51	-	-	3.251
	188.446	**6.862**	**-**	**2.188**	**-**	**69.485**	**266.981**

Accumulated Amortization	1 Janaury 2018	Charge for the Period	Disposal	Transfer	Sale of subsidiary	Currency Translation Differences	31 December 2018
Rights	(2.608)	(3.059)	-	-	-	(715)	(6.382)
Other intangible assets	(2.959)	(340)	-	-	-	458	(2.841)
	(5.567)	**(3.399)**	**-**	**-**	**-**	**(257)**	**(9.223)**
Net Book Value	**182.879**						**257.758**

(*) As of 31 December 2019 Rights contain reacquired rights related with Saudi distribution agreements of Groups products in Saudi Arabia amounting to TL 236.349 thousand (31 December 2018: TL 209.321 thousand), the remaining amount TL 46.659 thousand (31 December 2018: TL 39.917 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.

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

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. GOVERNMENT GRANTS AND INCENTIVES

Export operations and other foreign exchange activities performed under fundamentals and methods identified by Ministry of Finance and Undersecretariat of Foreign Trade are exempt from stamp duty and transaction stamps. Government grants are given for supporting foreign fair attendance with respect to the Credit Coordination Committee's decision at 16 December 2004 with number 2004/11 which is prepared with respect to the decision Government Grants for Export. Group is also benefiting from tax incentive for export of the agricultural products with respect to the Credit Coordination Committee's decision of 20/6 "Export return on Agricultural Products" 2000/5.

Group is benefiting from the energy and employment support incentives with respect to the "Law related with change in grants for investment and employment support, decision number 5084" effective from 6 February 2004 and published in the Ofical Gazette No.25365, with the intention of applying insurance and tax premium incentives, supplying energy support and acquiring free of charge land and property for investments in order to increase investments and employment.

Incentive of TL 135.000.000 have been approved by Ministry of Economy at 19 November 2013 with respect to the expansion and product diversification investment of Ülker Bisküvi San. A.Ş Gebze Factory and Ankara Factory, respectively. The investment completed on 11 November 2019. Biskot Bisküvi Gıda Sanayi ve Ticaret A.Ş. has obtained four investment incentives with regards to product diversifications investments by TL 210.800.770 in Karaman plant. The Group has utilized TL 86.118 thousand (2018: TL 62.801 thousand) portion of such incentives and accounted for defferred tax assets by TL 21.115 thousand for the remaining portion of these earned incentives (2018: TL 37.596 thousand) (Note 31).

The Group has received government incentives amounting TL 50.227 thousand in current year (2018: TL 40.655 thousand). In 2019, TL 11.451 thousand stems from employment grants, TL 1.315 thousand stems from agricultural products exports incentives, TL 30.338 thousand stems from investment incentives, TL 5.802 thousand stems from research and development grants, TL 1.321 thousand stems from other grants (2018: TL 7.890 thousand stems from employment grants, TL 1.389 thousand steps from agricultural products export incentives, TL 26.220 thousand stems from investment incentive, TL 4.432 thousand stems from research and development grants, TL 724 thousand stems from other grants).

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

16. OTHER PROVISIONS, CONTINGENT ASSETS AND LIABILITIES

Short Term Debt Provisions	**31 December 2019**	**31 December 2018**
Provisions for lawsuits	6.615	5.758
Provision for marketing activities	75.761	70.944
Other	20.955	14.266
	103.331	**90.968**

Movement for lawsuit provisions for December 2019 and 2018 is as follows:

	31 December 2019	**31 December 2018**
Opening balance	5.758	6.060
Charge for the period	2.227	399
Terminated provisions	(338)	(507)
Sale of subsidiary	(507)	-
Payment/relinquishment (-)	(525)	(194)
	6.615	**5.758**

a) Guarantees Given

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

	31 December 2019			**31 December 2018**		
	TL	**USD**	**EURO**	**TL**	**USD**	**EURO**
A) CPM's given in the name of own legal personality (*)	201.279	26.273	-	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	**201.279**	**26.273**	**185.192**	**374.265**	**57.302**	**184.216**

(*) Non-cash risk amounting to TL 55 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 31 December 2019 (31 December 2018: 0).

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

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

a) Guarantees Given (Continued)

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.

b) Lawsuits Filed by and Against to the Group

As of 31 December 2019;

Lawsuits filed by the Group:

	TL	EUR
Compensation litigations	61	-
Action of debts	170	-
Criminal cases	175	-
	406	**-**

Lawsuits filed against to the Group:

	TL
Action of debts	870
Foreclosure litigations	1.243
Compensation litigations	4.502
	6.615

The provision of TL 6.615 thousand as of 31 December 2019 has been accounted for various court cases filed against the Group (31 December 2018: TL 5.758 thousand).

As of 31 December 2018;

Lawsuits filed by the Group:

	TL	EUR
Compensation litigations	60	-
Tax litigations (*)	2.914	-
Action of debts	-	172
Criminal cases	172	-
	3.146	**172**

(*) Major part of tax litigatons are related to VAT return receivable litigations.

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

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

b) Lawsuits Filed by and Against to the Group (continued)

As of 31 December 2018; (continued)

Lawsuits filed against to the Group:

	TL
Action of debts	870
Foreclosure litigations	1.244
Compensation litigations	3.644
	5.758

Operational Leasing Agreements

The operating leases cover a one year period. All operational leasing agreements include a clause allowing the re-arrangement of the terms of the lease had the lessee renewed the contract under the current market conditions. The lessee does not have a right to purchase the asset at the end of the term.

The Group's rental income from its operational leasing agreements for tangible assets and investment properties leased and common area usage collectional collected from suppliers and customers are TL 10.289 thousand (2018: TL 9.065 thousand). In the current year operational expenses related fix assets are TL 4.016 thousand (2018: TL 3.071 thousand). Due to non-cancellable rent agreements, the Group's rental revenue to be received in the future periods is TL 11.378 thousand (2018: TL 10.658 thousand) and are all to be realized in a one year period. Due to non-cancellable rent agreements, the Group's rent payments to be incurred in the future periods is TL 4.601 thousand (2018: TL 3.694 thousand) and are all payable in a one year period.

17. COMMITMENTS AND OBLIGATIONS

The Group's export commitments amount to USD 199.532 thousand as of 31 December 2019 (2018: 207.833 thousand USD). The average period of export commitments are 2 years. If the export commitments will not be fulfiled, the Group will loss the tax advantage. Export commitments in 2019 have been mostly realized and it is expected to fulfil rest of commitments in 2020 (2018: all commitments have been realized completely).

18. PROVISION FOR EMPLOYEE BENEFITS

Short Term Liabilities for Employee Benefits	**31 December 2019**	**31 December 2018**
Unused vacation accrual	30.924	28.633
Performance premium accrual	35.442	22.668
	66.366	**51.301**

Movement of Unused Vacation Provision	**31 December 2019**	**31 December 2018**
Opening balance	28.633	22.614
Decrease in period	(15.715)	(12.383)
Increase in period	17.393	14.675
Sale of subsidiaries	(1.447)	-
Currency translation differences	2.060	3.727
Closing balance	**30.924**	**28.633**

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

18. PROVISION FOR EMPLOYEE BENEFITS (Continued)

Movement of Performance Premium Provision	**31 December 2019**	**31 December 2018**
Opening balance	22.668	17.446
Cash payments in period	(35.704)	(21.705)
Increase in period	48.488	24.158
Sale of subsidiary	(2.063)	-
Currency translation differences	2.053	2.769
Closing balance	**35.442**	**22.668**

Long Term Liabilities for Employee Benefits	**31 December 2019**	**31 December 2018**
Provision for employee termination benefits	161.010	115.344
	161.010	**115.344**

Under Turkish Labor Law, the Company is required to pay employment termination benefits to each entitled employee. Also, employees are entitled to be paid their retirement pay provisions who retired by gaining right to receive retirement pay provisions according to of the prevailing 506 numbered Social Insurance Law's Article 60, as amended by 6 March 1981 dated, 2422 numbered and 25 August 1999 dated, 4447 numbered laws. Some transition provisions related to the pre-retirement service term was excluded from the law since the related law was changed as of 23 May 2002. The amount payable consists of one month's salary limited to a maximum TL 6.730,15 for each period of service as of 31 December 2019 (2018: 6.017,60 TL). The subsidiaries at the Group calculate the provision for termination indemnities in accordance with the laws in the countries which they are located.

The liability is not funded, as there is no funding requirement. The provision has been calculated by estimating the present value of the future probable obligation of the Group arising from the retirement of employees. TAS 19 requires actuarial valuation methods to be developed to estimate the entity's obligation under defined benefit plans. Accordingly, the following actuarial assumptions were used in the calculation of the total liability.

The principal assumption is that the maximum liability for each year of service will increase parallel with inflation. Thus, the discount rate applied represents the expected real rate after adjusting for the anticipated effects of future inflation. Consequently, in the accompanying financial statements as at 31 December 2019, the provision has been calculated by estimating the present value of the future probable obligation of the Group arising from the retirement of the employees. The provisions at the respective balance sheet dates have been calculated assuming an annual inflation rate of 7,56% and a interest rate of 11,86%, resulting in a real discount rate of approximately 4,00% (2018: 4,67%). The Group assessed the probability of paying the termination benefits for employees who have completed 15 years and 3600 days with social security Premium payment as 100% if such employees started working prior to 8 September 1999 based on Law numbered 4447. The maximum liability is revised semi annually. The basis considered in calculating the provisions is the amount of maximum liability of TL 6.730,15 which became effective as of 1 January 2020. As of 2019 year end, the probability of resignation of employees is 3,9% (2018: 5,3%).

Movement of provision for employee termination benefits is as below:

	31 December 2019	**31 December 2018**
Opening balance	115.344	82.958
Service cost	43.873	28.422
Interest cost	9.915	10.971
Actuarial loss)	7.930	9.539
Currency translation differences	5.070	7.552
Sale of subsidiary	(1.670)	-
Cash payments during year	(19.452)	(24.098)
Closing balance	**161.010**	**115.344**

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

19. PREPAID EXPENSES

Short Term Prepaid Expenses	**31 December 2019**	**31 December 2018**
Advances given to related parties (Not 33)	41.545	36.368
Advances given to third parties	31.629	26.382
Prepaid expenses	11.317	13.308
	84.491	**76.058**

Long Term Prepaid Expenses	**31 December 2019**	**31 December 2018**
Advances given to third parties	7.602	9.625
Prepaid expenses	-	3
	7.602	**9.628**

20. EMPLOYEE BENEFITS RELATED LIABILITIES

	31 December 2019	**31 December 2018**
Payables to personnel	29.709	22.116
Social security premiums payable	15.113	11.216
	44.822	**33.332**

21. OTHER ASSET AND LIABILITIES

Other Current Asset	**31 December 2019**	**31 December 2018**
VAT carried forward	74.619	52.544
Other	1.036	959
	75.655	**53.503**

Other Current Liabilities	**31 December 2019**	**31 December 2018**
Taxes and fund payable	34.181	40.810
Other liabilities	1.782	336
	35.963	**41.146**

22. DEFERRED REVENUE

Deferred revenue	**31 December 2019**	**31 December 2018**
Advances received	7.804	37.117
Short term deferred revenue	4.050	234
	11.854	**37.351**

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

23. SHAREHOLDERS' EQUITY

a) Capital Structure

The composition of the Company's paid-in share capital as of 31 December 2019 and 2018 is as follows:

		31 December 2019		31 December 2018
Shareholders	**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%**	**342.000**	**100%**

b) Valuation Funds

Financial Asset Valuation Fund:

Financial Asset Valuation Fund is generated from the valuation of available for sale instruments with their fair values. When a financial asset valued at its fair value is disposed, the related portion in the valuation fund is directly recognized in that period's profit and loss. When a financial instrument is revalued and a decrease in value is observed, the related portion in the valuation fund is directly recognized in that period's profit and loss.

As of 31 December 2019 the Group has financial asset valuation fund after tax of TL 513.939 thousand (2018: TL 1.099.942 thousand).

Investment Property Valuation Fund:

Properties accounted as fixed assets in previous periods, might be transferred to investment property due to changes in usage patterns. In this way in 2012, Group classified some of the real estate properties as investment property and preferred to book under fair value method. Accordingly, the increase in the fair value amounting to TL 22.082 thousand during the first transfer, has been accounted as the increase in the fair value under equity. In the following period, the increase in the fair value of real estate amounting to TL 1.115 thousand in 2019 and TL 4.844 thousand in 2018 have been accounted under the income statement (Note 28).

Land and Buildings Revaluation Fund:

Increases in the carrying amounts arising on revaluation of land and buildings are recognised, net of tax, in other comprehensive income and accumulated in reserves in shareholders' equity. To the extent that the increase reverses a decrease previously recognised in profit or loss, the increase is first recognised in profit or loss. Decreases that reverse previous increases of the same asset are first recognised in other comprehensive income to the extent of the remaining surplus attributable to the asset; all other decreases are charged to profit or loss. Each year, the difference between depreciation based on the revalued carrying amount of the asset charged to profit or loss and depreciation based on the asset's original cost, net of tax, is reclassified from the property, plant and equipment revaluation surplus to retained earnings.

The Group revalued its land and buildings. As a result, revaluation fund after tax, accounted is amounting to TL 647.779 thousand as of 31 December 2019. (31 December 2018 : TL 647.779 thousand).

c) Other Gains

	31 Aralık 2019	**31 Aralık 2018**
Other Gains	817.879	-
	817.879	**-**

Group management accounted its dividend income from Godiva Belgium BVBA, in other comprehensive income within the scope of TFRS.

23. SHAREHOLDERS' EQUITY (Continued)

d) Restricted Reserves

Restricted reserves appropriated from profit are composed of legal reserves. Legal reserves comprise of first and second legal reserves, appropriated in accordance with the Turkish Commercial Code. The first legal reserve is appropriated out of historical statutory profits at the rate of 5% per annum, until the total reserve reaches 20% of the historical paid-in share capital. The second legal reserve is appropriated after the first legal reserve and dividends, at the rate of 10% per annum of all cash dividend distributions. According to the Turkish Commercial Code, legal reserves can be only used to offset losses unless they exceed the 50% of paid-in capital. Other than that, legal reserves must not be used whatsoever.

In accordance with the CMB's requirements which were effective until 1 January 2008, the amount generated from the first-time application of inflation adjustments on financial statements, and followed under the "accumulated loss" item was taken into consideration as a reduction in the calculation of profit distribution based on the inflation adjusted financial statements within the scope of the CMB's regulation issued on profit distribution. The related amount that was followed under the "accumulated loss" item could also be offset against the profit for the period (if any) and undistributed retained earnings and the remaining loss amount could be offset against capital reserves arising from the restatement of extraordinary reserves, legal reserves and equity items, respectively.

In addition, in accordance with the CMB's requirements which were effective until 1 January 2008, at the first-time application of inflation adjustments on financial statements, equity items, namely "Capital"," Premium on capital stock","Capital" issue premiums", "Legal reserves", "Statutory reserves", "Special reserves" and "Extraordinary reserves" were carried at nominal value in the balance sheet and restatement differences of such items were presented in equity under the "Shareholders' equity inflation restatement differences" line item in aggregate. "Shareholders' equity inflation restatement differences" related to all equity items could only be subject to the capital increase by bonus issue or loss deduction, while the carrying value of extraordinary reserves could be subject to the capital increase by bonus issue; cash profit distribution or loss deduction

However, in accordance with the CMB's Decree Volume: XI; No: 29 issued on 1 January 2008 and other related CMB's announcements, "Paid-in capital", "Restricted reserves" and "Premium in excess of par" should be carried at their registered amounts in statutory records. Restatement differences (e.g. inflation restatement differences) arising from the application of the Decree should be associated with:

- "Capital restatement differences" account, following the "Paid-in capital" line item in the financial statements, if such differences are arising from "Paid-in Capital" and not added to capital;
- "Retained earnings/Accumulated loss", if such differences are arising from "Restricted reserves" and "Premium in excess of par" and has not been subject to profit distribution or capital increase.

Capital restatement differences can only be included in capital.

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

23. SHAREHOLDERS' EQUITY (Continued)

d) Restricted Reserves (continued)

Profit Distribution:

Publicly listed companies distribute dividends in accordance with the requirements of CMB as explained below: In accordance with the Capital Markets Board's (the "Board") Decree issued on 23 January 2014, in relation to the profit distribution of earnings derived from the operations, minimum profit distribution is not required for listed companies, and accordingly, profit distribution should be made based on the requirements set out in the Board's Communiqué Serial:II, No: 19.1 "Principles of Dividend Advance Distribution of Companies That Are Subject To The CMB Regulations", terms of articles of corporations and profit distribution policies publicly disclosed by the companies.

Differences arising in the evaluations made within the framework of TFRS and arising from inflation adjustments that are not subject to profit distribution or capital increase as of the report date have been associated with previous years' profit / loss.

Resources Available for Profit Distribution:

The Group has fund amounting to TL 2.498.996 thousand (2018: TL 1.100.394 thousand) that can be utilized for profit distribution.

e) Retained Earnings

Details of retained earnings are as follows:

	31 December 2019	31 December 2018
Retained earnings	839.352	380.160
Extraordinary reserves	666.532	436.816
Inflation restatement differences of shareholders' equity accounts other than capital and legal reserves	(18.214)	(18.214)
Other reserves	22.282	24.123
	1.509.952	**822.885**

f) Non-Controlling Interest/ Non-Controlling Interest Profit or Loss

The amount of non-controlling interest as of 31 December 2019 is equal to TL 522.903 thousand (2018: TL 383.495 thousand). The minority share of TL 105.922 thousand on operating results for the period of 1 January 2019 and 31 December 2019 has been presented separately from the profit for the same period in these consolidated statements of income. (2018: TL 86.842 thousand).

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

24. REVENUE AND COST OF SALES

a) Revenue

The detail of operating income is as follows:

	2019	**2018**
Domestic sales(*)	8.497.206	6.575.955
Export sales	1.731.435	1.301.496
Sales returns and discounts (-)	(2.425.521)	(1.921.943)
Sales Income (net)	**7.803.120**	**5.955.508**
Cost of merchandises sold	(5.468.784)	(4.211.608)
Cost of trade goods sold	(195.144)	(183.615)
Cost of sales	**(5.663.928)**	**(4.395.223)**
Gross Profit	**2.139.192**	**1.560.285**

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

b) Cost of Sales

	2019	**2018**
Raw materials	(4.362.124)	(3.321.557)
Personnel expenses	(592.936)	(461.464)
Production overheads	(383.220)	(337.054)
Depreciation and amortization expenses	(157.735)	(137.383)
Change in work-in-progress inventories	7.060	1.946
Change in finished goods inventories	20.171	43.904
Cost of merchandises sold	**(5.468.784)**	**(4.211.608)**
Cost of trade goods sold	(195.144)	(183.615)
Cost of sales	**(5.663.928)**	**(4.395.223)**

25. RESEARCH EXPENSES, MARKETING EXPENSES, GENERAL ADMINISTRATIVE EXPENSES

	2019	**2018**
General administrative expenses	(234.744)	(159.664)
Marketing expenses	(752.076)	(598.206)
Research and development expenses	(19.956)	(12.551)
	(1.006.776)	**(770.421)**

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

26. EXPENSES BY NATURE

The detail of operating expenses is as follow:

	2019	2018
General Administrative Expenses		
Personnel expenses	(94.206)	(75.374)
Operating expenses	(89.169)	(37.436)
Consultancy expenses	(18.465)	(15.401)
Depreciation and amortization expenses	(9.910)	(8.915)
Other	(22.994)	(22.538)
	(234.744)	**(159.664)**
Marketing Expenses		
Marketing operating expenses	(560.022)	(444.162)
Personnel expenses	(134.049)	(106.966)
Rent expenses	(15.111)	(11.636)
Depreciation and amortization expenses	(3.082)	(2.561)
Other	(39.812)	(32.881)
	(752.076)	**(598.206)**
Research Expenses		
Personnel expenses	(12.034)	(8.274)
Materials used	(2.195)	(1.081)
Depreciation and amortization expenses	(383)	(445)
Other	(5.344)	(2.751)
	(19.956)	**(12.551)**

27. OTHER OPERATING INCOME AND EXPENSES

a) The detail of other operating income is as follow:

	2019	2018
Foreign exchange gains	69.201	87.007
Provisions no longer required	2.338	9.217
Rediscount income	1.170	3.123
Service income	1.887	2.618
Other income	12.735	12.592
	87.331	**114.557**

b) The detail of other operating expense is as follow:

	2019	2018
Foreign exchange loss	(35.780)	(62.533)
Provision expenses	(10.534)	(8.009)
Donation expense	(9.876)	(21.769)
Financial expense on credit purchase	(6.409)	(19.981)
Other expenses	(3.430)	(13.045)
	(66.029)	**(125.337)**

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

28. INCOME AND EXPENSES FROM INVESTMENT ACTIVITIES

a) The detail of investment income is as follow:

	2019	2018
Foreign exchange gains	581.712	1.503.693
Interest income	536.151	190.732
Rent income	10.444	8.576
Fair value increase in investment property (Note 11)	1.115	4.844
Income on sales of tangible assets	2.402	1.082
Dividend income	83	231
	1.131.907	**1.709.158**

b) The detail of investment expenses is as follow:

	2019	2018
Fair value decrease in financial investment	(114.002)	-
Foreign exchange losses	(6.998)	(10.940)
Loss on sales of tangible assets	(4.248)	(2.659)
	(125.248)	**(13.599)**

29. FINANCIAL INCOME

	2019	2018
Foreign exchange gain	552.358	1.282.094
Other	2.337	3.207
	554.695	**1.285.301**

30. FINANCIAL EXPENSES

	2019	2018
Foreign exchange losses from financing	(1.026.647)	(2.411.170)
Interest expenses	(413.353)	(330.265)
Other	(26.132)	(44.970)
	(1.466.132)	**(2.786.405)**

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

31. 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%. At the same time, the exemption to be applied over the capital gains from the sales of the real estate taxpayers held for at least two years was 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:

	31 December 2019	31 December 2018	31 December 2019	31 December 2018
Indexation and useful life differences of tangible and intangible assets	-	-	1.114.931	1.103.449
Investment properties valuation diffrences	-	-	17.174	16.059
Marketable securities valuation differences	-	-	89.868	1.157.372
Derivative instruments	-	-	358.919	323.087
Profit margin elimination on inventories	(12.891)	(6.515)	-	-
Discount of trade receivables / payables (net)	-	-	487	5.804
Allowance of employee termination benefits	(122.368)	(87.259)	-	-
Provision of doubtful receivables	(11.987)	(8.463)	-	-
Previous year losses	(75.059)	(66.494)	-	-
Provision for lawsuits	(6.615)	(5.758)	-	-
Impairment on inventories	(14.986)	(11.670)	-	-
Provision for unused vacation	(16.148)	(15.340)	-	-
Other	(19.390)	(26.697)	17.601	16.721
	(279.444)	**(228.196)**	**1.598.980**	**2.622.492**

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

31. TAX ASSET AND LIABILITIES (Continued)

Deferred tax bases: (continued)

	31 December 2019	31 December 2018	31 December 2019	31 December 2018
Indexation and useful life differences of tangible and intangible asets	-	-	151.686	147.219
Investment properties valuation differences	-	-	1.717	1.606
Marketable securities valuation differences	-	-	4.493	57.869
Derivative instruments	-	-	78.962	71.079
Profit elimination on inventories	(2.836)	(1.433)	-	-
Discount of trade receivables / payables (net)	-	-	107	1.277
Allowance of employee termination benefits	(24.474)	(17.452)	-	-
Provision of doubtful receivables	(2.637)	(1.862)	-	-
Previous year losses	(15.012)	(13.299)	-	-
Provision for lawsuits	(1.455)	(1.267)	-	-
Impairment on inventories	(3.297)	(2.567)	-	-
Investment incentive	(21.115)	(37.596)	-	-
Provision for unused vacation	(3.553)	(3.375)	-	-
Other	(4.263)	(5.875)	3.872	3.679
	(78.642)	**(84.726)**	**240.837**	**282.729**

Movement of Deferred Tax Liabilities:

	2019	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	(45.817)	30.868
Currency Translation Differences	4.416	2.876
Deferred tax expense	5.593	67.721
	162.195	**198.003**

As of 31 December 2019, the Group calculated deferred tax assets of TL 75.059 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:

	31 December 2019	31 December 2018
2025	75.059	66.494
Total	**75.059**	**66.494**

31. 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 31 December 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: exempt).

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

31. 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 22 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 31 December 2019 and 2018 is as follows:

	2019	**2018**
Total corporate tax provision	(232.123)	(118.197)
Prepaid taxes and funds	163.156	102.983
Taxation in the balance sheet	**(68.967)**	**(15.214)**

	2019	**2018**
Current period corporate tax expense	232.123	118.197
Deferred tax income	5.593	67.721
Tax expense in the income statement	**237.716**	**185.918**

The reconciliation of provision for taxation as of 31 December 2019 and 2018 are as follows:

	2019	**2018**
Reconciliation of taxation:		
Profit before taxation and non-controlling interest	1.248.940	973.539
Effective tax rate	22%	22%
Calculated tax	274.767	214.179
Tax effects of:		
-Non-deductible expenses	4.684	7.260
-Other non-taxable income	(19.015)	(17.395)
-Investment incentive	(22.770)	(12.086)
-Carry forward tax loss which were not subject to deferred tax	1.039	3.585
- Tax rate difference	(1.363)	(9.221)
-Other	374	(404)
Taxation in the income statement	**237.716**	**185.918**

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

32. EARNINGS PER SHARE

A summary of the Group's weighted average number of shares outstanding as of 31 December 2019 and 2018 and computation of earnings per share set out here as follows:

	2019	**2018**
Weighted average number of common stock outstanding	34.200.000	34.200.000
Net profit	905.302	700.779
Basic Earnings per Share	**2,65**	**2,05**

33. BALANCES AND TRANSACTIONS WITH RELATED PARTIES

The detail of receivables from related parties is as follows:

	31 December 2019	**31 December 2018**
Trade receivables	2.106.741	1.564.689
Non-trade receivables	115.619	627
	2.222.360	**1.565.316**

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

	31 December 2019		**31 December 2018**	
	Trade	**Non-Trade**	**Trade**	**Non-Trade**
Other Companies Controlled by the Principle Shareholder				
Horizon Hızlı Tük. Ür. Paz. Sat. ve Tic. A.Ş.	901.132	-	764.899	-
Pasifik Tük. Ürün. Satış ve Ticaret A.Ş.	585.481	-	472.546	-
İstanbul Gıda Dış Ticaret A.Ş	335.393	-	-	-
Yeni Teközel Markalı Ürünler Dağıtım Hizmetleri A.Ş.	159.344	-	107.634	-
G2M Eksper Satış ve Dağıtım Hizmetleri A.Ş. (*)	70.794	-	54.316	-
United Biscuits (UK) Ltd.	2.788	-	38.137	-
Teközel Gıda T. Sağ. Mrk. Hiz. San. Tic. A.Ş..	-	-	4.522	-
Other (**)	51.809	115.619	127.635	627
	2.106.741	**115.619**	**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.

(**) 114.855 thousand TL portion of other receivables is the amount of receivables arised from the sales of Istanbul Gıda Dış Ticaret A.Ş. to Mustafa Yaşar Serdengeçti.

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.

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

33. BALANCES AND TRANSACTIONS WITH RELATED PARTIES (Continued)

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

	31 December 2019	31 December 2018
Önem Gıda San. ve Tic. A.Ş.	41.545	36.368
	41.545	**36.368**

The detail of payables to related parties is as follows:

	31 December 2019	31 December 2018
Trade payables	607.365	520.308
Non-trade payables	113	1.177
	607.478	**521.485**

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

	31 December 2019		31 December 2018	
	Trade	**Non-Trade**	**Trade**	**Non-Trade**
Principle Shareholder				
Yıldız Holding A.Ş.	96.125	-	61.240	-
Other Companies Controlled by the Principle Shareholder				
Önem Gıda San. ve Tic. A.Ş.	385.307	-	244.060	-
İstanbul Gıda Dış Ticaret A.Ş.	73.058	104	-	-
Besler Gıda ve Kimya San. ve Tic. A.Ş.	8.466	-	65.178	-
Adapazarı Şeker Fabrikası A.Ş.	8.268	-	38.251	-
United Biscuits (UK) Ltd.	7.925	-	42.619	922
pladis Foods Limited	4.491	-	-	-
Marsa Yağ San. ve Tic. A.Ş.	2.409	-	25.298	-
CCC Gıda San. ve Tic. A.Ş.	564	-	14.660	-
Other	20.752	9	29.002	255
	607.365	**113**	**520.308**	**1.177**

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

	31 December 2019	31 December 2018
Yıldız Holding A.Ş.	84.327	19.455
	84.327	**19.455**

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

33. BALANCES AND TRANSACTIONS WITH RELATED PARTIES (Continued)

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

	31 December 2019		**31 December 2018**	
	Purchases	**Sales**	**Purchases**	**Sales**
Other Companies Controlled by the Principle Shareholder				
Önem Gıda San. ve Tic. A.Ş.	1.952.092	558	1.103.034	412
Besler Gıda ve Kimya San. ve Tic. A.Ş.	254.416	4.526	245.588	2.370
United Biscuits (UK) Ltd.	94.811	115.359	79.876	95.254
CCC Gıda San. ve Tic. A.Ş.	68.227	3.538	27.459	1.023
Marsa Yağ San. ve Tic. A.Ş.	67.165	-	76.057	-
Pendik Nişasta San. A.Ş.	43.403	-	49.475	-
Horizon Hızlı Tük. Ür. Paz. Sat. ve Tic. A.Ş.	91	2.889.207	2.217	2.351.287
Teközel Gıda Tem. Sağ. Mark. Hizm. A.Ş.	-	-	226	37.019
Pasifik Tüketim Ürünleri Satış ve Tic. A.Ş.	-	1.450.278	-	1.059.082
Yeni Teközel Markalı Ürünler Dağıtım Hizmetleri A.Ş.	-	261.407	-	151.301
Other	32.109	373.048	97.909	285.553
	2.512.314	**5.097.921**	**1.681.841**	**3.983.301**

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.

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

For the year ended 31 December 2019:

	Rent Income/(Expense) Net	**Service Income/(Expense) Net**	**Interest and Foreign Exchange Income/(Expense) Net**
Principle Shareholder			
Yıldız Holding A.Ş.	(161)	(200.998)	(96.626)
Other Companies Controlled by the Principle Shareholder			
pladis Foods Limited	-	(69.675)	-
Horizon Hızlı Tük. Ür. Paz. Sat. ve Tic. A.Ş.	16	(29.934)	112.249
Pasifik Tüketim Ürünleri Satış ve Tic. A.Ş.	81	(21.134)	53.911
United Biscuits (UK) Ltd.	9	(17.874)	4.260
Önem Gıda San. ve Tic. A.Ş.	2.889	(10.862)	6.324
İzsal Gayrimenkul Geliştirme A.Ş.	(1.991)	(2.684)	-
Besler Gıda ve Kimya San. Ve Tic. A.Ş.	-	13	(1.118)
CCC Gıda San. ve Tic. A.Ş.	(761)	1.659	(1.453)
Other	1.495	(15.177)	12.788
	1.577	**(366.667)**	**90.335**

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

33. BALANCES AND TRANSACTIONS WITH RELATED PARTIES (Continued)

For the year ended 31 December 2018:

	Rent Income/(Expense) Net	**Service Income/(Expense) Net**	**Interest and Foreign Exchange Income/(Expense) Net**
Principle Shareholder			
Yıldız Holding A.Ş.	(703)	(154.944)	368.198
Other Companies Controlled by the Principle Shareholder			
Önem Gıda San. ve Tic. A.Ş.	2.727	(33.433)	4.658
Pasifik Tüketim Ürünleri Satış ve Tic. A.Ş.	104	(19.688)	17.160
Horizon Hızlı Tük. Ür. Paz. Sat. ve Tic. A.Ş.	15	(19.495)	41.916
United Biscuits (UK) Ltd.	-	(5.125)	1.256
İzsal Gayrimenkul Geliştirme A.Ş.	(1.778)	(1.738)	-
CCC Gıda San. ve Tic. A.Ş.	(124)	(54)	(8.650)
Besler Gıda ve Kimya San. ve Tic. A.Ş.	-	3	(1.916)
Other	666	(1.106)	16.739
	907	**(235.580)**	**439.361**

Benefits provided to members of BOD and key management personnel:

	31 December 2019	**31 December 2018**
Fees and other short term benefits	35.540	26.221
	35.540	**26.221**

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

34. NATURE AND LEVEL OF RISKS DERIVED FROM FINANCIAL INSTRUMENT

Additional Information on Financial Instruments

Capital risk management

The Group manages its capital to ensure that entities in the Group will be able to continue as a going concern while maximizing the return to stakeholders through the optimization of the debt and equity balance.

The capital structure of the Group consists of debt, which includes the borrowings disclosed in Note 6 and non-commercial debts to related parties explained in footnote 33, cash and cash equivalents disclosed in Note 4 and of derivative instruments disclosed in Note 9, equity attributable to equity holders of the parent, comprising issued capital, reserves and retained earnings as disclosed in Note 33.
.
The management of the Group considers the cost of capital and the risks associated with each class of capital. The management of the Group aims to balance its overall capital structure through the payment of dividends, new share issues and the issue of new debt or the redemption of existing debt.

The Group controls its capital with the liability / total capital ratio.Net liability is divided by total capital in this ratio. Cash and cash equivalents are subtracted from total loans to calculate the net liability. The shareholder's equity is added to net liabilities to calculate the total capital.

Net liability / Total capital ratio as of 31 December 2019 and 2018 are as follows:

	31 December 2019	**31 December 2018**
Total financial liabilities / Related party non-trade	5.824.815	5.246.303
Negative: Cash & cash equivalent	(5.080.978)	(3.378.761)
Negative: Financial derivatives instruments	(358.919)	(323.087)
Net debt	384.918	1.544.455
Total shareholders' equity	4.934.232	3.679.732
Total capital	5.319.150	5.224.187
Net debt/Total Capital Ratio	7%	30%

Financial Risk Factors

The risks of the Group, resulted from operations, include market risk (including currency risk, fair value interest rate risk and price risk), credit risk and liquidity risk. The Group's risk management program generally seeks to minimize the effects of uncertainty in financial market on financial performance of the Group.

Risk management is implemented by finance department according to the policies approved by Board of Directors. The Group's finance department provides services to the business, co-ordinates access to domestic and international financial markets, monitors and manages the financial risks relating to the operations of the Group through internal risk reports which analyses exposures by degree and magnitude of risks. The written procedures are formed by Board of Directors to manage the foreign currency risk, interest risk, credit risk, use of derivative and non-derivative financial instruments and the assessment of excess liquidity.

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

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

Credit Risk Management

Credit Risk of Financial Instruments	**Receivables**					
	Trade Receivables		**Other Receivables**			
2019	**Related Party**	**Third Party**	**Related Party**	**Third Party**	**Deposit in Bank**	**Derivative instruments**
Maximum net credit risk as of balance sheet date (*)	2.106.741	259.061	115.619	37.743	5.080.978	358.919
- The part of maximum risk under guarantee with collateral etc (**)	-	192.651	-	-	-	-
A. Net book value of financial assets that are neither past due nor impaired	2.001.936	253.726	115.619	37.743	-	358.919
B. Net book value of financial assets that are renegotiated, if not that will be accepted as past due or impaired	-	-	-	-	-	-
C. Carrying value of financial assets that are past due but not impaired	104.805	5.335	-	-	-	-
- The part under guarantee with collateral etc	-	-	-	-	-	-
D. Net book value of impaired assets	-	-	-	-	5.080.978	-
- Past due (gross carrying amount)	-	10.773	-	-	-	-
- Impairment (-)	-	(10.773)	-	-	-	-
- The part of net value under guarantee with collateral etc	-	-	-	-	-	-
- Not past due (gross carrying amount)	-	-	-	-	5.087.999	-
- Impairment (-)	-	-	-	-	(7.021)	-
- The part of net value under guarantee with collateral etc	-	-	-	-	-	-
E. Off-balance sheet items with credit risk	-	-	-	-	-	-

(*) Items that increase the credit reliability, such as; letter of guarantees received, are not taken into account in the calculation.
(**) Guarantees include letter of guarantees, guarantee notes and mortgages.

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

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

Credit Risk Management (continued)

	Receivables					
Credit Risk of Financial Instruments	**Trade Receivables**		**Other Receivables**			
2018	**Related Party**	**Third Party**	**Related Party**	**Third Party**	**Deposit in Bank**	**Derivative instruments**
Maximum net credit risk as of balance sheet date (*)	1.564.689	334.397	627	38.788	3.378.340	323.087
- The part of maximum risk under guarantee with collateral etc (**)	-	56.232	-	-	-	-
A. Net book value of financial assets that are neither past due nor impaired	1.476.561	322.756	627	38.788	-	323.087
B. Net book value of financial assets that are renegotiated, if not that will be accepted as past due or impaired	-	-	-	-	-	-
C. Carrying value of financial assets that are past due but not impaired	88.128	11.641	-	-	-	-
- The part under guarantee with collateral etc	-	7.876	-	-	-	-
D. Net book value of impaired assets	-	-	-	-	3.378.340	-
- Past due (gross carrying amount)	-	19.351	-	-	-	-
- Impairment (-)	-	(19.351)	-	-	-	-
- The part of net value under guarantee with collateral etc	-		-	-	-	-
- Not past due (gross carrying amount)	-	-	-	-	3.380.507	-
- Impairment (-)	-	-	-	-	(2.167)	-
- The part of net value under guarantee with collateral etc	-	-	-	-	-	-
E. Off-balance sheet items with credit risk	-	-	-	-	-	-

(*) Items that increase the credit reliability, such as; letter of guarantees received, are not taken into account in the calculation.
(**) Guarantees include letter of guarantees, guarantee notes and mortgages.

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

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

Credit Risk Management (continued)

Aging of overdue receivables as of 31 December 2019 and 2018 is as follows:

	Receivables		
31 December 2019	**Trade Receivables**	**Other Receivables**	**Total Receivables**
Overdue between 1-30 days	21.622	-	21.622
Overdue between 1-3 months	46.182	-	46.182
Overdue between 3-12 months	42.336	-	42.336
Overdue between 1-5 years	-	-	-
Overdue more than 5 years	-	-	-
Total overdue receivables	**110.140**	**-**	**110.140**
The portion of under guarantee with collateral etc	**-**	**-**	**-**

	Receivables		
31 December 2018	**Trade Receivables**	**Other Receivables**	**Total Receivables**
Overdue between 1-30 days	49.550	-	49.550
Overdue between 1-3 months	15.389	-	15.389
Overdue between 3-12 months	31.914	-	31.914
Overdue between 1-5 years	2.916	-	2.916
Overdue more than 5 years	-	-	-
Total overdue receivables	**99.769**	**-**	**99.769**
The portion of under guarantee with collateral etc	**7.876**	**-**	**7.876**

Collaterals held for the trade receivables that are past due and not impaired as of balance sheet date are as follows:

	2019	**2018**
	Fair Value	**Fair Value**
Guarantees Received	-	7.876
	-	**7.876**

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

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

Liquidity risk management

The Group manages liquidity risk by maintaining adequate reserves, banking facilities and reserve borrowing facilities by continuously monitoring forecast and actual cash flows and matching the maturity profiles of financial assets and liabilities. The funding risk of the current and prospective debt demands is managed by maintaining the availability of lenders with high quality and in sufficient number.

Liquidity risk charts

The following table presents payments of the Group's cash outflows for it's on-balance sheet financial liabilities according to remaining maturities as at 31 December 2019 and 31 December 2018 . The amounts shown in the table are the contractual undiscounted cash flows and the Group's liquidity management takes into account the expected undiscounted cash flows.

Contractual maturity analysis 2019	**Carrying value**	**Total cash outflow according to contract (I +II+ III+IV)**	**Less than 3 months (I)**	**3-12 months (II)**	**1-5 years (III)**	**More than 5 years (IV)**
Non-derivative financial liabilities						
Bank borrowing	5.877.668	6.009.732	151.857	5.196.431	596.439	65.005
Financial lease liabilities	62.653	95.177	7.321	21.961	65.895	-
Trade payables	1.224.598	1.224.789	1.220.909	3.880	-	-
Other payables	5.107	5.107	5.107	-	-	-
Total liabilities	**7.170.026**	**7.334.805**	**1.385.194**	**5.222.272**	**662.334**	**65.005**
Derivative instruments (Net)	**358.919**	**343.104**	**-**	**343.104**	**-**	**-**
Cash inflow regarding derivative instruments	888.581	908.337	-	908.337	-	-
Cash outflow regarding derivative instruments	(529.662<)	(565.233)	-	(565.233)	-	-

The expected maturities are same as the maturities per contracts.

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

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

Liquidity risk management (continued)

Contractual maturity analysis 2018	Carrying value	Total cash outflow according to contract (I +II+ III+IV)	Less than 3 months (I)	3-12 months (II)	1-5 years (III)	More than 5 years (IV)
Non-derivative financial liabilities						
Bank borrowing	5.245.753	5.538.813	66.943	390.869	5.081.001	-
Financial lease liabilities	-	-	-	-	-	-
Trade payables	1.114.097	1.119.695	1.093.161	26.534	-	-
Other payables	6.808	6.808	6.808	-	-	-
Total liabilities	**6.366.658**	**6.665.316**	**1.166.912**	**417.403**	**5.081.001**	**-**
Derivative instruments (Net)	**323.087**	**206.921**	**-**	**(37.638)**	**244.559**	**-**
Cash inflow regarding derivative instruments	811.248	853.155	-	41.656	811.499	-
Cash outflow regarding derivative instruments	(488.161)	(646.234)	-	(79.294)	(566.940)	-

The expected maturities are same as the maturities per contracts.

Market Risk Management

The Group is subject to financial risks related with the foreign exchange currency.

Market risk management is also measured based on sensitivity analysis.

In the current year, the Group's market risk management method or its market risk exposure have not changed when compared to prior year.

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.

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

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

Foreign Currency Risk Management (coninued)

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

	31 December 2019				
	TL	**USD**	**EUR**	**GBP**	**CHF**
1. Trade Receivables	383.292	51.020	8.896	2.708	-
2a. Monetary Financial Assets	5.388.027	901.935	3.636	785	11
2b. Non-Monetary Financial Assets	-	-	-	-	-
3. Other	5.167	268	522	14	1
4. **CURRENT ASSETS**	**5.776.498**	**953.223**	**13.054**	**3.507**	**12**
5. Trade Receivables	-	-	-	-	-
6a. Monetary Financial Assets	-	-	-	-	-
6b. Non-Monetary Financial Assets	-	-	-	-	-
7. Other	-	-	-	-	-
8. NON-CURRENT ASSETS	**-**	**-**	**-**	**-**	**-**
9. TOTAL ASSETS	**5.776.498**	**953.223**	**13.054**	**3.507**	**12**
10. Trade Payables	100.636	10.497	4.454	917	251
11. Financial Liabilities	5.124.763	259.148	539.105	-	-
12a. Other Monetary Financial Liabilities	7.751	1.166	124	-	-
12b. Other Non-monetary Financial Liabilities	2.867	393	80	-	-
13. CURRENT LIABILITIES	**5.236.017**	**271.204**	**543.763**	**917**	**251**
14. Trade Payables	-	-	-	-	-
15. Financial Liabilities	379.476	-	57.058	-	-
16a. Other Monetary Financial Liabilities	-	-	-	-	-
16b. Other Non-monetary Financial Liabilities	-	-	-	-	-
17. NON-CURRENT LIABILITIES	**379.467**	**-**	**57.058**	**-**	**-**
18. TOTAL LIABILITIES	**5.615.484**	**271.204**	**600.821**	**917**	**251**
19. Net Assets of Off Statement of Financial Position (19a-19b)	**888.581**	**116.000**	**30.000**	**-**	**-**
19a. Net Assets of Off Statement of Financial Position	-	-	-	-	-
19b. Net Liabilities of Off Statement of Financial Position	(888.581)	(116.000)	(30.000)	-	-
20. Net Foreign Currency Asset / (Liability) Position (9-18+19)	**1.049.595**	**798.019**	**(557.767)**	**2.590**	**(239)**
21. Monetary Items Net Foreign Currency Asset / (Liability) Position (1+2a+5+6a-10-11-12a-14-15-16a)	**158.702**	**682.144**	**(588.209)**	**2.576**	**(240)**
22. Total Fair Value of Financial Instruments Used to Hedge the Foreign Currency Position	358.919	46.403	12.522	-	-
23. Total value of Hedged Foreign Currency Assets	-	-	-	-	-
24. Total value of Hedged Foreign Currency Liabilities	-	-	-	-	-

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

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

Foreign Currency Risk Management (coninued)

	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 the period of 1 December 2019 and 31 December 2018 are presented below:

	1 January – 31 December 2019	**1 January – 31 December 2018**
Total exports	1.731.435	1.301.496
Total imports	447.562	337.083

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

34. 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.

	31 December 2019		**31 December 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	474.113	(474.113)	331.107	(331.107)
2- Part of hedged from US Dollar risk (-)				
3- US Dollar net effect (1 +2)	**474.113**	**(474.113)**	**331.107**	**(331.107)**
In case of %10 appreciation of EUR against TL				
4 -Euro net asset / liability	(371.242)	371.242	(337.822)	337.822
5 - Part of hedged from Euro risk (-)				
6- Euro net effect (4+5)	**(371.242)**	**371.242**	**(337.822)**	**337.822**
Total (3 + 6)	**102.871**	**(102.871)**	**(6.715)**	**6.715**

Interest risk management

Financial liabilities based on fixed and floating interest rates expose the Company to interest rate risk. The related risk is controlled by interest rate swap agreements and floating interest rate agreements by balancing the fixed and floating interest rate borrowings. Risk strategies are reviewed periodically considering the interest rate expectations and predetermined interest risks; which aims to establish optimum interest risk management regarding the balance sheet position and the interest expenses.

Interest rate sensitivity

Sensitivity analysis is determined based on the interest rate risk that the non-derivative instruments exposed to on the balance sheet date and is kept fixed during the reporting period. The Company management expects a fluctuation of 1% in Euribor interest rates. 1% increase or decrease is used in reporting the interest rate risk to the key management personnel and represents management's assessment of the reasonably possible change in interest rates.

On the reporting date if Euribor/Libor interest rates had been 1% higher and all other variables were held constant:

Net income of the Group would have been decreased by TL 1.043 thousand (Net profit in 2018 would have been decreased by TL 1.498 thousand). This is mainly attributable to the Group's exposure to interest rates on its variable rate borrowings. In case of 1% decrease in Libor/Euribor interest rate, the net profit of the Group for the current period would have increased by TL 1.043 thousand (Net profit in 2018 would have been increased by TL 1.498 thousand)

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

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

The financial instruments that are sensitive to interest rate are as follows:

Fixed interest rate financial instruments		**31 December 2019**	**31 December 2018**
Financial Assets	Cash and Cash Equivalents	4.743.114	2.666.312
	Non-trade receivables from related parties	-	-
	Other Receivables	37.743	38.788
Financial Liabilities	Borrowings	875.965	809.967
	Loan Payables due to Related Parties	-	-
	Other payables to Related Parties	-	-
	Financial lease payables	62.653	-
	Other Payables	4.994	5.631
Floating interest rate financial instruments			
Financial Assets	Non-trade receivables from related parties	115.619	627
	Other receivables	-	-
Financial Liabilities	Borrowings	4.917.375	4.416.331
	Loan payables due to related parties	84.327	19.455
	Non-trade payables due to related parties	113	1.177

Other price risk

The Group is exposed to price risk due to the fluctuations in exchange rate and interest rate. The investigation on market information is examined and followed through appropriate valuation method regarding price risk by the Group. In current year, there have not been any changes compared to prior year in the market risk that the Group is exposed to or the administration or calculation methods of these risks.

Equity investments price sensitivity

The sensitivity analysis presented below has been prepared based on the equity investments price risks exposed.

As of reporting date, assuming that all other variables are held constant and when the values used in the valuation method increase/decrease by 10%:

As of 31 December 2019, as long as the equity investment are classified as available for sale and not disposed of or they are not impaired the net profit/loss will not be affected. (31 December 2018: none)

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

35. 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)

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

		Fair value hierarchy as of reporting date		
Financial assets	**31 December 2019**	**Level 1 TL**	**Level 2 TL**	**Level 3 TL**
Financial assets at fair value through profit and loss				
- Shares	4.080	806	-	3.274
Financial assets at fair value through comprehensive income statement				
- Shares	945.829	-	-	945.829
- Derivative instruments	358.919	-	358.919	-
Total	**1.308.828**	**806**	**358.919**	**949.103**

		Fair value hierarchy as of reporting date		
Finansal assets	**31 December 2018**	**Level 1 TL**	**Level 2 TL**	**Level 3 TL**
Financial assets at fair value through comprehensive income statement				
- 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**	**323.087**	**1.340.021**

36. EVENTS AFTER THE BALANCE SHEET DATE

According to the decision of the board of directors of the company as of 25.02.2020, as a result of the increase in the duties and responsibilities of Mehmet Tütüncü, who is the chairman of the board and CEO, the request to leave the position of the CEO has been deemed appropriate and his duty as the Chairman of the Board of Directors continues and Mete Buyurgan also decided to be appointed as CEO.

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