

ÜLKER

ÜLKER BİSKÜVİ
Annual Report 2020



CONTENTS

- 12 Key Financial and Operational Indicators
- 14 Sales Volume and Revenue Growth
- 14 Capital Structure
- 15 Ülker and Its Share Performance on the BIST
- 16 About pladis
- 18 Ülker Bisküvi Production Facilities
- 20 Message from the Chairman
- 22 Message from the CEO
- 26 Strategies
- 27 Current Economic Outlook, Global and Turkish Food Industries
- 28 Marketing
- 30 Production and Capacity
- 36 Operational Excellence
- 38 Investments
- 39 Subsidiaries and Financial Investments
- 42 Sustainability
- 50 Human Resources
- 52 Research, Development and Innovation
- 54 Quality Assurance
- 56 Social Responsibility
- 58 Corporate Governance Principles Compliance Report
- 71 Declaration of Compliance to Sustainability Principles
- 72 Sustainability Principles Compliance Framework
- 86 Risk Management
- 87 Investor Relations
- 88 Other Issues Regarding Company Operations
- 89 Statement of Responsibility Regarding the Annual Report
- 90 Subsidiary Company Report Results
- 91 Independent Audit Report
- 93 Consolidated Financial Statements for the Year January 31-December 31, 2020 Together with Independent Auditor's Report

Biscuit



Ülker Pötibör, Biskrem, Ülker Bebe, Hanımeller, Saklıköy, İkrâm, Ülker Kremali, Çokoprens, 9 Kat Tat, 9 Kat Rulokat, 9 Kat İnce İnce, Probis, Çokomel, Altınbaşak, Rondo, Canpare, Haylayf, Ülker Finger, Ülker Deluxe, Dore, Ülker Kakaolu Bisküvi, Kat Kat Tat, Çizi, Çiziviç, Ülker Çubuk Kraker, Ülker Susamlı, Çubuk Kraker, Krispi, Taç Kraker, Cici Balık, McVitie's

Chocolate



Ülker Çikolatalı Gofret, Halley, Albeni, Dido, Laviva, Çokonat, Metro, Cocostar, Hobby, Piko, Çokomilk, Alpella, Çokokrem, Ülker Çikolata, Napoliten, Caramio, Smartt, Ülker Flipz, Ece, Çikolatin, Buklet, Konçerto, Senfoni, Select, Lalezar, Beylerbeyi, Godiva

Cake



Dankek, O'lala, 8 Kek, Kekstra, Pöti, Ülker Fırından, Çokokrem Pankek, Albeni

SALES VOLUME BY CATEGORY

(Thousand Tons)	2019	(%)	2020	(%)	Growth in 2019-2020
Biscuit	328	57	334	56	1.6%
Chocolate	199	35	219	37	9.8%
Cake	49	8	42	7	-12.8%
Confectionary Total	576	100	595	100	3.2%

NET SALES BY CATEGORY

(TL Million)	2019	(%)	2020	(%)	Growth in 2019-2020
Biscuit	3,395	44	4,149	44	22.2%
Chocolate	3,757	49	4,694	50	25.0%
Cake	575	7	557	6	-3.2%
Confectionary Total	7,727	100	9,401	100	21.7%

Taste and success are at the top!

Life was interrupted due to the coronavirus pandemic. Everyone stayed at home. A strange time commenced. Someone had to add flavor to life.

As Turkey's leading food company, Ülker Bisküvi remained committed to its business mission throughout the pandemic. Our employees continued to work with great effort while adhering to strict precautionary measures.

During this challenging period, we maintained our export performance in line with our production, sales and distribution activities. As a result, we extended our sustainable growth.

We continued to spread happiness not only to Turkey but across the world with our delicious taste, commitment and success, driven by our domestic production operations as well as our exports.



We Expanded Our Export and International Operations Strongly

The world needed a little happiness during these difficult days. We exported our products to over 100 countries. We maintained our leadership position in the biscuit market in Saudi Arabia and Egypt. We also extended our strong growth trend in Central Asian countries.



International
operations growth rate

23.4%

Total revenue

TL 9.4 Billion





We Supported Our Farmers

In line with the sustainable development goals of our country, we develop projects that always prioritize local producers in our sustainability activities. With Aliğa Biscuit Wheat, which emerged after many years of our joint work with Bahri Dağdaş International Agricultural Research Institutes, we provided high-yielding biscuit wheat that is locally developed and drought-, disease- and climate change-resistant - a first in Turkey. Our wheat, which we harvested for the first time in July 2020, was sowed again in November. Our goal is to meet more than half of our needs from Aliğa Biscuit Wheat in 2023.



We Introduced New Flavors to Our Consumers

Ülker is a company that always listens to the needs of its consumers and produces the right solutions for them. During the pandemic period, we have closely followed changing consumer habits and trends. We continued to innovate without slowing down. With new tastes and discoveries, Ülker is always there for life's little moments of happiness. We have continued to be a pioneer in the industry.



Share of new products
in revenue^{*}

13.6%

* In the Turkish market





We Boosted Production without Waste

While ramping up our production, we remained mindful of expenses. As a result of nearly 150 improvement projects that we have implemented, we recorded significant savings. Targeting the goal of zero waste, we recycle 91% of our waste. In addition, we have reduced our electricity and water consumption.



Savings achieved through
projects in 2020

TL 21 million

We Understand that Nature is Entrusted to Us

We care about making our stakeholders and our planet feel happy and staying happy while doing our job. We act responsibly in order to protect the unique natural assets and resources of our beautiful country and pass them on to future generations. Since 2014, we have grown steadily without any increase in carbon emissions. We raise social awareness by saying “My beautiful country, nature is entrusted to us.”



Logistics-induced carbon
emission reduction target

20%



Key Financial and Operational Indicators

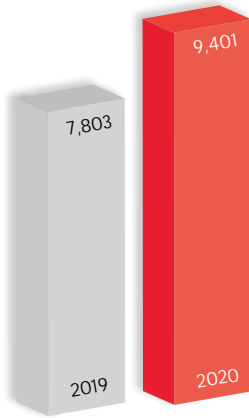
Ülker Bisküvi reached successful financial and operational results by increasing its market share in the biscuit and chocolate categories, and increased its sales revenue to TL 9.4 billion in 2020.

Summary Balance Sheet (TL Million)	2019	2020
Current Assets	8,720	13,263
Non-Current Assets	4,072	4,630
Short-term Liabilities	6,800	2,454
Long-term Liabilities	1,058	8,965
Shareholders' Equity	4,934	6,474

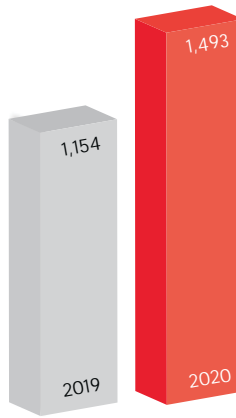
Summary Income Statement (TL Million)	2019	2020
Revenue	7,803	9,401
Gross Profit	2,139	2,643
Operating Profit	1,154	1,493
Net Profit (Equity Holders of the Parent)	997	1,016

Ratios	2019	2020
Gross Profit Margin	27.4%	28.1%
EBITDA Margin	16.7%	17.2%
Net Profit Margin(Equity Holders of the Parent)	12.8%	10.8%
Earnings per Share (1TL Nominal)	2.91	2.97

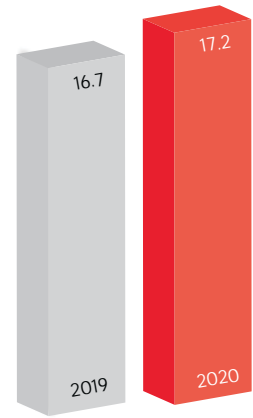
Revenue (TL Million)



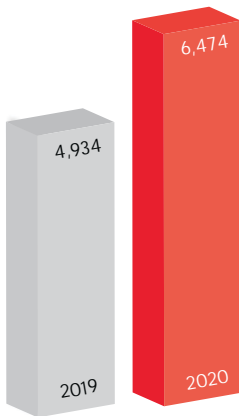
Operating Profit (TL Million)



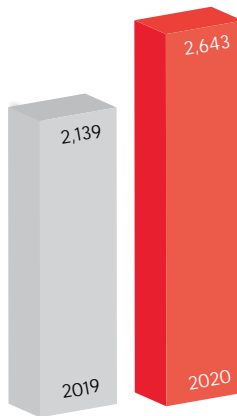
EBITDA Margin (%)



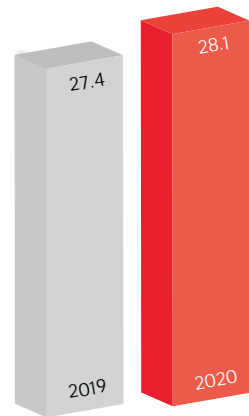
Shareholders' Equity (TL Million)



Gross Profit (TL Million)

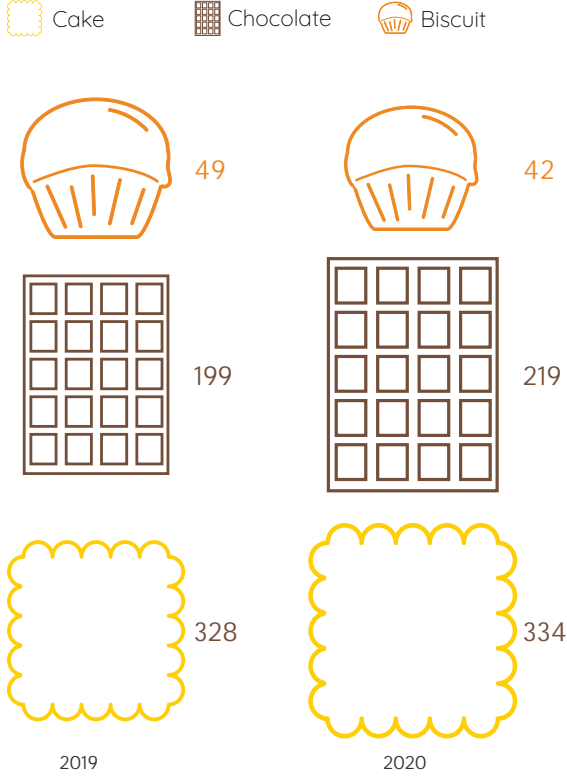


Gross Profit Margin (%)

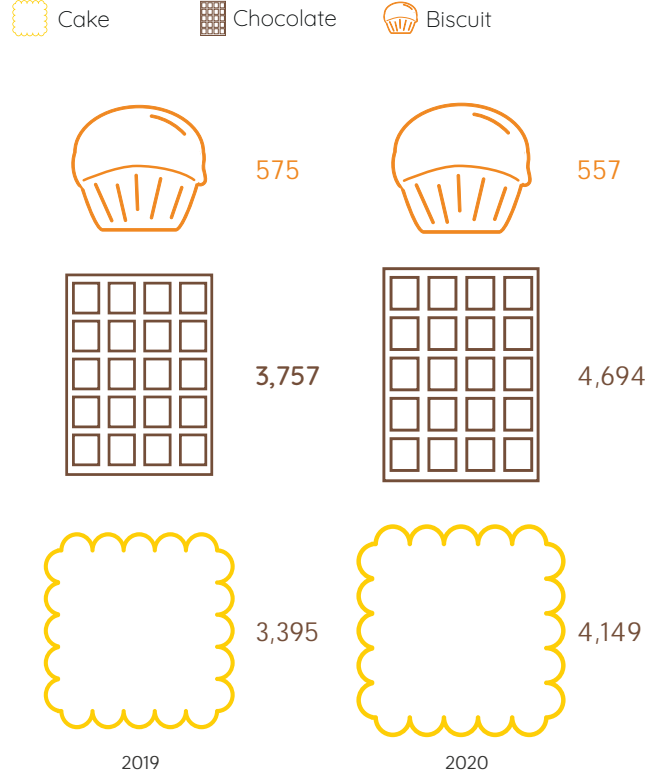


Sales Volume and Revenue Growth

Sales Volume by Category (Thousand Tons)



Net Sales by Category (TL Million)



Capital Structure

Name of the Shareholder	31 December 2020		31 December 2019	
	Share Value	Share Ratio	Share Value	Share Ratio
pladis Foods Limited	174,420	51.00%	174,420	51.00%
Yıldız Holding A.Ş. 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 and Its 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. Preferred by the investors who sought a long-term investment Ülker's share price stood at TL 23.1 as of December 31, 2020. At year-end, Ülker's market capitalization totaled TL 7,914 million, while the market value of its free-float shares reached to TL 3,297 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 2020 is given in the below table:

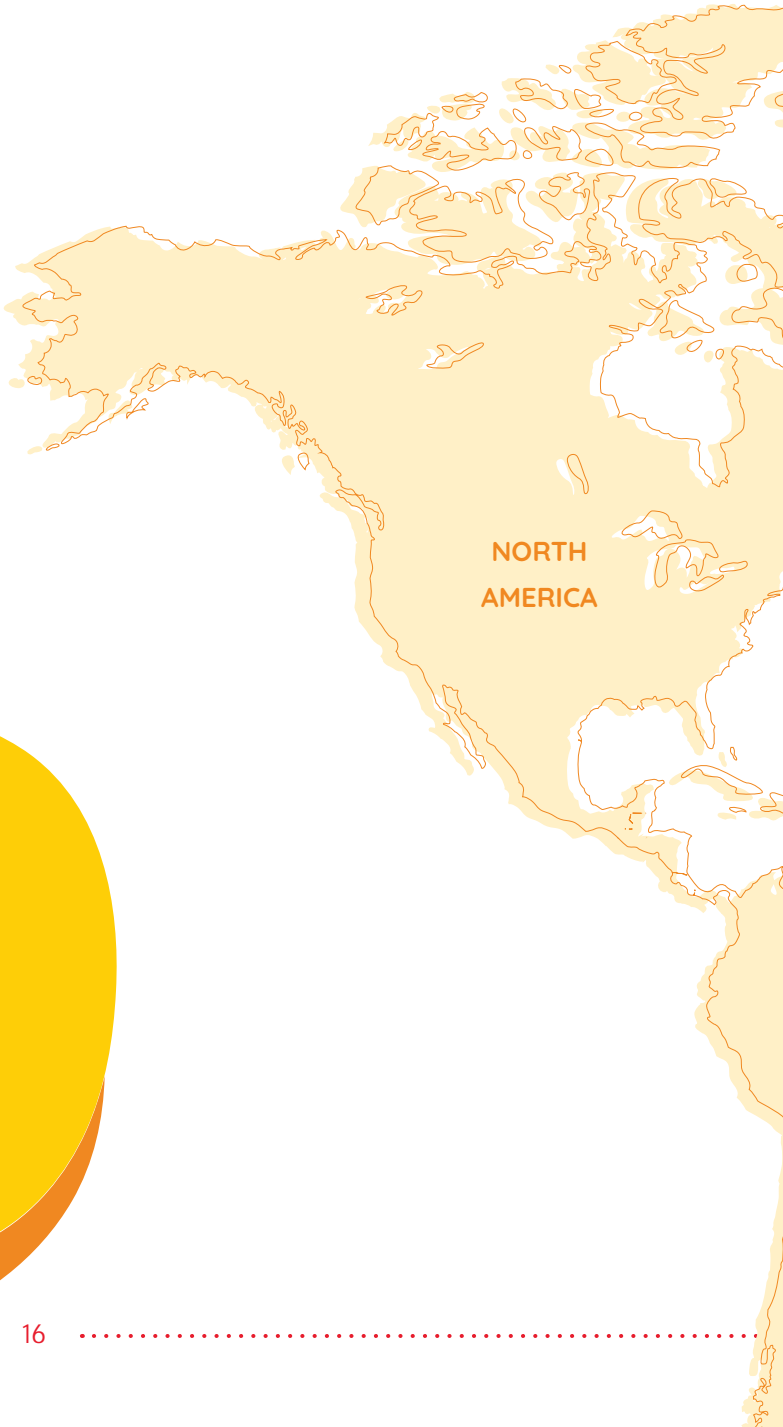
As of 31.12.2020		
Closing Price (TL)		23.1
Free Float (%)		41.5
Market Value (TL)		7,914
Stock Performance (%)	2019	2020
TL	22.4	23.1
USD	3.8	3.1

About pladis

Bringing together Yıldız Holding's core confectionery businesses and beloved brands, including McVitie's, Ülker, and Godiva under a single roof, pladis continues its global journey successfully which started with the motto "We are promising to bring happiness to the world with every bite."

pladis delivers supermarket series Godiva chocolates, regional brands such as Jacob's, go ahead!, Carr's, Flipz, BN, Verkade, MENA market leader Ülker and many more, delighting consumers with products across the snacking category including sweet and savory biscuits, wafer, cake, chocolate, gum and candy to the consumers.

Formed in 2016 with a promise to bring happiness to the various geographical parts of the world, pladis is the proud steward of more than 300 years' baking and confectionery heritage. Equipped with the expertise of more than 16,000-employees at 25 factories in 11 countries, pladis is happily working to deliver the highest quality products to 4 billion people across the world.



*pladis continues its global journey
successfully which started with
the motto "We are promising to
bring happiness to the world with
every bite."*

pladis operates in 25 plants across 11 countries, with more than 16,000 employees and deep expertise exceeding 300 years of experience, to bring happiness to the world with every bite to all its consumers by responding to the expectations and needs of the consumers with a rich variety of product range.



Ülker Bisküvi Production Facilities

Ülker Bisküvi began its operations at a small workshop with three employees in Eminönü, Istanbul in 1944.

Silivri, Istanbul Factory

Chocolate and Chocolate Covered Biscuit

Established in: 1995

Capacity:

25 thousand tons/year

Gebze, Kocaeli Factory

Biscuits, Chocolate and Cake

Established in: 1997

Capacity:

149 thousand tons/year

Esenyurt, Istanbul Factory

Cake

Established in: 1992

Capacity:

47 thousand tons/year

Egypt Factory (Hi-Food)

Biscuit

Purchased in: 2016

Capacity:

51 thousand tons/year

Topkapı, Istanbul Factory

Chocolate

Established in: 1991

Capacity:

221 thousand tons/year

Kazakhstan Factory

Biscuits, Chocolate and Cake

Purchased in: 2017.

Capacity:

36 thousand tons/year

Ankara Factory

Biscuit

Established in 1969

Capacity:

139 thousand tons/year

Saudi Arabia Factory (FMC)

Biscuit, Chocolate and Cake

Purchased in: 2016

Capacity:

46 thousand tons/year

Karaman Factory

Biscuit, Cake, Cracker & Chocolate

Established in: 1986

Capacity:

216 thousand tons/year

Saudi Arabia Factory (IBC)

Biscuit and Chocolate

Purchased in: 2018

Capacity:

30 thousand tons/year



Today Ülker Bisküvi has become a regional force continuing its production activities with 10 plants in four countries.

Message from the Chairman

Further strengthened by a digitalization infrastructure already in process, we successfully managed the pandemic.

Dear Stakeholders,

In 2020, we witnessed significant developments that can be considered a milestone for a period of economic, social and technological transformation that will guide the near future of humanity. In 2020, we experienced a revolutionary change to our outlook on life, starting from our social and professional habits. In the face of challenging conditions, we took innovative steps to strengthen our adaptation to the pandemic and its effects. This difficult year once again highlighted the significance of business continuity and its components.

Focusing on “human health” since the very beginning of the pandemic, our priority was to ensure the safety of each and every employee and to maintain our operations. Our goal was to continue to contribute to all the stakeholders within our value chain, from suppliers to consumers, while conducting our activities.

From the beginning of the pandemic, we developed exemplary practices to enable the access of our consumers to safe products and to protect the health of our employees. As a result of these practices, we were awarded the TSE COVID-19 Safe Production Certificate for all our factories in Turkey.

Digitalization was among the most prominent issues of 2020. Further strengthened by a digitalization infrastructure already in process, we successfully managed the pandemic. We inaugurated digital transformation with an end-to-end approach extending from supply chain to consumer.

On our path to adopting our “no-waste company” model, we put all our efforts into leaving future generations a habitable world, as well as maintaining our operations’ sustainability. During the COVID-19 period, we acted in awareness of the importance of the supply chain, to ensure that consumers could continue to access our products, to understand our consumers, and to carry on in accordance with their requirements and changing behaviors.

We always attach priority to our responsibilities towards the environment and future generations during production. While carrying out sustainability activities in line with long-term goals that we defined in 2014, Ülker Bisküvi has been listed in the Borsa Istanbul Sustainability Index and FTSE4Good Emerging Indexes, the global sustainability index, since 2015 and 2016, respectively. We continued to grow together with our stakeholders in 2020, without compromising our saving and efficiency approaches.



For our country, as well as the entire world, 2020 has been a challenging year. On the other hand, thanks to laws enacted to boost the markets and with the contribution of growth figures, especially in the industry sector and after the second quarter of 2020 in particular, we believe that 2021 will deliver a significant recovery. At Ülker Bisküvi, we will continue to support our country's development goals and gain strength in the global competition, maintain our strong position in the existing markets, and sustain our leadership in 2021, as well.

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

*At Ülker Bisküvi, we will
continue to support our
country's development
goals in 2021.*

Message from the CEO

We significantly increased our profitability while achieving sustainable growth in our areas of operation in 2020.

Dear Stakeholders,

2020 will be remembered as an important year in terms of overcoming the challenges we faced due to the pandemic, as well as in terms of global cooperation and solidarity. In such trying times, at Ülker Bisküvi, we completely fulfilled our responsibilities across all our processes, in production and in access to consumers. We kept our production processes going, supporting the economy. As the strategic sector during the period, we continued serving our country.

We implemented our pandemic measures dynamically by closely following the developments. We adopted revisions in our business processes in line with the evolving circumstances, thanks to our flexible and agile business model. And we maintained our contribution to our country's economy through our production, exportation and recruitment processes.

Our priority has always been human health and we intensified our efforts when the pandemic began. We implemented the 14 rules advised by the Ministry of Health in all our work areas, including our factories, to protect the health of our employees, as well as their families. In the meantime, we took additional measures which we called "14+14." With our responsibility to meet the requirements of consumers, particularly during the pandemic, we put all our efforts towards uninterrupted production at all business units and transferring the goods produced to 190,000 retail locations – to our consumers – nationwide, through our strong distribution network.

We increased our revenue by 20.5%

In 2020, we significantly increased our profitability while achieving sustainable growth in the areas where we operate. We increased our consolidated revenue by 20.5% to TL 9.4 billion as well as our Earnings Before Interest, Tax, Depreciation and Amortization (EBITDA) by 24.4% to 17.2% EBITDA margin. We have continued our undisputed leadership in the overall confectionary market in Turkey. We lead our country in becoming a production and exportation base while increasing retail and profitability. We achieved a growth of 18.6% and 23.4% in our domestic and international operations respectively.

We reinforced our market leadership in the biscuits market in Saudi Arabia (KSA), where we operate two factories, while we strengthened our position in the MENA and Central Asia markets. We also achieved stable growth in our retail figures in Kazakhstan, our gateway to Central Asia. In addition to these achievements, we successfully completed 2020 with a very strong balance sheet and net debt ratios.

We contribute to our country's economy through our exportation operations to more than 100 countries worldwide, through more than 9,000 employees, and through our production operations at 10 factories, six in Turkey and four overseas. As our efficiency initiatives in Turkey lead to cost advantages, our new products strengthen our leading position in the related categories.



In 2020, we signed a loan agreement of USD 455 million and issued Eurobond amounting to USD 650 million. In the first half of the year, Ülker Bisküvi signed a USD 455 million loan agreement with the European Bank for Reconstruction and Development (EBRD) and seven international banks. In the second half of the year, Ülker Bisküvi concluded its first Eurobond issuance of USD 650 million with an overflow of subscription of USD 1.8 billion from over 130 international investors in 28 countries. Despite the challenging global economic conditions, the provision of long-term financing to our Company by international investors was an indication of trust in Turkey and our Company. Ülker Bisküvi will sustain its growth through an investment-oriented mentality based on a concrete financing model.

Innovation: A driving force in growth

As a result of our R&D activities, we present innovative products to our consumers for their satisfaction. We develop new products in line with the demand and requirements, while also realizing projects to improve and increase the variety of existing products. In 2020, we invested in our production facilities and launched and re-launched several innovative products under the Ülker Çikolata, Dido, Ülker Çikolatalı Gofret, Hanimeller, Albeni, O'lala, Biskrem, Ülker Kremalı and Çizi brands, in particular. In the 2019-2020, we launched more than 70 new products in the chocolate, biscuit and cake categories. In the past three years, we significantly increased the ratio of new products in retail figures, demonstrating that innovation is a driving force in our Company's growth.

In the 2020, we launched more than 70 new products in the chocolate, biscuit and cake categories.

Message from the CEO

We place sustainability efforts at the core of our way of business: these efforts are shaped from the ground up and include producers, suppliers, stakeholders, business partners and consumers.

Digitalization agenda at the forefront

Digitalization has long been part of our agenda. Thanks to this vision and our investments into digitalization, we swiftly adapted to the new conditions. We increased efficiency through initiatives on transforming labor, production and supply management. We extended merchandising activities and site visits to the digital environment through our “Merchandising” and “Goya Assistant” projects, respectively. The time of taking notes by hand at the site and e-mailing the related contact has ended. We integrated “Image Processing” technology into our business processes; we now use “Robotic Process Automation” to avoid manual and repetitive processes with no added value. Through the “IOT Instant Production Tracking Project,” we can instantly monitor the production performance of lines via sensors installed on the production lines. We moved human resources recruitment and orientation processes to digital formats and simplified them for swifter management. While paying the utmost attention to the health of our employees – without interrupting production – our digital transformation methods reflected very positively on revenue and exportation figures.

A philosophy of growing together with our stakeholders

Sustainability is of critical significance for the future of our world and humanity. The pandemic confirmed the value of steps taken so far in terms of sustainability. Adopting a “no-waste company” model since our establishment, we continue our operations with an approach that is focused on

growing and strengthening together with society, our stakeholders. We develop various projects on water and energy preservation, human resources and production quality; these efforts are based on the United Nations 2030 Sustainable Development Goals in order to monitor and audit them in line with a certain strategy. We place sustainability efforts at the core of our way of business: these efforts are shaped from the ground up and include producers, suppliers, stakeholders, business partners and consumers. At Ülker Bisküvi, we believe that we make a greater contribution to the future of our country, as well as the world, when we protect and participate in this cycle.

Our goal is to achieve sustainable growth without wasting resources – not only during production and supply phases, but in every step of our activities. As such, we prioritize local suppliers during the supply process. By supporting local producers, we enable the development of sustainable agricultural practices. We are highly aware of the significance of steps taken regarding supply security in the food industry and the supports provided to local producers in terms of the sustainable development goals of our country. Thus, we focus on projects that contribute in the “Security of Food Supply” area.

Turkey’s first local and national biscuit wheat: Aliğa

We conduct research particularly on wheat and oat together with the agriculture research institutes of the Turkish Ministry of Agriculture and Forestry; and we strive to contribute to the future of agriculture in Turkey. We collaborated with Bahri Dağdaş

International Agricultural Research Institute and, after long years of study, we developed local and national Aliğa Biscuit Wheat. This wheat is resistant to drought, diseases and climate change; it is high-yielding, high-quality, and a first of its kind in Turkey. The first harvest of the wheat took place in July 2020 and we were glad to see that the wheat was greatly appreciated by our farmers, the heart of our production. We were pleased and proud that the project was granted the “Carrying Agriculture to the Future” award by Bekir Pakdemirli, the Turkish Minister of Agriculture and Forestry.

In terms of protecting the environment, we believe that a significant mission is to populate our lands with saplings – a contribution to a habitable future. We planted a total of 31,000 saplings: 11,000 saplings were planted in Hatay, Karaman and Ankara for the “A Breath for the Future” campaign of the Ministry of Agriculture and Forestry; and 20,000 saplings were planted in Elazığ and Eskişehir through the TEMA Foundation. While carrying out our sustainability activities in line with long-term goals, we prepared a series of videos under the title of “My Beautiful Country, Nature is In Our Care.” These videos covered issues such as protecting natural resources, water preservation, energy efficiency, waste management, mitigating the carbon footprint, and preventing food waste. We began sharing the videos on our social media accounts during the last quarter of 2020, with the goal to raise awareness on sustainability, as well as highlighting what we can accomplish individually and what we have accomplished as a company.

We crowned our success with national and international awards

According to the results of the Good Life Brands Survey 2020, conducted with the collaboration of Nielsen and Sustainable Brands Istanbul, we were granted the Good Life Brand title for the third time in a row.

At the Edie Sustainability Leaders Awards, one of the most prestigious business awards, we were proud to be the only Turkish company shortlisted in four categories: “Water Management,” “Waste and Resource Management,” “Team of the Year,” and “Employee Participation and Cultural Transformation Leadership.”

We were also granted two Golden Awards in the BOC International Brilliance Awards in the categories of “Brilliance in Employee Engagement” and “Brilliance in Use of Technology in IC.”

At the Global 100 Awards organized by Platin Magazine in 2020 under the digitalization theme, we were pleased to be recognized as one of the top 10 companies standing out with investments in digitalization, and the number one company in the food industry.

In 2021, we, at Ülker Bisküvi, will maintain our growth performance. With a particular focus on our employees, consumers and stakeholders, we will pick up the pace in digital transformation and support the development goals of our country with new investments and strong innovation. We will continue to gain strength in the global marketplace, maintain our strong position in the existing markets, and sustain our leadership.

I would like to thank all the stakeholders who support us on our path as we continue production, recruitment, exportation activities, as well as investments for our country.

Respectfully yours,

Mete Buyurgan
CEO

We collaborated with Bahri Dağdaş International Agricultural Research Institute and, after long years of study, we developed local and national Aliğa Biscuit Wheat.

Strategies

Ülker Bisküvi is carrying out its operations with the goal 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.

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, improve planning and forecast accuracy with new generation digitalized technology.

We aim to increase production efficiency, improve planning and forecast accuracy with new generation digitalized technology.

Brand Investments

- Interpret consumer demands correctly, and making sure that our consumers reach 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 products to consumers.

Strategies

- Increase our operating profit by achieving higher sales volumes and revenues in the biscuit, chocolate and cake categories,
- Expand our business to become a strong regional player with our global, regional and local brands,
- Get positioned in the region as the main production base upon the acquisition of the Food Manufacturing Company in Saudi Arabia, UI MENA and IBC and create synergy in the fast-growing Middle East market by enabling faster access,
- Get positioned in Egypt, where consumption grows rapidly, as the base and main production facility for North Africa sales with Hi-Food in Egypt and enhance our strength in the region with the production operations of McVitie's,
- Get a strategical position in Kazakhstan to access Central Asia, Russia, and China with the acquisition of Hamle in Kazakhstan and other investments and meet new consumers in regions where consumption increases rapidly,
- Increase the current 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.

Current Economic Outlook, Global and Turkish Food Industries

The snack food market had a successful year and achieved 1.8% growth in tonnage as well as a 19.6% growth in revenue.

Although 2020 was expected to be the first phase of a long-term recovery period for the global economy, a novel coronavirus (COVID-19) pandemic, originated from China at the beginning of the year and became rampant worldwide, resulted in a literal lock-down in economic and social fields and changed all scenarios.

Whilst the growth dynamics in the global economy have been adversely impacted from this unexpected pandemic during this period, decreasing global demands and mandatory production limitations caused dramatic declines in the global trading volume. During Q3 of the year, the global and Turkish economy were relieved a bit when the lock-downs were eased; however, the impacts of the pandemic resurfaced during Q4 due to the second-wave-related lock-downs and limitations, which resulted in downturn.

The global contraction expectations of IMF was revised to be between -4% and -6% due to these impacts. The most affected sectors worldwide and in Turkey due to the pandemic are production, service, tourism (accommodation-travel), food, sports and entertainment sectors. In the meantime, thanks to the measures taken in order to mitigate the adverse impacts of the crisis, strengthen economy and reduce the decrease in recruitment, Turkish economy experienced a contraction (-9%) less than the global economies in Q2 and achieved a relatively solid growth rate (6.7%) in Q3.

COVID-19 has also caused significant impacts on the overall dietary habits in Turkey and worldwide. When the first cases were announced in March and curfews, limitations and measures against the pandemic were initiated, consumption of fast-moving consumer goods (FMCG) significantly increased as people had to stay at home and food & beverage locations could not provide service. Unlike the previous years, all means of shopping,

particularly supermarkets, experienced an increasing trend in their revenues; while online means of shopping achieved significant increase in their growth rates and recognition. This transition also resulted in increased use of multi-channel shopping.

The FMCG market achieved a growth of 7.5% and 23% in trading volume and revenue, respectively. Staple foods and cleaning products categories achieved the largest growth; while overall food & beverage sector achieved a growth of 7% and 25% in trading volume and revenue, respectively. Staple foods, dairy products and oils were respectively the largest growing categories in houses.

The distinctive criteria that stood out in production selection of the consumers for the period were the quality of products, hygiene of production conditions, naturalness, production company being a "local," recognized, reliable company/brand.

Hence, Ülker Bisküvi, which has swiftly taken all measures for the health and safety of its employees, stakeholders and consumers and kept its production going, continued to access its retail points all around Turkey as well as its enthusiasm to offer little joys to the shoppers and its consumers, maintained its leading position in the Turkish snacks sector in 2020 with a market share of 37.1% and sustained to be the unquestionable leader in the snacks products.

The biscuits category, the largest market in the snacks sector, achieved a value-based increase of 16%. Making a significant contribution to the growth of biscuits market, Ülker increased its turnover share 1.2 points and strengthened its leading position in the market with a market share of 41.9%. Whilst the overall chocolate market achieved a value-based growth of 26.8%, Ülker Bisküvi maintained its powerful leadership in the market with a market share of 41%.

Marketing

Focusing on delivering happiness, Ülker aims to create value for all stakeholders - especially consumers - with the approach of “Actions speak louder than words.”

Ülker – one of Turkey’s most established, strong, national and global brands – has a long history of building close relationships with consumers dating back to 1944. Those who met Ülker during their childhood see the brand as an integral part of their lives and earliest memories. Its iconic brands, product quality, new product development and innovation, high customer satisfaction, wide product range and public accountability make Ülker a favorite brand in the eyes of consumers as well as one of the largest biscuit producers in the world.

As a brand, Ülker is positioned at the heart of society while embodying feelings that accompany happy moments, like trust, sincerity, and intimacy. In short, Ülker aims to be like a member of the family. Keeping its communication channels open with consumers at all times, Ülker gives priority

to the core principle of transparency in all its business activities. With its corporate culture of always searching for the latest and newest, Ülker is committed to fulfilling its promise of quality products for consumers. As a company, Ülker stands apart from the competition not just with what it delivers but also with what it does. With its focus on innovation, Ülker is a model for the sector in every aspect – from manufacturing and technology, to R&D and innovation.

During the pandemic in 2020, Ülker’s communication activities assured consumers with both its master brand and sub-brands. Communication efforts emphasized that Ülker stood by consumers in these difficult times. Along with fostering trust among consumers, Ülker has remained irreplaceable for moments that consumers spend with their families at home during the pandemic, with its classic products such as Pötibör, which celebrated its 75th anniversary. With this approach, Ülker has stayed fresh in consumers’ memories. In 2020, 1.8 million Ülker products were delivered to healthcare workers, isolation dormitories and people in need through the Red Crescent.

Communication campaigns (TV and Digital) were prepared, particularly for special days and holidays starting in April. Broadcasted ads reached over 140 million viewers. As a brand adopting the “Actions speak louder than words” approach, Ülker planted a total of 31,000 saplings: 11,000 as part of the “A Breath for the Future” campaign and 20,000 through TEMA Foundation.

As a brand, Ülker is positioned at the heart of society while embodying feelings that accompany happy moments, like trust, sincerity, and intimacy.



The “How Is It Produced?” video series targets consumers who frequently express curiosity about how iconic ÜLKER products are manufactured, especially on social media. With this popular video series, ÜLKER explains how Halley, ÜLKER Chocolate Wafer and Pötibör are produced in a clear and transparent way.

ÜLKER strives to expand its ongoing sustainability efforts while raising awareness of the importance of sustainability to society in general. A six-part video series was prepared, describing ÜLKER’s sustainability projects currently underway and providing valuable guidelines to consumers for the conservation of natural resources. ÜLKER aims to raise awareness on sustainability with its video series titled “My Beautiful Country, Nature Is Entrusted To Us.” The series focuses on ways to protect natural resources, save water, boost energy efficiency, engage in effective waste management, reduce carbon footprint and prevent food waste.

A video series on sustainability was shown on social media channels and shot in various regions of Turkey with the narration of world diving record holder Şahika Ercümen. The series also included statements of ÜLKER officials about the Company’s actions and experts opinions.

ÜLKER’s rich product range includes more than 300 products suitable for all palates and budgets. In addition to this extensive product portfolio, consumer-focused innovation efforts are a major driver of the company’s growth.

ÜLKER Innovation Center methodically develops groundbreaking products at superior quality standards in line with emerging market trends

and consumer needs. Delivering these innovative products to consumers, the Center’s efforts help ÜLKER’s strong brands reach the young target audience and maintain ties of affection. In 2020, more than 70 products (SKUs) were introduced to consumers with launches and relaunches thanks to the valuable contribution of research conducted with more than 90 thousand consumers. Innovative products launched during the year accounted for 7.4% of total domestic market turnover.

Thanks to strong support in the field and across the media, ÜLKER boosted its leadership in consumer top of mind awareness by six points year-on-year in the Brand That Comes to Mind scores. In 2020, 30 persons out of 100 in Turkey stated that ÜLKER was the first brand that came to mind among all sectors of the economy. By improving its share in the Brand Desire and Total Brand Value scores compared to the previous year, ÜLKER jumped further ahead of its closest competitor. In 2020, ÜLKER’s Brand Value score was 5.7 points above its nearest competitor, while its Brand Desire score was 2.5 points higher than its closest competition.

During the year, ÜLKER’s efforts to benefit society and the natural environment were recognized with various awards. ÜLKER topped the “Snack” category for the third time in a row in the Good Life Brands 2020 study conducted by Nielsen for Sustainable Brands Turkey. In addition, ÜLKER Cokokrem was presented with the Bronze Effie in the “Sweet-Salty Snacks” category with its “Sweetest Mornings in Every Region of Turkey” campaign at the Effie Turkey 2020 competition. This prestigious competition recognizes Turkey’s most effective advertising and marketing communication campaigns.

Production and Capacity

Ülker Bisküvi carries on generating happiness at six domestic factories where new generation digital technologies are in use, with an innovative mind-set focused on consumers with the most productive cutting edge techniques.

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 106,255 tons of biscuits and chocolate in 2020. With the operational excellence and productivity projects carried out at the facilities in 2020, 3,100 tons/year capacity increase was attained in total.

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.

Main Brands

Ülker Pötibör, Biskrem, Ülker Bebe, Hanımeller, Saklıköy, İkrâm, Ülker Kremalı, Çokoprens, 9 Kat Tat, 9 Kat Rulokat, 9 Kat İnce İnce, Probis, Çokomel, Altınbaşak, Rondo, Canpare, Haylayf, Ülker Finger, Ülker Deluxe, Dore, Ülker Kakaolu Bisküvi, Kat Kat Tat, Çizi, Çiziviç, Ülker Çubuk Kraker, Ülker Susamlı Çubuk Kraker, Krispi, Taç Kraker, Cici Balık, McVitie's, Süsse, Halk and Tempo Petibör Assortment, Ülker and Halk Kremalı Biscuit Assortment, Halk, Karsa kare kremalı Product Groups, Custard Cream, Bruno-Tempo-Halk Figaro Kremalı Product Groups, Ülker Rulokat Product Groups, Halk-Karsa-Misbis Rulokat Assortment, ŞOK Peki Küp Gofret, Halk Figaro Waffer Assortment, Duple Waffer Assortment, 9 Kat Tat Thin Waffer Assortment, Bim Centro-ŞOK Peki 350 GR Waffer Assortment, Ülker Delüks Waffer Assortment, Karsa Fourre, Ülker-Şok Tempo-Halk Finger, Ülker Çokoprens, Ülker Çifte Lezzet, Halk Borneo, ŞOK Tempo Sandviç Bisküvi, Süsse Turta, Ülker Biskrem, Karsa Klas, Dolgulu Bisküvi, Bim Krinkıl Çubuk, ŞOK Tempo Çubuk Kraker, Ülker Petibör



Production and Capacity

Ülker Çikolata carries out its operations on 29,716 m² closed space established on 84,537 m².

Chocolate

A subsidiary of Ülker, Ülker Çikolata carries out its operations on 29,716 m² closed space established on 84,537 m². With the new moulding line project carried out in 2020 at this factory, 10 thousand tons/year additional capacity is achieved. The facility was taken into operation in December 2020 and production has started.

Main Brands

Ülker Çikolatalı Gofret, Halley, Albeni, Dido, Laviva, Çokonat, Metro, Cocostar, Hobby, Piko, Çokomilk, Çokokrem, Ülker Çikolata, Napoliten, Caramio, Smartt, Ülker Flipz, Ece, Çikolatin, Buklet, Konçerto, Senfoni, Select, Lalezar, Beylerbeyi, Godiva, Alpella, Misbis Karmen and Halk Kubbeli Wafer Assortment, HOBBY Bar Assortment, Karsa Torino, Albeni Stick and Yuvarlak Bar, Alpella Coated Wafer Assortment, ŞOK Karmen-Bim VOW, BTT Alpella Coated Nuga Bar, Halk-Karsa Coated Wafer Assortment, Ülker Piralin, Hobby Krem, Alpella Krem Çikolata, Ülker Çokomel, Ülker Pofti, Ülker Caramio, Ülker Smart Yumurta, Ülker Finger Çikolata, Karsa Çikobest, Alpella, Ülker Cocostar, Ülker Chocorondo, Bim XL-Şok Karmen-Halk Yesem Coated with marshmallow Biscuit Fudge Coated Biscuit Assortment, Ülker Hanımeller Lemon Cookie, Ülker Smart Kornet, Ülker Çokotoy





Production and Capacity

**Established on a covered area of 27,000 m²,
Ülker Esenyurt Factory produced 25 thousand
tons of cake in 2020.**

Cake

Ülker produces cakes at its Esenyurt Factory, which was established in 1993 on a covered area of 27,000 m². In 2020, 25 thousand tons of cake was produced at the factory, which operates in the triple shift order.

As a result of the productivity project carried out in October at Biskot Karaman Factory, a capacity increase of 450 tons/year was realized.

Main Brands

Dankek, O'lala Gurme, Olala Sufle, Olala Waffle Kek, Olala Bar Kek, Dankek Çikolatalım, 8 Kek, Kekstra, Pöti, Ülker Fırından, Çokokrem Pankek, Albeni, Alpella, Dostino (PL), Dankek Çay Saati, Dankek Rulo Pasta, Kekstra Bar Kek, Kekstra Konfeti, Dankek Islak Kek, Smart Süt Kek, Dankek Pöti Muffin, Peki Muffin, Dankek Lokmalık Assortment, Halk-Alpella Kapkek, Bim-Halk ve ŞOK Baton Kek Assortment, Olala Bold, Alpella Barkek



Operational Excellence

From operators to senior management, each employee is active in operational excellence processes.

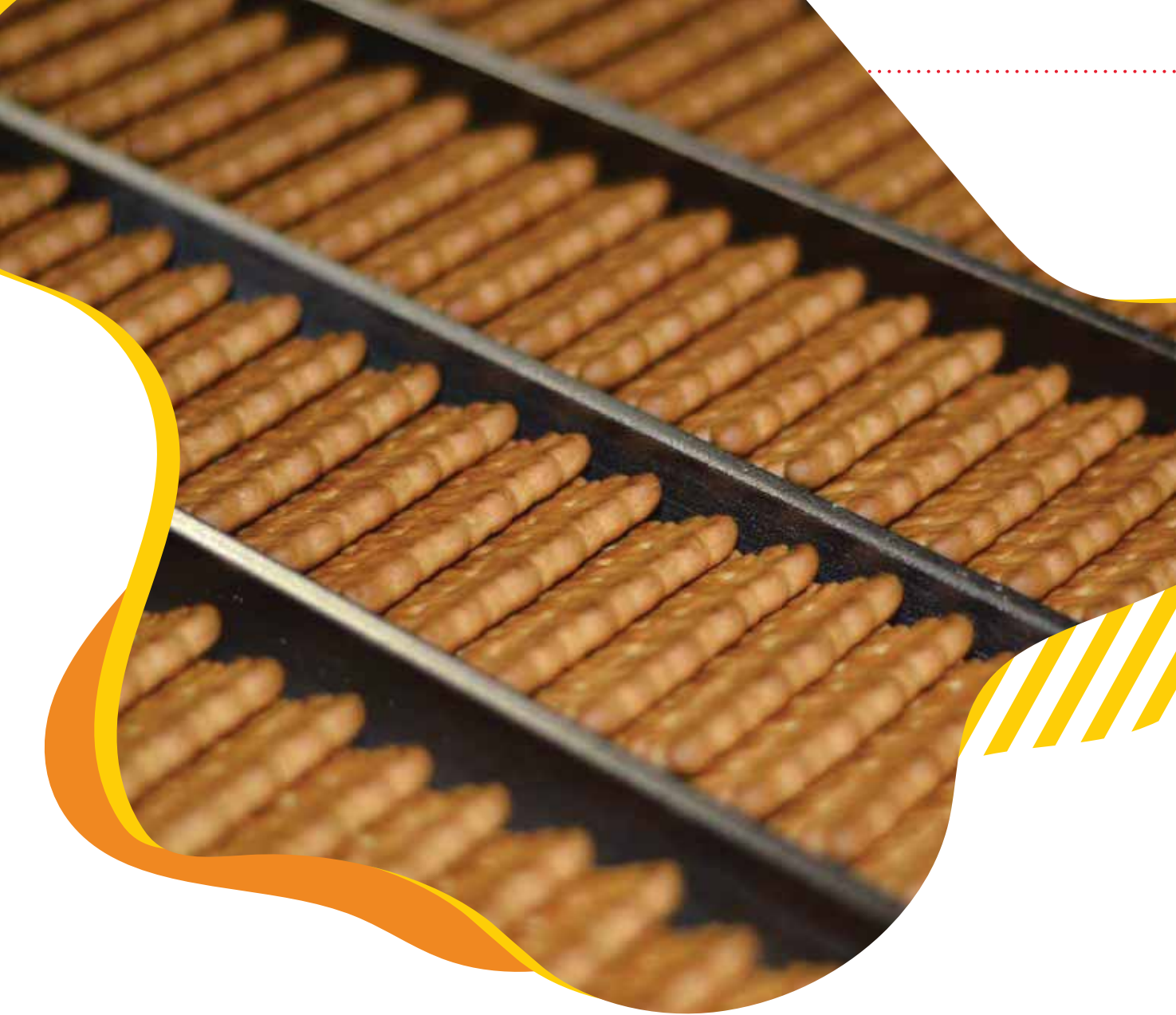
Ülker has created its own “operational excellence model,” inspired by the internationally proven approaches including Lean Manufacturing, Total Productive Maintenance, Total Quality Management, Six Sigma and 5S. Called the Yıldız Path of Excellence (YMY), the program is based on the principle of “achieving 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.” Number of improvement works is increasing each year, although the number increases each year. A total of nearly 2,000 improvements are completed and reported up to the present. With these efforts, approximately TL 16.5 million was saved in 2018 and TL 10 million in 2019. The amount of savings achieved during 2020 was TL 21 million. These savings comprise the improvements realized without making any 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 three people.

A total of nearly 2,000 improvements are completed and reported up to the present. The amount of savings achieved during 2020 was TL 21 million.



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 contribute to the 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.

Investments

Aiming to increase its customer satisfaction by making investments, Ülker Bisküvi improves product quality more and more and makes its cost structure more competitive by enhancing its operational efficiency.

In 2020, 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.

Aiming to increase its customer satisfaction by making investments, the Company improves product quality more and more and makes its cost structure more competitive by enhancing its operational efficiency.

In 2020, Ülker carried out the following modernization activities with an approximately TL 183 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

Biskot Bisküvi Gıda attained a larger production volume 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. 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. 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 on a 42,500 m² 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 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 m² 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 18.35% 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. Silivri Factory has become 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.



Subsidiaries and Financial Investments

Amir Global Trading FZE

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	31 December 2020		31 December 2019		Main Field of Activity
	Direct Ownership Ratio	Effective Ownership Ratio	Direct Ownership Ratio	Effective Ownership Ratio	
Biskot Bisküvi Gıda Sanayi ve Ticaret A.Ş.	73.9%	73.9%	73.9%	73.9%	Production
Ülker Çikolata Sanayi A.Ş.	91.7%	91.7%	91.7%	91.7%	Production
Atlas Gıda Pazarlama Sanayi ve Ticaret A.Ş.	100.0%	100.0%	100.0%	100.0%	Trade
Reform Gıda Paz. San. ve Tic. A.Ş.	100.0%	100.0%	100.0%	100.0%	Trade
UI Egypt B.V.	51.0%	51.0%	51.0%	51.0%	Investment
Hi-Food for Advanced Food Industries	-	51.4%	-	51.4%	Production-Sales
Sabourne Investments Ltd	100.0%	100.0%	100.0%	100.0%	Investment
Food Manufacturers' Company	-	55.0%	-	55.0%	Production-Sales
Hamle Company Ltd LLP	100.0%	100.0%	100.0%	100.0%	Production-Sales
Ulker Star LLC	-	99.0%	-	99.0%	Sales
UI Mena BV	100.0%	100.0%	100.0%	100.0%	Investment
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%	Production-Sales



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 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.

We believe that it is our primary responsibility to consciously use world's 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. We follow-up the compliance of these efforts 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.

The sustainability efforts carried out under six categories at Ülker Bisküvi continued at an accelerated pace in 2020. Ülker Bisküvi progressed its sustainability activities despite COVID-19 pandemic around the globe. We follow our progress in line with our goals at regularly held sustainability platform meetings. At the platform meetings held in 2020, 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 an active life, we inform all consumers and other stakeholders in this regard transparently while focusing on facilitating and simplifying life for the society.



Sustainability

In collaboration with a retail organization and WRI (World Resources Institute), Ülker Bisküvi is among the 20 volunteering companies committed to reduce the rate of food loss and waste by 50% by 2030.

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. On the other hand, our Gebze Factory has been awarded the BREEAM Green Building Certificate at a GOOD level, thus becoming the first-ever building to have this certificate in its respective field.

We set long-term goals regarding sustainability activities. In 2014, we set long-term goals targeted at the year 2024 and accordingly we managed to grow without an increase in carbon emission, and our aim is to continue this trend until 2024. Furthermore, we also identified goals to reduce the water consumption per production by 30%, dispose zero waste to landfills through 100% recycling, reduce return package rate by 50%, etc.

We also plan to achieve goals, including reducing carbon emission from logistics by 20%, adopt a sustainable packaging strategy and policy, keep regretted loss rate under 3%, zero lost days due to work accidents, collect at least 500 brain box suggestions from the employees on sustainability,

keep employee commitment level between 65% to 100%, keep employee turnover rate below 12%, reduce saturated fat, salt and sugar amounts, decrease customer grievances by 20% and continue collaborations and projects with leading organizations in their fields on social health and future, by 2024.

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. We implemented this system in all our factories. 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.

As of the first 10 month of 2020, while water consumption rates were in compliance with the goal, electricity consumption figures fell a bit behind the goal, although natural gas consumption performance was ahead of the goal. Hence, carbon emission goal was close to achieve. At the end of the first 8 months, the rate of waste disposed to landfills was 10.7%. During the first 9 months of 2020, a plastic reduction project with a potential of 220

tons/year was carried out, while the corresponding figure for paper reduction was 290 tons/year.

In collaboration with a retail organization and WRI (World Resources Institute), Ülker Bisküvi is among the 20 volunteering companies committed to reduce the rate of food loss and waste by 50% by 2030. Activities are continued at our factories to train the operators as blue-collar internal trainers. The year-on-year material balance rates in baked products and chocolate categories were improved by 4.13% and 8.84%, respectively.

Whilst communication activities are ongoing regarding the first harvest of Aliağa wheat, we actively supported the “Save your food” campaign launched by the Turkish Ministry of Agriculture and Forest and attended the online launch meeting held for the campaign in May.

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. We provided quality and food safety training to our retail and distribution teams in Turkey in order to convey the company culture throughout the supply chain and zero mistake manual is revised.

We managed to keep vehicle occupancy rates above 95% and our double truck rates reached around 25%. Thanks to these efforts, in the first eight months, 1,200 tons of CO₂ were reduced caused by logistics activities.

Audits of suppliers and depots continued in 2020 also. Audits of 28 suppliers and 98 depots completed as per the third quarter results. Within the scope of the Sustainable Supply Chain Project in 2020, the social and environmental compliance self-assessment questionnaires of selected critical suppliers were completed and supplier development studies have begun.

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. By additional 1,500 sapling planting, the number of trees in Ankara Memorial Forest increased to 30,300.



We also identified goals to
reduce the water consumption
per production by 30%, dispose
zero waste to landfills through
100% recycling, and reduce
return package rate by 50%, etc.

Sustainability

**We transferred OHS processes to a digital environment.
We purchased the SafeUP software, an OHS information
management system, and began using the program for all
related processes.**

Sustainable Hazelnut Farming Project

As a company that obtains its raw materials from the soil, we are aware that agriculture is of paramount significance in view of sustainability in our corporate activities as well. In our country Turkey, which has an important place in the world in terms of agricultural product diversity, we believe that by supporting sustainable agriculture, biodiversity should be protected. As such; we implemented the “Sustainable Hazelnut Farming” project with an international foundation in 2015 within the scope of our efforts to support biodiversity in Turkey, together with the hazelnuts, which we extensively use in our delicacies, and its farming. With this project, capacity building and pilot garden studies were carried out in order to preserve hazelnut biodiversity in regions, whose natural vegetation includes hazelnuts and hazelnut production, especially in Giresun. We informed our hazelnut farmers about ways on sustainable agriculture. Therefore, we managed to support our farmers and the local socio-economic development.

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. We continued to attract new talent to our company with the “Job Intern” program in 2019 also.

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 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 launched a behaviors-oriented occupational safety system called Occupational Safety Ambassador to enable our employees to adopt the OHS culture and participate. Covering all our employees working at our factories, the system requires each employee to assess the behaviors of other employees in terms of compliance to OHS. In the event an employee observes a dangerous behavior, the employee writes a notice card to the dangerous behavior displaying personnel as a reminder. Dangerous behavior displaying personnel signs the card and then puts the card in card notice boxes. On the other hand, in the event of observing a safe behavior, same procedure applies for an appreciation card. These cards are recorded by the OHS team and the employees who receive the highest number of appreciation cards and give



the highest number of notices are rewarded every month. We plan events to encourage our employees to act safely in areas where dangerous behaviors are displayed the most. The same system is also implemented in food safety via the Food Safety Ambassador practice.

Furthermore, we implement an Area Responsibility Project at all our factories to raise awareness on OHS culture. As part of the Area Responsibility Project, we designate employees in charge of separate areas within the factories. The employee in charge determines the dangerous situations in their area of responsibility, defines the OHS measures required and monitors the actions required to be taken. Hence, these employees ensure that the working area they are assigned is safe for themselves, their colleagues and visitors in terms of OHS. Moreover, employees in charge of separate areas cross-audit the other areas, report the dangerous situations and behaviors they observe in these areas to Area Supervisors; and hence, help the Company to eliminate any danger that may cause work accidents.

We organize various OHS events for our employees working at our factories. Employees share their expectations and opinions with their managers during the monthly OHS meetings held. Theatre plays are staged to raise awareness on OHS. In the upcoming period, we encourage the Theatre Clubs composed of our employees to stage a play to raise awareness on OHS.

Digitalization

We purchased the SafeUP software, an OHS information management system, and began using the program for all related processes. OHS training, Risk Assessment activities, PPE, Emergency, Healthcare (e-Recipe), Compliance to Legislation, Danger and Incompliance monitoring and actions to be taken, etc. are followed up through this platform.

Sustainability

According to the results of the employee loyalty and satisfaction survey, which we conduct every two years, the level of employee loyalty materialized as 80.4% in 2019. 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.

We transferred Basic OHS training to an online platform. In line with the legislation, the Basic OHS training that we prepared became available for our employees through the pladis Academy. Besides our OHS training, we also provided COVID-19 General Information, Sleep Health, Travel Safety and Traffic Safety training to our employees through the pladis Academy.

Our activities related to Occupational Health and Safety, Environment and Energy, our business methods and the good practices at our factories are standardized, collected under Ülker Occupational Health and Safety, Environment and Energy Manual and published.

In 2020, five of our factories completed the transition process from OHSAS 18001 Management System, which was implemented at all our factories, to ISO 45001 Occupational Health and Safety Management System. The transition process was completed in six factories in January 2021.

In 2019, we applied to British Safety Council with the projects we carried out in Occupational Health and Safety and were granted International Safety Awards 2020 award organized every year. Our Company scored 36 points in the International Safety Awards 2020, the most prestigious award in the global Occupational Health and Safety field greatly admired by the international companies, and was presented an award with “Pass” grade.

We elevated the OHS performance of our behavior-oriented safety culture projects, which were initiated in our operations in Turkey, to Global Benchmark levels. In line with our “0 Tolerance” “0 Work Accident” goal, we significantly decreased work accidents, raised awareness on safety culture, increased the number of safe behaviors; hence, we were granted this award which encouraged all our employees.

Our goal is to be listed among the best global companies in terms of Occupational Health and Safety. Our priority is the happiness and safety of our employees having the goal to “bring happiness to the world at each bite.”

Employee Satisfaction

According to the results of the employee loyalty and satisfaction survey, which we conduct every two years, the level of employee loyalty materialized as 80.4% in 2019. 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.





Human Resources

The priority of Ülker Bisküvi has always been ensuring happiness of employees from recruitment to training and development, performance and talent management processes.

Since its inception, the biggest commitment of Ülker to both its customers and employees has been “Happiness.” Consequently the Company endeavors to build up its processes on employee satisfaction. The priority of Ülker Bisküvi has always been ensuring happiness of employees from recruitment to training and development, performance and talent management processes.

In line with Ülker Bisküvi’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 focuses on operational excellence and acts with human resources system creating international solutions with a global vision and an leaders cultivating innovation culture. 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, committed to rational decisions and be a global organization creating sustainable competitive advantage.

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.

Ülker Bisküvi 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. The Company is investing in human resources continuously to increase its competitiveness in the market by following up the new developments and trends around the world.

The employees are supported by learning and development programs to show their best performance in their occupations, get themselves and the organization ready for the future. The development opportunities provided to the employees include specialization programs, executive training programs, domestic and foreign conferences, personal and occupational development programs. Ülker offers personnel 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



Research, Development and Innovation

The digitalization project was successfully completed; and all activities carried out at R&D centers and factories were transferred to a digital platform.

Ülker Bisküvi Research and Development (R&D) Activities

R&D activities were systematically initiated in 1975 with foreign biscuit consultants specialized in their fields. Having been continuously improving their expertise as well as technical, technological competencies since the very first day up until today, the R&D organization developed a number of iconic brand-new products for brands that are highly admired by consumers and add value to the Company. Furthermore, various quality and efficiency improvement projects have been conducted.

The R&D organization carries out all product development processes including the gestation in biscuits, crackers, wafers, cakes, cacao and cacao products, chocolates, bars categories, creating a brand-new product, validation of products through consumer tests, production line trials, first batches, product shelf-life performance tests. Moreover, production, quality and efficiency improvement works are continuously conducted.

All these activities are carried out with highly specialized teams under Product Development, Package Development, Process, Quality Development, Technical Consumer surveys, Scientific Researches and Legislation audit functions.

R&D activities are kept going at two separate R&D centers certified by the Turkish Ministry of Industry and Technology. Gebze Baked Products R&D Centre is focused on Biscuits, Crackers, Wafers, Cakes, Cacao and Cacao products. Topkapı Chocolate R&D Centre is focused on Chocolates, Cacao and Cacao products, Wafers and Bars.

R&D centers conduct scientific research projects that will add value to the Company together with the universities, Scientific and Technological Research Council of Turkey (TÜBİTAK) and other research centers.

The digitalization project was successfully completed; and all activities carried out at R&D centers and factories were transferred to a digital platform. The transfer enabled the R&D activities to be carried out on a digital platform; and facilitated the experiences and technical know-how of the Company to be able to be digitally stored and easily accessed, if required.

Thus, R&D procedure and ways of business were improved and developed.

With the digitalized R&D activities, it is aimed to;

- Follow up the product development processes online,
- Develop and record specifications and recipes for the raw material,
- Generate and record all specifications and recipes for the product,
- Manage the R&D lab and industrial product testing,
- Complete the approval processes related to the final product and raw material.

The system works in compliance with other digital platforms. Despite the challenging conditions during the pandemic, teams put all their efforts to launch various products. This period proved the requirement and significance of digitalization. R&D teams both supported the transition process to the system and achieved successful launching of products during this challenging period.



With the supports of the consumer tests department, testing was kept going in the digital environment and the needs of consumers and the market were identified.

Ülker Bisküvi has the goal to pick up the pace in R&D academy activities and develop and improve the competencies of the teams. National and international fairs, seminars and training were participated to have them become more innovative and more solution-oriented. More than 20 technical training was provided with R&D academy and more than 600 R&D employees attended the training provided.

Official activities and reporting for R&D Centre were completed for 2020 and the certifications of the two R&D centers (Chocolate and Baked Products R&D Centre) of Ülker Bisküvi were once more extended by the Turkish Ministry of Industry and Technology.

Ülker's R&D Activities in 2020

Over 500 R&D projects, either small or large, at various categories were initiated. In 2020, As a result of these projects, more than 70 products including O'lala Bold, Hanımeller Limonlu, Çizi Milföy, Biskrem Duple Ruby Albeni Viva, Dido Ruby, Laviva

Ruby, Ülker Golden and Ülker Beyaz Çikolatalı Gofret products were launched and relaunched for consumers.

Sustainability activities were also closely followed up by the teams and 190 tons of butter and 17 tons of salt used in recipes of the projects that the teams had been working on were reduced.

Quality Assurance

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.

Customer Notification System

The Customer Notification System, established at all production facilities to facilitate assessment of any kind of feedback/suggestion/information request received from consumers, is updated. The System enables swift and effective responses to the consumers and rapid actions by following the trends of the notifications received. The revised Customer Notification System enables the Company to immediately manage the notifications received from consumers/customers at Customer Communication Center through any means of communication at a single platform and to swiftly reply the consumers through the channel they notified the Company, to measure consumer/customer satisfaction and to create immediate reports, rapid actions and insights regarding the notifications.

Activities Related to Consumer Sensitivity

Consumers all around the world have different and new demands and expectations regarding the foods they consume depending on their lifestyles, dietary preferences and religious sensitivities. Halal, Kosher and Vegetarian foods in line with consumers' beliefs stand out among these demands and expectations. Consumer sensitivities are among the material issues for the Company. Specific training is provided to all employees to inform, raise awareness, establish a sensitivity and implementation standard and employees take tests following the training.

Consumer sensitivities are monitored beginning from selection of suppliers till final product delivery.

Sales and Distribution Quality Training

The Company's goal is to complete production at international quality standards with the "Zero Mistake" motto and have the same product quality in each and every package to fulfill the expectations of consumers. Hence, it is of critical significance to preserve the taste, smell, appearance and structural features, integrity and cleanness of packages during storage, delivery, merchandising stages and avoid consumer dissatisfaction. Therefore, "Zero Mistake in Quality" training was designed to provide information on the requirements to preserve top quality and food safety standards throughout the period starting from the products leaving the factory till reaching consumers; and the training was provided to an approximate total of 4,000 field sales teams nationwide including sales representatives, store's activity personnel.

Consumer sensitivities are monitored beginning from selection of suppliers till final product delivery.



Social Responsibility

“We believe that every person has the right to have a happy childhood wherever they live in the world.” The motto of Sabri Ülker has become a source of guidance and inspiration in all areas, all social responsibility projects are based on the main theme of “child and happiness.”

During the COVID-19 pandemic, which has a global impact, Ülker continued production and delivering its products to the consumers as well as provided needful people with social aids and tried to give moral support to health workers, who are working selflessly, by bringing in Ülker products.

The Company supported quarantine lodgings, health workers, contact tracing teams ve via NGOs throughout the year and provided needful people during Ramadan. In addition, as part of the “Make Happy, Be Happy Day” celebrations on the third Thursday of November each year, more than 1000 children received clothing and toys gifts at the cities where factories are located.

“We believe that every person has the right to have a happy childhood wherever they live in the world.” The motto of Sabri Ülker has become a source of guidance and inspiration in all areas, all social responsibility projects are based on the main theme of “child and happiness.”

Witnessing the growth of tens of generations since 1944, Ülker is giving priority to support projects that will make children happy today just like in the past. Ülker consistently invests in the physical, social, cultural and mental development of children via its projects gathered under the three categories, namely sports, art-cinema and balanced nutrition training.

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, some of the boys and girls 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 via sponsorship of “Istanbul Modern-Your Thursday” and “Print Museum-Free Tuesday Day Support.”

Saplings Meet the Soil

Ülker also endeavored to protect the nature and contribute to the future throughout the year. As part of its Forest of My Beautiful Country initiative, Ülker supported Breath into the Future Project of the Ministry of Agriculture and Forestry with 11 thousand saplings. In 2020, Ülker planted 31 thousand tree saplings in Ankara, Karaman, Eskişehir, Elazığ and Hatay, where fires burned hectares of forest.



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 İstanbul (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 2020 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:

1. 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.
2. 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 are related work are in progress.
3. Some of the members of the Board of Directors participates in several committees.
4. As per the 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.
5. 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 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 Report (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>. The disclosures made as part of compliance to the Corporate Governance Principles in the attachment of Corporate Governance Statement are included in the annual report, besides Corporate Governance Compliance Report (URF) and Corporate Governance Information Form (KYBF) revealed in the Public Disclosure Platform are covered in the related parts of the annual report on December 31, 2020 when the operating year ended.

The Corporate Governance practices of Ülker Bisküvi shall continue within the frame of Corporate Governance to operate the mechanisms better and improve corporate governance practices including voluntary principles which have not been applied yet.

PART II – SHAREHOLDERS

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.

Serkan Aslıyüce- Financial Affairs Director
Kısıklı Mah. Ferah Cad. No: 1
B. Çamlıca / Üsküdar
serkan.asliyuce@ulker.com.tr
Tel: +90 216 524 25 00

Verda Beste Taşar- Board Member (Independent)
Tel: +90 216 524 25 56
Fax: +90 216 316 43 44
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 2020.

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.

Corporate Governance Principles Compliance Report

The Ordinary General Assembly meeting for the year 2019 was held on July 21, 2020, at 11:00 a.m. at the address Kısıklı Mahallesi Ferah Caddesi No: 1 Büyük Çamlıca Üsküdar-İSTANBUL under the supervision of the Ministry Representative Ms. Hatice Önder, who was assigned with Istanbul Provincial Trade Directorate's letter no. 55977238 dated July 21, 2020.

The invitation for the General Assembly, which stated the date and agenda of the meeting, was published in the Turkish Trade Registry Gazette No. 10105 dated June 25, 2020, and in the daily Dünya Newspaper issue dated June 22, 2020, and on the Ülker Bisküvi Sanayi A.Ş. corporate website <http://ulkerbiskuviyatirimciliskileri.com>, on Public Disclosure Platform and on Electronic General Assembly System as specified by law and the Articles of Association at least three weeks before the date of General Assembly by indicating the date and agenda of the meeting.

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 amount 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://ulkerbiskuviyatirimciliskileri.com/default.aspx> websites before the meeting date 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 July 21, 2020, were registered by Istanbul Trade Registry Office on September 3, 2020.

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.

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 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 profit distribution policy of our Company is defined in accordance with the clauses of the Turkish Commercial Code, Capital Market Law and Articles of Association, taking into consideration the Company's operational performance, national financial situation, and market developments, in line with the expectations of the shareholders and requirements of our Company with the Board's proposal and resolution taken in the General Assembly. The Company plans to distribute a maximum of 70% of its net distributable profit for each accounting period in cash, as long as they can be disbursed by the current sources in legal records after due consideration of the Company's cash flow requirements. This policy shall be based on other funding requirements for future investments, industrial conditions, and the Company's financial situation. This policy shall be reviewed each year by the Board of Directors, taking into account of the domestic and global economic conditions, mid and long-term corporate growth and investment strategies and cash needs of the Company. The General Assembly may decide to distribute dividend in a higher rate or to transfer a part of or all of them to extraordinary reserves. In the event that the Board proposes not to distribute dividends to the General Assembly, the situation and how the undistributed dividend shall be used by the Company are explained to the shareholders in the General Assembly with legitimate reasons. The General Assembly makes a resolution specific to each financial year regarding dividends; profit distribution proposal is been announced to the public in compliance with the regulations and accessible

at the Company website. The proposal shall be accepted or rejected by the General Assembly. The dividends are equally distributed to all shares in the relevant accounting period without taking expulsion and acquisition dates of them into consideration. Dividend distribution starts at a date that shall be set by the Board on the condition to get authorized by the General Assembly not later than the end of the year of the General Assembly meeting. The Company shall consider whether to make advanced dividend payment or distribute it in instalments or equally.

Pursuant to the resolution of our Board dated 19.06.2020, due to the struggling economy stemming from the general uncertainty caused by COVID-19 pandemic, considering the legal regulations on protection of equity capital of companies; it is resolved not to distribute profits from 2019 financial year profits in order to preserve all kinds of liquid assets, equities, capital structure and cash balance of our Company, as per the precautionary principle. The resolution is submitted for the approval of shareholders and stakeholders at the General Assembly dated 21.07.2020 and accepted.

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 İstanbul, in accordance with the 3rd paragraph of Article 137 of the Capital Markets Law no. 6362.

Corporate Governance Principles Compliance Report

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://ulkerbiskuviyatirimciliskileri.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
- Company's Organizational Chart
- Social Responsibility
- Trade Registry 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.

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://ulkerbiskuviyatirimciliskileri.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://ulkerbiskuviyatirimciliskileri.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 abided 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://ulkerbiskuviyatirimciliskileri.com/default.aspx>.

PART V - BOARD OF DIRECTORS

5.1. STRUCTURE AND ORGANIZATION OF THE BOARD OF DIRECTORS

The Board of Directors consists of eight 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:

Corporate Governance Principles Compliance Report

Name-Surname	Title	Position of the Executive	Term of Office
Mehmet Tütüncü	Chairman of the Board of Directors	Executive	21.07.2020-21.07.2023
Ali Ülker	Deputy Chairman	Executive	21.07.2020-21.07.2023
Murat Ülker	Board Member	Non-Executive	21.07.2020-21.07.2023
İbrahim Taşkın	Board Member	Executive	21.07.2020-21.07.2023
Mete Buyurgan	Board Member/CEO	Executive	21.07.2020-21.07.2023
Ahmet Murat Yalnızoğlu	Board Member (Independent Member)	Non-Executive	21.07.2020-21.07.2022
Pınar Ilgaz	Board Member (Independent Member)	Non-Executive	21.07.2020-21.07.2023
Ahmet Bal	Board Member (Independent Member)	Non-Executive	21.07.2020-21.07.2023

Mehmet Tütüncü- Board Chairman

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. 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. 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 and 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 Ülker 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. A board member of TÜGİS, (Turkish Food Industry Employers' Union) Tütüncü is member of many Turkish and foreign sector organizations. He is a member in the Board of Directors of FoodDrinkEurope and FoodDrinkEurope Liaison Committee.

Ali Ülker- Deputy Board Chairman

Born in 1969, Ali Ülker completed his secondary education at the Istanbul High School for Boys and graduated from Boğaziçi University, Faculty of Economics and Administrative Sciences, Department of Economics and Business Administration. He attended various academic programs at IMD, INSEAD, Wharton 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 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. After becoming General Manager of Atlas Food Marketing in 1998, he was appointed Retail Group Vice-President in 2000 and subsequently General Manager at Merkez Food Marketing 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. Ali Ülker, who has served as Vice Chairman of Yıldız Holding's Board of Directors since 2011, became Chairman of the Board of Directors on January 29, 2020. Having strong knowledge and experience in marketing and sales, he takes a special interest in innovation and supports the various teams working in this key area within the Group. Ali Ülker enjoys mentoring youth. He also likes spending time in nature and participating in outdoor sports. Ali Ülker, who speaks English and German, is married and has three children.

Murat Ülker - Board Member

He began his professional career in 1982 and 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. Assuming the role of Chairing the Holding's Executive Board in 2000, Murat Ülker acted as the Chairman of the Board of Directors starting from 2000. He became Chief Executive Officer of Yıldız Holding's Executive Board in 2000, and served as Board Chairman from 2008 to 2020. Murat Ülker has remained actively involved in companies affiliated to the Holding as Board Member since January 29, 2020. He also serves as Chairman of the Board of Directors at Pladis and Godiva. Murat Ülker, who is married with three children, enjoys traveling with his family and sailing. His other areas of interest include calligraphy and modern painting.

İbrahim Taşkın- Board Member

Born in Trabzon in 1965, İbrahim Taşkın completed his primary education in Artvin and his secondary education in Istanbul. He graduated from the Faculty of Law at Istanbul 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 Istanbul Bar Association since 1989. Between 1990 and 1994, 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. İbrahim Taşkın took on board member and chairman roles in group companies out of Ülker Bisküvi in 2020.

Mete Buyurgan - CEO

Mete Buyurgan graduated from Çukurova University, Department of Business Administration following his primary, secondary, and high school education in Adana. He received his Master's degree in Human Resources Management from Marmara University, Faculty of Business Administration in English. He went on to complete the Sales Management program at New York University. After starting his professional career at Başer & Colgate Palmolive in 1994, Mr. Buyurgan assumed various positions in marketing and sales functions for 12 years. Aiming to gain experience in production, purchasing, logistics, and supply chain, he joined Hobby Cosmetics in 2005 as General Manager to carry out the company's restructuring effort. Mr. Buyurgan spearheaded the establishment of one of the largest personal care factories in Europe after he had expanded Hobby Cosmetics fourfold within four years with just a small team. Thanks to this exceptional success, the company was sold to Dabur, India's largest fast-moving consumer goods company. Mr. Buyurgan served as regional CEO for Dabur International for about four and a half years; he also managed some of the company's regions in Central Asia, North Africa, Middle East as well as Turkey and Iran. After joining Yıldız Holding as Vice President of the Food Group in 2013, Mete Buyurgan assumed management of various companies within the Holding. He served as pladis Turkish Presidency between 2016 and 2018; he was appointed to pladis Regional President of Turkey, Central Asia, Romania, and the Balkans in 2018. In addition to his current duties, Mete Buyurgan was appointed CEO at Ülker in February 2020. He undertook many more responsibilities to further boost Ülker's presence in the Turkish market, especially in the chewing gum and confectionery, bakery products and chocolate categories. Under his leadership, Ülker is conducting indepth studies in a wide range of areas, including financial processes, production, sales, marketing, human resources, supply chain, export, social projects, sustainability efforts, and brand perception. Mete Buyurgan is married with two children.

Corporate Governance Principles Compliance Report

Pınar Ilgaz - Board Member (Independent Member)

Graduated from İzmir Bornova Anadolu High School in 1983. Graduated from the faculty of Administrative Sciences at Boğaziçi University in 1988 with a degree in Public Administration. She is specialized on Human Resources Management, Organizational Structure and Operation, institutionalization, Governance and Sustainable Management. After completing the Management Trainee program at Emlak Bank in 1989, worked in the department of investment credit evaluation. Later, assumed the position of Financing Assistant Manager at Vakıf Financial Leasing Inc. and carried out her mission for the next 3 years. Since 1995 she is working at ARGE Consulting. Currently she is taking part in various projects in ARGE Consulting as Managing Partner. Under the roof of ARGE, she has conducted management consulting projects for more than 100 different organizations in different sectors and at different sizes in the areas of strategic evaluation and performance enhancement projects, institutionalization, corporate governance structures and sustainability strategies and HR. She is involved in the advisory committee of a company in food sector making production and global sales. Along her duties at ARGE Consulting, she

has assumed the following roles: Management Board - Vice President at Argüden Governance Academy, Management Board - Vice President at Private Sector Volunteers Association, Collaboration Committee Member at Women In Management Boards association, Social Gender Equality Workgroup Member at Tüsiad (Turkish Business Person Association). She has been selected for the "More Women In Management Boards" Program with 40 other female managers and has completed the training sessions that aim to prepare the participants for taking active role in management boards as Independent Members. She is among the authors of the books Kurumsal Yönetişim Modeli (Corporate Governance Model), Değişim Yönetimi (Management Of Change), and Gönüllü Kuruluşların Yönetimi (Management Of Volunteering Organizations). In 2020 Pınar Ilgaz has assumed the following roles outside the Company: Management Board - Vice President at Argüden Governance Academy, Independent Board Member at ŞOK Marketler, Management Board - Vice President at Private Sector Volunteers Association, Collaboration Committee Member at Women In Management Boards association, Social Gender Equality Workgroup Member at Tüsiad (Turkish Business Person Association).

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 or Partners that hold significant power in the Company and the legal entities where such Partners 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,

Pınar Ilgaz

Ahmet Bal - Board Member (Independent Member)

Born in 1957 in Tokat, Ahmet Bal graduated from Ankara University, Faculty of Political Sciences, Department of Economics and Finance and began his career in the Board of Accountants of the Ministry of Finance. Certified to be a Chief Accountant and Certified Public Accountant in 1991, Ahmet Bal completed his MBA in Business Administration at Nottingham University in the UK in 1992 and started working as an Assistant Financial Affairs Coordinator at Anadolu Endüstri Holding in 1994. Between 1995 and 1998, he was in charge of Anadolu Group's International Coca-Cola operations and was appointed as the Finance Director of Efes Sınai Yatırım Ticaret A.Ş. Between 1998 and 1999 he worked

as the General Manager of Efes Sınai Yatırım Holding A.Ş., while between 1999 and 2006, he was appointed to be the Financial Affairs Coordinator in charge of the Automotive, Finance and Stationery companies under the Anadolu Endüstri Holding's Financial Affairs Department. Bal worked as the Auditing Coordinator in charge of the Group Companies at Anadolu Endüstri Holding between 2006 and 2012. Between 2013 and 2018, Bal served as the Auditing President in charge of the Audits of the Anadolu Group Companies. Ahmet Bal is married and has two children. Outside the Company, Ahmet Bal was appointed to be the Independent Member of the Board of ŞOK Marketler, as well as Bizim Toptan Satış Mağazaları A.Ş. in 2020.

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 or Partners that hold significant power in the Company and the legal entities where such Partners 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,

Ahmet Bal

Corporate Governance Principles Compliance Report

Ahmet Murat Yalnızoğlu - 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 since 2006. 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. In 2020, Ahmet Murat Yalnızoğlu took the following positions outside the Company: IELEV Schools-Board Member, Pruva Management Consultancy Co. - Founding Member, Kerevitaş-Independent Board Member, MEF University-Lecturer, Ufuk Investment - Board Member.

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 or Partners that hold significant power in the Company and the legal entities where such Partners 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,

Ahmet Murat Yalnızoğlu

5.2. RULES OF CONDUCT OF THE BOARD OF DIRECTORS

The Company's Board of Directors held 34 meetings in the period of January – December 2020.

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 2020. The Board of Directors held five meetings in 2020, with a participation rate of 91%. In 2020, 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 2020, the Audit Committee had five meetings, and meeting minutes and reports were presented to the Board of Directors.

Corporate Governance Principles Compliance Report

The new members of the Audit Committee as selected by the resolution of the Board of Directors dated August 6, 2020, are as follows:

Chairman	Ahmet Bal - Board Member (Independent)
Member	Ahmet Murat Yalnızoğlu - 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 2020, 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 August 6, 2020, are as follows:

Chairman	Pınar Ilgaz - Board Member (Independent)
Member	Ahmet Bal - Board Member (Independent)
Member	Verda Beste Taşar - Investor Relations Director

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 2020, 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 August 6, 2020, is as follows.

Chairman	Ahmet Murat Yalnızoğlu - Board Member (Independent)
Member	Ahmet Bal - Board Member (Independent)

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://ulkerbiskuviyatirimciliskileri.com/default.aspx>

Declaration of Compliance to Sustainability Principles

With the Communiqué on Amendment (II-17.1.a) of the Communiqué on Corporate Governance (II-17.1) published in the Official Gazette dated October 2, 2020; partners subject to Corporate Governance Principles shall include the title of “Sustainability Principles Compliance Framework” in their reporting for the compliance to Corporate Governance Principles; and also provide information whether or not Sustainability Principles are implemented, and, if not, a reasoned explanation, as well as an explanation regarding the impacts on environmental and social risk management due to not fully complying these principles in their annual reports. Ülker Bisküvi complies with the principles published as part of the “Sustainability Principles Compliance Framework” of CMB through environmental, social and governance (ESG) policies that the Company has been sharing on its website as well as the Sustainability Reports disclosed to the public since 2015. Every year, the Company sustains and improves its activities in ESG. The details regarding the criteria mentioned in the principles and the performance data will be accessible in 2020 Sustainability Report to be published in June. Works are ongoing to share the related data in annual reports in the upcoming periods. The goal is to achieve full compliance to the non-obligatory “Sustainability Framework Principles” and the criteria that are not included within the principles are explained below. 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.

Environmental Principles

- There is no carbon pricing system and carbon credit, it is planned to take carbon credit for 2020.
- Renewable energy is not used but increased investments are planned in this area.
- Environmental criteria are included in the performance indicators of the managers, detail information on this matter is intended to be disclosed.

Social Principles

- Developments on human rights are not disclosed in detail, however it is planned to be improved in the forthcoming period.

Ülker Sustainability Reports are published on the website: <http://ulkerbiskuviyatirimciiliskileri.com>

Sustainability Principles Compliance Framework

A. General Principles

A1. Strategy, Policy and Objectives

- The Board of Directors determines the material issues, risks and opportunities related to ESG and defines the related ESG policies. These policies are based on the resolutions of the Board of Directors and disclosed to the public.

The Sustainability Platform is in charge of strategy, policy and goals regarding sustainability, auditing sustainability activities, reporting to the Board of Directors and following up the updates and revisions made by the Board in the sustainability strategy and goals.

- The Company Strategy is defined in compliance with the ESG policies, risks and opportunities. The Company strategy and short- and long-term goals in line with the ESG policies are defined and disclosed to the public.

We have always regarded sustainability with our “make happy, be happy” approach as an essential part of our business since the day our company was established. We touch all our value chain and put our efforts to develop and grow together with our stakeholders including the soil, farmers, employees, customers, etc. We gather all activities in this field under six groups, i.e. Environment, Value Chain, Employees, Innovation, Social Responsibility and Leadership. During this journey, we refer to the goals we set for 2024 and our sustainability principles that we developed under six groups. We closely follow up national and international developments with the purpose to make a contribution to 2030 Sustainable Development Goals. We believe our sustainability efforts can only be successful if the entire company and employees commit themselves to these efforts. Hence, we continue working under the leadership of the Board of Directors with the contributions of all our employees and managers toward the road map we defined to reach our goals. The progress toward these goals also creates input for the performance indicators of employees and managers, including the CEO.

A2. Implementation/Monitoring

- Committees/departments in charge of ESG policies are defined and disclosed to the public. The committee/department in charge reports the activities carried out as part of the policies to the Board of Directors at least once a year.

The Sustainability Platform is in charge of strategy, policy and goals regarding sustainability, auditing sustainability activities, reporting to the Board of Directors and following up the updates and revisions made by the Board in the sustainability strategy and goals. The Platform includes various functions including R&D, human resources, corporate communication, financial affairs, operational excellence, quality and food safety, HSE (Health & Safety, Energy, Environment), marketing, procurement, supply chain, etc. and an integrated approach is adopted during these activities.

- Implementation and action plans are developed in line with the short- and long-term goals defined and disclosed to the public.



Sustainability Principles Compliance Framework

Focus Area	Goal	Progress (Compared With 2014)	Situation
Environment	Growing with zero carbon emission increase	Our carbon emissions have remained unchanged since 2014.	✓
	Developing a long-term energy efficiency strategy	We saved 2,502 MWh of energy in 2019.	...
	Reducing carbon emissions by 40% per unit production	CO ₂ emissions per unit production were maintained. Efforts for renewable energy supply are in progress.	✗
	Reducing water consumption by 30% per unit of production	We outperformed our 2024 objective, attaining a 31.2% reduction.	✓
	Sending zero waste to landfills through 100% recycling	The rate of waste sent to landfills was 9%
	Reducing packaging waste by 50%	We outperformed our objective by decreasing our flexible return packages by 65% and cardboard boxes by 99% compared with 2014.	✓
	Obtaining BREEAM Green Building Certificate for our Gebze Factory	We obtained BREEAM Green Building Certificate at GOOD level.	✓
Value Chain	Reducing logistics-based carbon emissions by 20%	We reduced carbon emissions by 4,263 tons in 2019.	...
	Developing a sustainable packaging strategy and policy	We developed the strategy. We are preparing the policy in line with our strategy.	...
Innovation	Making efforts to reduce packaging	We used 355 tons of plastic, 96 tons of paper, and 10 tons of aluminum less for our packages.	...
			...



Goal achieved.

... Efforts in progress.



Falling behind the goal.



Focus Area	Goal	Progress (Compared With 2014)	Situation
Employees	Keeping regretted loss rate below 3%	Regretted loss rate was 1.29% in 2019.	✓
	Ensuring that all employees get standard sustainability training	A total of 2,500 employees got standard sustainability training. We aim to provide sustainability training on the online platform in 2020.	...
	Reduce lost time injuries to zero	We reduced accident frequency rate by 78%
	Collecting at least 500 suggestions from employees each year under the title of sustainability through Akıl Küpü suggestion system	1,207 suggestion were collected.	✓
	Keeping employee engagement at 65-100%	Employee engagement was 80.4% in 2019.	✓
	Reducing employee turnover rate to 12%	Employee turnover rate was 10.7% in 2019.	✓
Social Responsibility	Reducing the amount of saturated fat, salt, and sugar in all product categories	We used 180 tons less fat, 109 tons less sugar, and 16.3 tons less salt in all product categories in 2019.	...
	Reducing customer complaints per million packages by 20% compared with 2018.	We reduced complaints by 9.6%
Leadership	Continuing projects and cooperation with leading organizations for community health and future	<ul style="list-style-type: none"> Sustainable Hazelnut Cultivation Project World Cocoa Foundation support Food Drink Europe and EUFIC membership TÜSIAD Environment and Climate Change Working Group TÜSIAD Energy Efficiency Task Force Active participation in seminars and conferences 	✓



✓ Goal achieved.

... Efforts in progress.

✗ Falling behind the goal.

Sustainability Principles Compliance Framework

- ESG Key Performance Indicators (KPI) are defined and disclosed based on year-on-year comparisons. If verifiable data is available, KPIs are submitted together with the local and international sector comparisons.

The performance in KPIs defined are disclosed on pages 58 and 59 of the 2019 Sustainability Report. 2020 performance shall be disclosed in 2020 report.

- Innovation activities improving the sustainability performance related to work processes or product and services are disclosed.

In 2019, we developed a total of 372 projects as part of our R&D activities and completed 213 projects. Furthermore, we reduced the use of 355 tons of plastic, 96 tons of paper and 10 tons of aluminum in packaging.

A3. Reporting

- Sustainability performance, goals and actions are reported at least once a year and disclosed to the public. Information on sustainability activities can be disclosed as part of annual report, sustainability report or integrated report/integrated annual report.

Each year, sustainability performance and goals are disclosed in the sustainability reports.

- Material information for the stakeholders shall be disclosed using direct and concise statements. Detailed information and data can also be disclosed on the company's website, separate reports can be prepared to fulfil the requirements of different stakeholders.

The Sustainability Report is prepared in line with the material issues defined by the contributions of the stakeholders and disclosed on the website for all stakeholders to access.

- Maximum attention is placed to the preparation of the report in terms of transparency and reliability. As part of a balanced approach, both positive and negative developments regarding the material issues are objectively disclosed in the announcements and reporting.

Every year, sustainability performance and goals are disclosed in the sustainability reports using direct and concise statements in a transparent and balanced manner.

- Information on which activities are related to which United Nations (UN) 2030 Sustainable Development Goals is provided.

The Sustainability Report also presents the contribution to 2030 Sustainable Development Goals.

- Information on the lawsuits filed and/or concluded against the company on ESG issues is also disclosed.

There are no lawsuits filed and/or concluded against the company on ESG issues.

A4. Verification

- Sustainable performance measurements verified by the independent third parties (independent sustainability assurance providers) are disclosed to the public and efforts are put to increase the related verification processes.

Independent verification report is are disclosed on pages 62 and 63 of the 2019 Sustainability Report.

B. Environmental Principles

- Policies and practices in environmental management, action plans, environmental management systems (referred to as ISO 14001) and programs are disclosed.

Sustainability of our activities is closely related to protection of soil, water and biodiversity, our sources of life. Whilst keeping our operations going, we have the goal to minimize our environmental impacts. The practices we implement guide the sector in terms of sustainability of food and agriculture. We assess the comments and suggestions of our stakeholders in order to improve our environmental performance; and take into account the expectations of private sector, public institutions, NGOs and universities. We evaluate our activities regarding the environment in terms of climate change and energy, water consumption, waste and packaging management, as well as protection of biodiversity.

We manage the operations in all our factories in line with ISO 9001 Quality Management System and ISO 14001 Environment Management System standards. Furthermore, we completed the ISO 50001 Energy Management System compliance activities at all our factories and are integrating the system with Greenhouse Gas Emission (GHG) Inventory and Verification System.

<http://ulkerbiskuviinvestorrelations.com/en/sustainability/Environmental-Sustainability/Environmental-Management-System.aspx>

- Environment-related laws and other related regulations are adopted and disclosed.

As part of Ülker Bisküvi's Environmental Policy, environmental conditions due to directly or indirectly related laws and regulation or standards or agreements committed by the company regarding the production processes are meticulously followed by the Environment Unit of the Factory.

- The extent of the report defines the limits of the reporting period, report date, reporting frequency, data collection process and reporting conditions.

The scope of the environmental reporting is disclosed on pages 3, 56 and 57 of the 2019 Sustainability Report.

- The highest-level person in charge of the environment and climate change in the company, related committees and their duties are disclosed.

Climate change is managed by the Sustainability Platform like the other sustainability issues and CEO is the highest executive in charge in this field.

- Incentives offered for the management of environmental issues including achieving the goals are disclosed.

There are climate change and environment related criteria defined for employees within their personal performance indicators, for them to internalize environmental sustainability.

- The integration of environmental issues into business goals and strategies are explained.

We manage the process by defining the material environmental issues, determining the impact areas in these fields, and following up our performance through goals. We evaluate the environmental issues in Sustainability Platform meetings and define the required improvement areas.

- Sustainability performance and sustainability performance improving activities related to work processes or product and services are disclosed.

ENVIRONMENT

Goal

Progress (Compared With 2014)

Growing with zero carbon emission increase

Our **carbon emissions** have remained unchanged since 2014.

Developing a long-term **energy efficiency** strategy

We saved 2,502 MWh of energy in 2019.

Reducing carbon emissions by 40% per unit production

CO₂ emissions per unit production were maintained. Efforts for renewable energy supply are in progress.

Reducing water consumption by 30% per unit of production

We outperformed our 2024 objective, attaining a **31.2% reduction**.

Sending zero waste to landfills through **100% recycling**

The rate of waste sent to landfills was 9%.

Reducing packaging waste by 50%

We outperformed our objective by decreasing our flexible return packages by 65% and **cardboard boxes by 99%** compared with 2014.

Obtaining **BREEAM** Green Building Certificate for our Gebze Factory

We obtained **BREEAM** Green Building Certificate at GOOD level.

Sustainability Principles Compliance Framework

- The management of environmental issues not only in direct operations, but also throughout the company's value chain and the integration of suppliers and customers into the strategies are explained.

As one of the world's leading food producers, we believe that sustainable utilization of natural resources constitutes foundations for the future of our company and the world. The approach guides us in developing pioneering practices in the sector nationwide and worldwide. We consider farmers as important partners; protect the soil through sustainable agricultural practices and socioeconomically strengthen farmers. Agricultural operations and raw material supply, operational excellence, logistics, quality and food safety constitute the core of our value chain. Further details can be accessed via the Value Chain section in the 2019 Sustainability Report.

- Whether or not being included in the policy development processes related to environmental issues (sector-based, regional, national and international); environment-related associations being a member of, collaborations with related institutions and NGOs and tasks undertaken and activities supported, if any, are disclosed.

Associations that Ülker Bisküvi is a member of can be found on page 55 of the 2019 Sustainability Report.

- Information regarding the environmental impacts considering the Environmental Indicators (GHG Emissions (Scope-1 (Direct), Scope-2 (Energy indirect), Scope-3 (Other indirect)), air quality, energy management, water and wastewater management, biodiversity impacts) are periodically and comparably reported.

Performance indicators can be found on page 58 of the 2019 Sustainability Report. Performance in 2020 will be disclosed in the 2020 Sustainability Report to be published in June.

- The standards, protocols, methodology and reference year details used to collect and calculate data is disclosed.

Data collection and calculation methodologies are disclosed on pages 56 and 57 of the 2019 Sustainability Report.

- The status of the environmental indicators in the report years is disclosed in comparison with the previous years (increase or decrease).

Performance indicators for the past 3 years can be found on page 58 of the 2019 Sustainability Report.

- Short- and long-term targets to mitigate the environmental impacts are defined and disclosed to the public. These targets are advised to be defined as Science-Based Targets suggested by the United Nations Climate Change Conference Parties. In the event of any improvements in the report year according to the previously defined targets, information is provided.

Environmental targets are disclosed in the 2019 Sustainability Report. There are no Science-Based Targets.

- The strategy and actions to tackle the climate crisis are revealed.

At Ülker Bisküvi, we put efforts to efficiently manage our carbon emissions and energy consumption and transparently disclose our performance. As part of the Carbon Disclosure Project (CDP), we started in 2016, we continue to share our climate change strategy and carbon emissions. While our activities and operations grow, our goal is to keep the level of our carbon emissions per product around the levels in 2014. Thus, in line with this goal, we closely monitor our scope 1 and scope 2 values which constitute our direct emissions; as well as scope 3 emissions from the value chain. Thanks to the rehabilitation and efficiency practices implemented in our processes, we reduce our energy consumption.

- Programs or procedures to mitigate or minimize the potential adverse impacts of the products and/or services provided are disclosed; actions taken to enable third parties to reduce their GHG emissions are disclosed.

Logistics constitute a significant impact area in the value chain. As part of the Supply Chain Excellence Journey that we initiated in 2016, we carry out efficiency and rehabilitation works. In line with our goal to reduce the carbon emissions from logistics by 20%, we have continuously rehabilitated the distribution grid since 2014 and covered 2.2 million km less.

- Actions taken to mitigate the environmental impacts, projects carried out and total number of initiatives and the resulting environmental benefits/advantages and cost conservation are disclosed.

We had reduced our water consumption from 2014 to 2019 by 30.5% and the water consumption per unit production by 31.2%; which is over our 2024 targets. With the rehabilitation works carried out in 2019, we saved a total of 23,000 m³ water and achieved a financial saving of approximately TL 208,000.

In 2019, as part of the activities to reduce energy consumption, we saved 2,502 MWh energy equivalent to annual energy consumption of approximately 1,500 houses. By reducing the energy consumption, we achieved approximately TL 1 million financial saving and prevented 1,000 tons of CO₂ emission.

- Total energy consumption data (excluding raw materials) is reported and energy consumption is disclosed in terms of Scope-1 and Scope-2.

Performance indicators can be found on page 58 of the 2019 Sustainability Report.

- Information on produced and consumed electricity, heat, vapor and cooling is provided for the report year.

Heat, cooling and vapor data in energy consumption are not separately disclosed; but the total consumption figures are provided.

- Activities are carried out to increase renewable energy use, transition to zero or low carbon electricity and information related to these activities is disclosed.

Renewable energy is not used; however, increasing the investments in this field is considered.

- Renewable energy production and usage data is revealed.

Renewable energy is not used; however, increasing the investments in this field is considered.

- Energy efficiency projects are carried out; and, thanks to these projects, energy consumption and emission reduction figures are disclosed.

In 2019, as part of the activities to reduce energy consumption, we saved 2,502 MWh energy equivalent to annual energy consumption of approximately 1,500 houses. By reducing the energy consumption, we achieved approximately TL 1 million financial saving and prevented 1,000 tons of CO₂ emission.

- Drawn, used, recycled and discharged water amounts from surface water and groundwater, their resources and procedures (Total water drawn per resource, water resources affected from water drawn; percentage and total volume of the recycled and reused water, etc.) are reported.

Performance indicators can be found on page 58 of the 2019 Sustainability Report.

- Whether or not the operations or activities are included to any carbon pricing system (Emissions Trading System, Cap & Trade or Carbon Tax) is disclosed.

Ülker Bisküvi is not included under any carbon pricing system.

- Accumulated or purchased carbon credit during the reporting period is disclosed.

As of 2020, we took a carbon credit equivalent to 15% of our carbon emissions; hence, offset our emissions corresponding to this rate.

- If carbon pricing is applied in the company, details are disclosed.

Carbon pricing is not implemented.

- All mandatory and voluntary platforms that the company discloses its environmental information are disclosed.

Sustainability Principles Compliance Framework

As part of the Carbon Disclosure Project (CDP), we started in 2016, we continue to share our climate change strategy and carbon emissions.

C. Social Principles

C1. Human Rights and Employee Rights

- Corporate Human Rights and Employees Rights Policy, which includes commitment to full compliance to Universal Declaration of Human Rights, ILO conventions that Turkey is a party to and legal frame and legislation regulating the human rights and employee rights in Turkey, is developed. Roles and responsibilities related to the subject policy and implementation of the policy is disclosed to the public.

You can access Ülker Bisküvi Human Rights Policy.

- Equal opportunity is assured during recruitment. Considering supply and value chain impacts, the policy covers fair labor, improvement of working standards, variety and inclusion (no discrimination based on sex, sexual orientation, religious belief, language, race, ethnicity, age, disability, immigration status, etc.) issues.

Ülker Bisküvi Human Rights Policy can be accessed via http://ulkerbiskuviyatirimciiliskileri.com/_assets/pdf/surdurulebilirlik/ulker-insan-haklari-politikasi.pdf, Supply Chain Policy can be accessed via Error! Hyperlink reference not valid. http://ulkerbiskuviyatirimciiliskileri.com/_assets/pdf/surdurulebilirlik/Ulker_Tedarik_Zinciri_Politikasi.pdf.

- Measures taken throughout the value chain to consider the rights/equal opportunities to minorities or to people susceptible to specific economic, environmental, social factors (people with low incomes, women, etc.) are disclosed.
- Developments on human rights are not disclosed in detail; however, the issue will be improved in the upcoming periods.

- Developments on preventive and corrective practices regarding discrimination, inequality, human rights violations, forced and compulsory labor are reported. Regulations that prohibit child labor are released.

Developments on human rights are not disclosed in detail; however, the issue will be improved in the upcoming periods.

- Policies regarding investments in employees (training, development policies), compensation, fringe benefits, right to union, work/life balance solutions and skills management are disclosed. Employee complaints and dispute resolution processes are defined. Activities related to employee satisfaction are regularly disclosed.

Performance Management

In line with our skills management mentality, we objectively evaluate performances and provide training to employees for them to be able to improve their competencies. We evaluate performances of employees through performance management system and identify the areas to be improved. The process is completed in three phases, i.e., goal setting, interim evaluation and evaluation periods. During this period, managers can submit feedback to employees. As a result of the evaluations based on targets and competencies, employees are supported in terms of career planning and provided training in the required fields. 100% of out-of-scope employees are evaluated based on performance management system.

Remuneration and Side Benefits

Remuneration and fringe benefits of employees are managed in a fair and equal manner by taking into account the market conditions. The standard fringe benefits packages of out-of-scope employees are offered as flexible fringe benefits that can be shaped in line with their personal requirements. Employees can choose alternatives including spouse and child supplementary health insurance, shopping cheques, check-up, personal retirement insurance, etc. offered in the fringe benefits portal within the budget provided. Fringe benefits of in-scope employees are determined as part of collective bargaining.

Training

Training and development programs are designed in compliance with the company's vision and goals. We invest in skills in line with the 2024 goal to keep the lost skills rate under 3% and provide training to employees to improve their professional and personal competencies.

Training programs delivered to employees are as follows:

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

- Occupational health and safety policies are developed and disclosed to the public. Measures taken to prevent work accidents and accident statistics are communicated.

Providing a healthy and safe work environment to our employees is among our material issues. In line with the Zero Work Accident goal, we implement occupational health and safety (OHS) practices beyond the legal requirements, at international standards. In 2020, we completed the transition from OHSAS 18001 to ISO 45001 Occupational Health and Safety Management System at all our factories.

- Protection of personal data and data security policies are developed and disclosed to the public.

Information on protection of personal data can be accessed via www.ulker.com.tr.

- Ethics policy (including activities related to work, professional ethics, adaptation processes, advertisement and marketing ethics, disclosure, etc.) is developed and disclosed to the public.

The Ethics Codes of the Company can be accessed via <http://ulkerbiskuviinvestorrelations.com/en/corporate-governance/code-of-ethics.aspx>

- Activities regarding social investment, social responsibility, financial inclusion, access to financing are revealed.

We take firm steps to reduce the saturated fat, salt and sugar amounts used in all product categories by 2024 in line with our goal in order to support children and young people, who are our future, to adopt a balanced diet habit. We endeavor for society to adopt a healthy lifestyle and carry our R&D activities related to products with high nutritional value.

At Ülker Bisküvi, we have had the goal to contribute to physical, social, cultural and mental developments of children through the social responsibility projects that we have been carried out to date.

With the children's football projects carried on between 2007 and 2016, we introduced sports to over 330,000 children in the early years of their lives and supported multi-dimensional development of these children through the organizations held. Some of the girls and boys who attended the Football Villages organized were picked for U-15 National Teams. They became successful in their sports clubs and got the chance to join the A team.

Sustainability Principles Compliance Framework

We reached approximately 1.5 million children in 10 years through several projects including Ülker Children's Film Festival, Football Villages and Ülker Children's Art Workshop, etc. In 2019, Ülker Bisküvi took a significant part of "Make Happy Be Happy Day" celebrations of Yıldız Holding, together with its subsidiaries. With the events held throughout the year, our employees and executives organized several events / activities to make a number of children happy. Besides book and stationary donations, we supported schools in their repair works, have schools painted, organized planting tree saplings, visited orphanages.

- Informative meetings and training programs on ESG policies and practices are delivered.

So far, we have provided the standard sustainability training to 2500 employees. In 2020, we will provide online sustainability training.

C2. Stakeholders, International Standards and Initiatives

- Sustainability activities are carried out considering the requirements and priorities of all stakeholders (employees, customers, suppliers and service providers, public institutions, shareholders, governmental and nongovernmental organizations, etc.).

We believe in the importance of effective communication and building partnerships with stakeholders in order to reach our sustainability goals and become a leader. We continuously and regularly communicate with our internal and external stakeholders and include them in our decision-making mechanisms. During prioritization analysis, we request feedback from our stakeholders through stakeholder analysis.

- A customer satisfaction policy is prepared regarding customer satisfaction management and resolution; and the policy is disclosed to the public.

There is no Customer Satisfaction Policy and our company works on developing one.

- Stakeholder communication is maintained in a continuous and transparent manner; which stakeholders are communicated how frequently for which purpose and on which issues as well as developments in sustainability activities are disclosed.

ANNEX 2: Methods of Communication with Stakeholders

Employees	Satisfaction surveys, OHS board meetings, announcements and information, internal publications, annual reports, sustainability reports, training programs, workshops, website, industrial relations boards, employee support line, Akil Küpü, stakeholder analysis
Industry Organizations and Associations, Nongovernmental Organizations, and International Organizations	Memberships and board memberships, active participation in meetings and joint efforts, annual reports, sustainability reports, announcements, seminars, conferences, website, stakeholder analysis
Distributors and Suppliers	One-to-one meetings, annual reports, sustainability reports, quality inspections, relevant policies and documents, website, stakeholder analysis
Shareholders and Investors	General assembly, material even disclosures, press statements, one-to-one meetings and correspondences, attendance to conferences, broker/bank reports, periodic information letters, annual reports, sustainability reports, website, perception projects, stakeholder analysis
Public Institutions	One-to-one meetings, annual reports, sustainability reports, stakeholder analysis
Media	One-to-one meetings, press conferences, annual reports, sustainability reports, announcements and statements, website, social media, stakeholder analysis
Consumers	Ülker Customer Communication Center, website, annual reports, sustainability reports, news, announcements, social media, consumer surveys, stakeholder analysis
Universities	Active participation in joint efforts, annual reports, sustainability reports, website, internship programs, career days, conferences, stakeholder analysis

Sustainability Principles Compliance Framework

- International Reporting Standards adopted (Carbon Disclosure Policy (CDP), Global Reporting Initiative (GRI), International Integrated Reporting Council (IIRC), Sustainability Accounting Standards Board (SASB), Task Force on Climate-related Financial Disclosures (TCFD) etc.) are disclosed to the public.

The Sustainability Report, prepared in compliance with the “Foundation” standard of the GRI Standards, also benefits from the GRI Food Processing Sector Annex and Sustainability Accounting Standards Board (SASB) Processed Foods Guidance. As part of our leadership approach as well as our business model and operations, we put forth our contributions to the Sustainable Development Goals.

- International organizations or principles that the company has ratified or is a member of (Equator Principles, United Nations Environment Program Finance Initiative (UNEP-FI), United Nations Global Compact (UNGC), United Nations Principles for Responsible Investment (UNPRI) etc.), and the international principles adopted (International Capital Market Association (ICMA) Green/Sustainable Bond Principles, etc.) are disclosed to the public.

We continue supporting the World Cocoa Foundation. As part of our membership to Food Drink Europe and the European Food Information Council (EUFIC), we maintain our activities in food safety, food sustainability and actively attend related seminars and conferences. We are included in the Turkish Industry and Business Association (TUSIAD) Energy Efficiency Task Force.

- Substantial efforts are put to be listed in the Borsa Istanbul Sustainability Index and the international sustainability indexes (Dow Jones Sustainability Index, FTSE4Good, MSCI ESG Indexes, etc.).

Since 2016, we have been listed in FTSE4Good Emerging Indexes; and since 2015, we have been listed in Borsa Istanbul Sustainability Index.

D. Corporate Governance Principles

- All efforts are put to adapt to the Corporate Governance principles that shall be abided as part of Capital Markets Board Corporate Governance Communiqué II-17.1 as well as all other Corporate Governance principles.
- Pursuant to Article 6362 of the Capital Market Law No: 6362, dated December 6, 2012, and II-17.1 Corporate Governance Communiqué released on January 3, 2014, issuance of a “Corporate Governance Principles 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 necessary efforts are undertaken to guarantee compliance with other principles described in those Communiqués.
- Although full compliance with non-mandatory Corporate Governance Principles is a target, it has not yet been achieved due to difficulties regarding implementation of some principles and some principles failing to align with the existing structure of the market and the Company.
- The principles that have not been implemented yet have not resulted in a conflict of interest among stakeholders up today. However, they are being worked on and the plan is to adopt them upon the completion of the administrative, legal and technical infrastructure works that would contribute to the Company’s effective management. Sustainability, environmental impacts of the operations and related principles are considered while defining corporate governance strategy.

We have always regarded sustainability with our “make happy, be happy” approach as an essential part of our business since the day our company was established. We touch all our value chain and put our efforts to develop and grow together with our stakeholders including the soil, farmers, employees, customers, etc. We gather all activities in this field under six groups, i.e. Environment, Value Chain, Employees, Innovation, Social Responsibility and Leadership.

- As stated in Corporate Governance Principles, necessary measures are taken to comply with the principles related to beneficiaries and strengthen the communication with beneficiaries. Beneficiaries are consulted while defining the measures and strategies in sustainability.

We consult to our material stakeholders while defining the material sustainability issues. As part of a comprehensive stakeholder analysis, various stakeholder groups prioritize a long issue list through online surveys. We regularly contact our stakeholders and ask them about their ideas and expectations regarding Ülker's material issues and activities.

Sustainability, the environmental impact of operations, and principles to this end are taken into account while establishing the corporate governance strategy. As provided for in the Corporate Governance Principles, the Company takes necessary measures to comply with principles regarding stakeholders and strengthen communication with them.

- It works on social responsibility projects, related events and training programs to raise awareness on sustainability and its importance.

So far, we have provided the standard sustainability training to 2500 employees. In 2020, we will provide online sustainability training.

- Efforts are put to become a member of international standards and initiatives regarding sustainability and contribute to their activities.

We responsibly supply cacao, the main raw material used in our products. Hence, we support sustainable cacao production. We have been a member of World Cocoa Foundation which supports small sized cocoa producers and inform them on sustainable agriculture practices, since 2012. In 2018, Pladis, the parent company, initiated a collaboration with EarthWorm Foundation and the traceability program for palm oil. As of 2019, they achieved 100% traceability for palm oil.

- Anti-bribery and corruption policy and programs are disclosed.

Regulations on anti-bribery and corruption can be accessed via Ethics section.

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
- Enable progress to achieve significant improvements in 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 2020, she presented reports to the Corporate Governance Committee and also to the Board of Directors on March 5, May 4, August 6, and November 4. 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 face-to-face and online meetings with investors and analysts domestically and internationally. The company attended investor conference at London in 2020 and conducted meetings and discussions online due to COVID-19 pandemic which has affected countries all over the world. 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 disclosure policy of the Company.

Other Issues Regarding Company Operations

- In 2020, the Company did not have any private audit whereas public audit was carried out by the Competition Authority and the Turkish Tax Inspection Board. Currently, no reports have been received by our Company regarding audit results.
- In 2020, 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.
- The Company mostly reached its goals set in 2020. The General Assembly resolutions are fulfilled in 2020.
- There are no legal acts taken on behalf of our Company or its affiliates and or no avoided precautionary measures in 2020.
- There are no precautions taken or avoided that would harm the Company in 2020.
- There are no lawsuits filed against our Organization that would have a significant impact on either the financial situation and activities of our Company.
- There are no conflicts of interest with the institutions that provide service on investment advisory and ratings. Thus, no precautionary measures are taken by the Company.
- No extraordinary general assembly meeting was held in 2020.

Statement of Responsibility Regarding the Annual Report

BOARD RESOLUTION CONCERNING THE APPROVAL OF THE FINANCIAL STATEMENTS

RESOLUTION DATE: 08/03/2021

RESOLUTION NUMBER: 2021/1

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

Regarding the period between January 1-December 31, 2020, 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” (“Communique”) 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
Financial Affairs Director

Ahmet BAL
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 2017 activity period about the relations between Ülker Bisküvi Sanayi A.Ş. and the Company's controlling shareholder and the affiliates of the controlling shareholders in the previous activity period, and; (ii) include 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 no. 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 2020, appropriate consideration was provided in each transaction, and there were no measures, taken or avoided, that could cause loss for the company, and within this scope there were no transactions or measures that would require offsetting."

Independent Audit Report

(Convenience translation of a report originally issued in Turkish)

INDEPENDENT AUDITOR'S REPORT ON THE ANNUAL REPORT OF THE BOARD OF DIRECTORS

To the Shareholders 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 ("the Group") for the period of 1/1/2020-31/12/2020.

In our opinion, the consolidated financial information provided in the annual report of the Board of Directors and the discussions made by the Board of Directors on the situation of the Group are presented fairly and consistent, in all material respects, with the audited full set consolidated financial statements and the information we obtained during the audit.

2) Basis for Opinion

We conducted our audit in accordance with standards on auditing as issued by the Capital Markets Board of Turkey and Independent Auditing Standards (InAS) which are part of the Turkish Auditing Standards as issued by the Public Oversight Accounting and Auditing Standards Authority of Turkey (POA). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Annual Report section of our report. We are independent of the Group in accordance with the Code of Ethics for Independent Auditors (Code of Ethics) as issued by the POA, and we have fulfilled our other ethical responsibilities in accordance with the Code of Ethics. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

3) Our Auditor's Opinion on the Full Set Consolidated Financial Statements

We have expressed an unqualified opinion in our auditor's report dated 10 March 2021 on the full set consolidated financial statements of the Group for the period of 1/1/2020-31/12/2020.

4) The Responsibility of the Board of Directors on the Annual Report

In accordance with Articles 514 and 516 of the Turkish Commercial Code 6102 ("TCC") and the provisions of the Communiqué II-14.1 on the Principles of Financial Reporting In Capital Markets" ("the Communiqué") of the Capital Market Board ("CMB"), the management of the Group is responsible for the following items:

- Preparation of the annual report within the first three months following the balance sheet date and submission of the annual report to the general assembly.
- Preparation and fair presentation of the annual report; reflecting the operations of the Group for the year, along with its financial position in a correct, complete, straightforward, true and honest manner. In this report, the financial position is assessed according to the consolidated financial statements. The development of the Group and the potential risks to be encountered are also noted in the report. The evaluation of the board of directors is also included in this report.
- The annual report also includes the matters below:
 - Subsequent events occurred after the end of the fiscal year which have significance,
 - The research and development activities of the Group,
 - Financial benefits such as salaries and bonuses paid to the board members and to those charged governance, allowances, travel, accommodation and representation expenses, financial aids and aids in kind, insurances and similar deposits.

When preparing the annual report, the board of directors takes into account the secondary legislative arrangements published by the Ministry of Trade and related institutions.

5) Auditor's Responsibilities for the Audit of the Annual Report

Our aim is to express an opinion, based on the independent audit we have performed on the annual report in accordance with provisions of the Turkish Commercial Code and the Communiqué, on whether the consolidated financial information provided in this annual report and the discussions of the Board of Directors are presented fairly and consistent with the Group's audited consolidated financial statements and to prepare a report including our opinion.

The independent audit we have performed is conducted in accordance with InAS and the standards on auditing as issued by the Capital Markets Board of Turkey. These standards require compliance with ethical provisions and the independent audit to be planned and performed to obtain reasonable assurance on whether the consolidated financial information provided in the annual report and the discussions of the Board of Directors are free from material misstatement and consistent with the consolidated financial statements.

The name of the engagement partner who supervised and concluded this audit is Seda Akkuş Tecer.

Güney Bağımsız Denetim ve Serbest Muhasebeci Mali Müşavirlik Anonim Şirketi
A member firm of Ernst & Young Global Limited

Seda Akkuş Tecer, SMMM
Partner

10 March 2021
Istanbul, Turkey

ÜLKER BİSKÜVİ SANAYİ A.Ş. AND ITS SUBSIDIARIES

**CONVENIENCE TRANSLATION INTO ENGLISH OF
CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2020**

TOGETHER WITH INDEPENDENT AUDITOR'S REPORT
(ORIGINALLY ISSUED IN TURKISH)

(Convenience translation of a report and consolidated financial statements originally issued in Turkish)

INDEPENDENT AUDITOR'S REPORT

To the Shareholders of Ülker Bisküvi Sanayi A.Ş.

A) Report on the Audit of the Consolidated Financial Statements

1) Opinion

We have audited the consolidated financial statements of Ülker Bisküvi Sanayi A.Ş. (the Company) and its subsidiaries (the Group), which comprise the consolidated statement of financial position as at December 31, 2020, and the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at December 31, 2020, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with the Turkish Financial Reporting Standards (TFRS).

2) Basis for Opinion

We conducted our audit in accordance with standards on auditing as issued by the Capital Markets Board of Turkey and Independent Auditing Standards (InAS) which are part of the Turkish Auditing Standards as issued by the Public Oversight Accounting and Auditing Standards Authority of Turkey (POA). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Consolidated Financial Statements* section of our report. We are independent of the Group in accordance with the *Code of Ethics for Independent Auditors* (Code of Ethics) as issued by the POA, and we have fulfilled our other ethical responsibilities in accordance with the Code of Ethics. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

3) Other matters

The consolidated financial statements of the Group for the year ended December 31, 2019 were audited by another audit firm, who expressed an unmodified opinion on those statements on 5 March 2020.

(Convenience translation of a report and consolidated financial statements originally issued in Turkish)

4) Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key Audit Matters	How the key audit matter was addressed in the audit
Fair value of Financial Assets Measured at Fair Value through Other Comprehensive Income	
<p>As disclosed in Note 5, the Group's financial investments G-New Inc ve Godiva Belgium BVBA are included in financial investments. These investments amounting to TRY 977.906 thousand were accounted at their fair value in the Group's consolidated financial statements and there is no active market for these financial investments.</p> <p>The fair values of these financial investments were calculated by an independent valuation company using discounted cash flows method.</p> <p>We have assessed this matter as key audit matters considering that the fair value calculation includes data that cannot be easily observed in the market, the calculation depends on the growth rate, the weighted average cost of capital estimations (Note 2.5) and the achievement of projections for the next five years and also significance of financial assets in consolidated financial statements.</p>	<p>We have assessed the licenses, competencies and impartiality of appraisers appointed by the management.</p> <p>In our audit, the appropriateness of significant estimates and assumptions such as valuation methods, growth rates, weighted average cost of capital ratios and economic and financial data, which are the basis for the fair value measurements of G-New Inc and Godiva Belgium BVBA financial investments of the Group. For this evaluation, appraisers included in the audit network that we are connected to are included in the studies. In this context, the methods, estimates and assumptions used in the valuation reports of these financial investments are considered to be acceptable.</p> <p>In addition, the appropriateness of the information contained in the financial statements and explanatory footnotes was taken into consideration by us, considering the importance of the disclosed information for the readers of the financial statements.</p>

(Convenience translation of a report and consolidated financial statements originally issued in Turkish)

Key Audit Matters	How the key audit matter was addressed in the audit
Impairment test for goodwill and reacquired rights	
<p>As disclosed in Note 13 and 14 as of December 31, 2020, goodwill amounting to TRY 496.196 Thousand and reacquired rights amounting to TRY 351.727 thousand, were accounted in the Group consolidated financial statements. These assets have indefinite useful life and are applied yearly impairment tests in accordance with TFRS.</p> <p>Reasons why we focused on this topic:</p> <p>The significance of the amounts in the consolidated financial statements which were accounted as goodwill, reacquired rights and fund as under common control in the equity and important estimations such as weighted average cost of capital, growth rates and projections, which were made during impairment test and if these estimations had been different, the amount on the consolidated financial statements would have impaired significantly.</p>	<p>We have assessed the licenses, competencies and impartiality of appraisers appointed by the management.</p> <p>We paid special attention to ensuring that these assessments included variables in the first acquisition process.</p> <p>We checked if the variables included in calculation methods for weighted average cost of capital are within acceptable ranges. The reasonableness of the growth rates used was assessed by comparing the rates with the economic data for the relevant regions.</p> <p>We examined the feasibility of the projections with Company management by comparing the projections with previous financial performance and current evaluations.</p> <p>We checked the mathematical accuracy of calculations and found no exception. We checked the sufficiency of the disclosure notes.</p>

(Convenience translation of a report and consolidated financial statements originally issued in Turkish)

Key Audit Matters	How the key audit matter was addressed in the audit
Revaluation of buildings and land	
<p>The Group has decided to measure certain property, plant and equipment according to TAS 16 revaluation model. The Group applied the revaluation method for land and buildings under TAS 16. Due to the complexity of the valuation model and dependency on estimates and assumptions, we consider the transition to revaluation method as key audit matter.</p> <p>The fair value of land and buildings in consolidated financial statements is TRY 1.370.449 thousand as of 31 December 2020, and TRY 812.025 thousand was recognized under equity as a change in fair value. Land and buildings were valued at the fair value reflecting market conditions as of 31 December 2020, in line with valuations reports obtained from licensed real estate valuation companies as per the provisions of capital markets legislation.</p>	<p>We have evaluated the objectivity, independence and expertise of the external appraisal firms. We have evaluated the appropriateness of the information and assumptions used in the valuations. This includes the estimates by the external appraisal firms (such as market data). We analyzed the results of the valuation process and the above mentioned factors that determine the valuations were discussed with the appraisal firms. In addition, we used the expertise of our own internal property valuation experts. These specialists have supported us with our assessment of the assumptions, methods and developments in the valuations. In addition, within the scope of the above-mentioned qualifying accounting, the conformity of the information in the financial statements and explanatory footnotes in accordance with TAS 16 has been questioned.</p>

5) Responsibilities of Management and Those Charged with Governance for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with TFRS, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Group's financial reporting process.

(Convenience translation of a report and consolidated financial statements originally issued in Turkish)

6) Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

In an independent audit, our responsibilities as the auditors are:

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with standards on auditing as issued by the Capital Markets Board of Turkey and InAS will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with standards on auditing as issued by the Capital Markets Board of Turkey and InAS, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

(Convenience translation of a report and consolidated financial statements originally issued in Turkish)

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

B) Report on Other Legal and Regulatory Requirements

- 1) Auditors' report on Risk Management System and Committee prepared in accordance with paragraph 4 of Article 398 of Turkish Commercial Code ("TCC") 6102 is submitted to the Board of Directors of the Company on 10 March 2021.
- 2) In accordance with paragraph 4 of Article 402 of the TCC, no significant matter has come to our attention that causes us to believe that the Company's bookkeeping activities for the period 1 January - 31 December 2020 and financial statements are not in compliance with laws and provisions of the Company's articles of association in relation to financial reporting.
- 3) In accordance with paragraph 4 of Article 402 of the TCC, the Board of Directors submitted to us the necessary explanations and provided required documents within the context of audit.

The name of the engagement partner who supervised and concluded this audit is Seda Akkuş Tecer.

Güney Bağımsız Denetim ve Serbest Muhasebeci Mali Müşavirlik Anonim Şirketi
A member firm of Ernst & Young Global Limited

Seda Akkuş Tecer, SMMM
Partner

10 March 2021
İstanbul, Türkiye

**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 2020**

CONTENTS	PAGE(S)
CONSOLIDATED STATEMENT OF FINANCIAL POSITION	1-2
CONSOLIDATED STATEMENTS OF PROFIT OR LOSS.....	3
CONSOLIDATED STATEMENTS OF OTHER COMPREHENSIVE INCOME.....	4
CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY	5
CONSOLIDATED STATEMENTS OF CASH FLOW	6-7
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS	8-70
NOTE 1 ORGANIZATION AND OPERATIONS OF THE GROUP	8-9
NOTE 2 BASIS OF PRESENTATION OF FINANCIAL STATEMENTS	9-28
NOTE 3 SEGMENTAL INFORMATION.....	29
NOTE 4 CASH AND CASH EQUIVALENTS	30
NOTE 5 FINANCIAL INVESTMENTS.....	30
NOTE 6 FINANCIAL LIABILITIES.....	31-33
NOTE 7 TRADE RECEIVABLES AND PAYABLES.....	33
NOTE 8 OTHER RECEIVABLES AND PAYABLES.....	34
NOTE 9 DERIVATIVE INSTRUMENTS.....	34
NOTE 10 INVENTORIES.....	35
NOTE 11 INVESTMENT PROPERTIES.....	35
NOTE 12 TANGIBLE ASSETS	36-38
NOTE 13 GOODWILL.....	38
NOTE 14 INTANGIBLE ASSETS	39-40
NOTE 15 GOVERNMENT GRANTS AND INCENTIVES	40
NOTE 16 OTHER PROVISIONS, CONTINGENT ASSETS AND LIABILITIES.....	41-42
NOTE 17 COMMITMENTS AND OBLIGATIONS.....	43
NOTE 18 PROVISION FOR EMPLOYEE BENEFITS	43-44
NOTE 19 PREPAID EXPENSES	44
NOTE 20 EMPLOYEE BENEFITS RELATED LIABILITIES.....	44
NOTE 21 OTHER ASSET AND LIABILITIES	44
NOTE 22 DEFERRED REVENUE.....	45
NOTE 23 SHAREHOLDERS' EQUITY	45-47
NOTE 24 REVENUE AND COST OF SALES	48
NOTE 25 RESEARCH EXPENSES, MARKETING EXPENSES AND GENERAL ADMINISTRATIVE EXPENSES	48
NOTE 26 EXPENSES BY NATURE	49
NOTE 27 OTHER INCOME AND EXPENSES FROM OPERATING ACTIVITIES	49
NOTE 28 INCOME AND EXPENSES FROM INVESTMENT ACTIVITIES	50
NOTE 29 FINANCIAL INCOME	50
NOTE 30 FINANCIAL EXPENSES.....	50
NOTE 31 TAX ASSET AND LIABILITIES	51-54
NOTE 32 EARNINGS PER SHARE	55
NOTE 33 BALANCES AND TRANSACTIONS WITH RELATED PARTIES	55-58
NOTE 34 NATURE AND LEVEL OF RISKS DERIVED FROM FINANCIAL INSTRUMENTS	59-68
NOTE 35 FINANCIAL INSTRUMENTS	69
NOTE 36 EVENTS AFTER THE BALANCE SHEET DATE.....	70

**CONVENIENCE TRANSLATION INTO ENGLISH OF FINANCIAL STATEMENTS ORIGINALLY
ISSUED IN TURKISH**
ÜLKER BİSKÜVİ SANAYİ A.Ş. AND ITS SUBSIDIARIES
CONSOLIDATED FINANCIAL POSITION AS OF 31 DECEMBER 2020 AND 31 DECEMBER 2019
(Amounts expressed in thousands of Turkish Lira ("TL") unless otherwise stated)

		Audited Current Period 31 December 2020	Audited Previous Period 31 December 2019
ASSETS	Notes		
Current Assets		13.262.885	8.720.108
Cash and Cash Equivalents	2.4-4	3.824.320	2.027.599
Financial Investments	2.4-5	3.639.474	3.057.459
Trade Receivables			
- Due From Related Parties	7-33	2.031.627	2.106.741
- Other Trade Receivables	7	848.060	259.061
Other Receivables			
- Due From Related Parties	8-33	1.706.078	115.619
- Other Receivables	8	49.818	37.283
Derivatives Instruments	9	-	358.919
Inventories	10	871.480	592.698
Prepaid Expenses			
- Due To Related Parties	19-33	134.308	41.545
- Other Prepaid Expenses	19	63.373	42.946
Current Income Tax Assets		8.356	4.583
Other Current Assets	21	85.991	75.655
Non-Current Assets		4.629.619	4.071.644
Financial Investments	5	978.106	946.029
Other Receivables			
- Other Receivables	8	369	460
Investment Properties	11	26.145	21.155
Tangible Assets	12	2.687.913	2.383.177
Intangible Assets			
- Goodwill	13	496.196	388.047
- Other Intangible Assets	14	363.208	292.188
Prepaid Expenses	19	48.439	7.602
Deferred Tax Asset	31	29.243	32.986
TOTAL ASSETS		17.892.504	12.791.752

CONVENIENCE TRANSLATION INTO ENGLISH OF FINANCIAL STATEMENTS ORIGINALLY ISSUED IN TURKISH

ÜLKER BİSKÜVİ SANAYİ A.Ş. AND ITS SUBSIDIARIES

CONSOLIDATED FINANCIAL POSITION AS OF 31 DECEMBER 2020 AND 31 DECEMBER 2019

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

		Audited Current Period 31 December 2020	Audited Previous Period 31 December 2019
LIABILITIES	Notes		
Current Liabilities		2.453.876	6.800.011
Short Term Financial Liabilities	6	11.408	150.764
Short Term Portion of Long Term Financial Liabilities	6	768.723	5.088.239
Trade Payables			
- Due to related parties	7-33	374.544	607.365
- Other trade payables	7	827.715	617.233
Employee Benefit Related Liabilities	20	49.874	44.822
Other Payables			
- Due to Related Parties	8-33	133	113
- Other Payables	8	3.619	4.994
Derivative Instruments	9	1.892	-
Deferred Revenue	22	40.556	11.854
Current Income Tax Liabilities	31	84.647	68.967
Short Term Provisions			
- Short Term Provisions for Employee Benefits	18	78.290	66.366
- Other Short Term Provisions	16	165.658	103.331
Other Current Liabilities	21	46.817	35.963
Non-Current Liabilities		8.965.067	1.057.509
Long Term Financial Liabilities	6	8.607.951	701.318
Long Term Provisions			
- Long Term Provisions for Employee Benefits	18	211.021	161.010
Deferred Tax Liabilities	31	146.095	195.181
SHAREHOLDERS' EQUITY	23	6.473.561	4.934.232
Equity Attributable To Equity Holders' of the Parent		5.693.648	4.411.329
Share Capital		342.000	342.000
Inflation Adjustments to Share Capital		108.056	108.056
Effect of Business Combinations Under Common Control		(485.419)	(485.419)
Other Comprehensive Income/Expense not to be Reclassified to Profit and Loss			
- Increases on Revaluation of Plant, Property and Equipment		812.025	647.779
- Actuarial Gains and Losses on Post-Employment Termination Benefit Obligation		(35.463)	(26.435)
- Gains from Financial Assets Measured at Fair Value through Other Comprehensive Income	2.4	459.069	422.738
- Other Gains		-	817.879
Other Comprehensive Income/Expense to be Reclassified to Profit and Loss			
- Currency Translation Adjustments		22.444	(57.006)
- Cash Flow Hedges		(1.400)	3.695
Restricted Reserves		131.587	131.587
Retained Earnings		3.324.334	1.509.952
Net Profit for the Period	2.4	1.016.415	996.503
Non-Controlling Interest		779.913	522.903
TOTAL LIABILITIES AND EQUITY		17.892.504	12.791.752

CONVENIENCE TRANSLATION INTO ENGLISH OF FINANCIAL STATEMENTS ORIGINALLY ISSUED IN TURKISH
ÜLKER BİSKÜVİ SANAYİ A.Ş. AND ITS SUBSIDIARIES
CONSOLIDATED STATEMENTS OF PROFIT OR LOSS FOR THE YEARS ENDED 31 DECEMBER 2020 AND 31 DECEMBER 2019
(Amounts expressed in thousands of Turkish Lira ("TL") unless otherwise stated)

		Audited Current Period 1 January - 31 December 2020	Audited Previous Period 1 January - 31 December 2019
	Notes		
Revenue	24	9.400.861	7.803.120
Cost of Sales	24	(6.757.398)	(5.663.928)
GROSS PROFIT		2.643.463	2.139.192
General Administrative Expenses	25-26	(263.248)	(234.744)
Marketing, Sales and Distribution Expenses	25-26	(921.325)	(752.076)
Research and Development Expenses	25-26	(24.209)	(19.956)
Other Operating Income	27	229.896	87.331
Other Operating Expenses	27	(171.839)	(66.029)
OPERATING PROFIT		1.492.738	1.153.718
Income from Investment Activities	28	2.503.149	1.131.907
Expenses from Investment Activities	2.4-28	(683.929)	(11.246)
OPERATING PROFIT BEFORE FINANCIAL INCOME AND EXPENSES		3.311.958	2.274.379
Financial Income	29	555.442	554.695
Financial Expenses	30	(2.372.753)	(1.466.132)
PROFIT BEFORE TAX		1.494.647	1.362.942
Tax Expense		(291.062)	(260.517)
Corporate Tax Expense	31	(349.929)	(232.123)
Deferred Tax Income/(Expense)	2.4-31	58.867	(28.394)
PROFIT FOR THE PERIOD		1.203.585	1.102.425
Distribution of the Profit for the Period			
Non-Controlling Interest	23	187.170	105.922
Equity Holders of the Parent		1.016.415	996.503
Earnings per Share	32	2,97	2,91

CONVENIENCE TRANSLATION INTO ENGLISH OF FINANCIAL STATEMENTS ORIGINALLY ISSUED IN TURKISH

ÜLKER BİSKÜVİ SANAYİ A.Ş. AND ITS SUBSIDIARIES

CONSOLIDATED STATEMENTS OF OTHER COMPREHENSIVE INCOME FOR THE YEARS ENDED 31 DECEMBER 2020 AND 31 DECEMBER 2019

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

	Notes	Audited Current Period 1 January - 31 December 2020	Audited Previous Period 1 January - 31 December 2019
PROFIT FOR THE PERIOD		1.203.585	1.102.425
Other Comprehensive Income			
Not to be Reclassified To Profit and Loss		191.222	134.331
Actuarial Loss on Post-Employment Termination Benefit Obligation	18	(12.939)	(7.930)
Gains from Tangible Asset Revaluation	12	184.422	-
Gains from Financial Assets Measured at Fair Value Through Other Comprehensive Income	2.4	32.077	87.403
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		1.850	1.586
Increases on Revaluation of Plant, Property and Equipment, Deferred Tax Effect		(18.442)	-
Gains from Financial Assets Measured at Fair Value Through Other Comprehensive Income, Tax Effect	2.4	4.254	53.272
Items to be Reclassified to Profit and Loss		151.208	17.744
Currency Translation Adjustments		156.303	66.530
Cash Flow Hedges		(6.487)	(62.546)
Deferred Tax For The Items That Will be Reclassified to Profit and Loss			
Cash Flow Hedges, Deferred Tax Effect		1.392	13.760
OTHER COMPREHENSIVE INCOME		342.430	152.075
TOTAL COMPREHENSIVE INCOME		1.546.015	1.254.500
Distribution of Total Comprehensive Income			
Non-Controlling Interest		263.696	139.408
Equity Holders of the Parent		1.282.319	1.115.092

CONVENIENCE TRANSLATION INTO ENGLISH OF FINANCIAL STATEMENTS ORIGINALLY ISSUED IN TURKISH
ÜLKER BİSKÜVİ SANAYİ A.Ş. AND ITS SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDER'S EQUITY FOR THE YEARS ENDED 31 DECEMBER 2020 AND 31 DECEMBER 2019

(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 Losses on Post-Employment Termination Benefit Obligation	Financial Assets Fair Value Through Other Comprehensive 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 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)	140.675	-	-	996.503	-	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)	422.738	817.879	131.587	996.503	1.509.952	4.411.329	522.903	4.934.232
As of 1 January 2020	342.000	108.056	(485.419)	(57.006)	3.695	647.779	(26.435)	422.738	817.879	131.587	996.503	1.509.952	4.411.329	522.903	4.934.232
Transfer (Note:23)	-	-	-	-	-	-	-	-	(817.879)	-	(996.503)	1.814.382	-	-	-
Total comprehensive income	-	-	-	79.450	(5.095)	164.246	(9.028)	36.331	-	-	1.016.415	-	1.282.319	263.696	1.546.015
Dividends paid	-	-	-	-	-	-	-	-	-	-	-	-	-	(6.686)	(6.686)
As of 31 December 2020	342.000	108.056	(485.419)	22.444	(1.400)	812.025	(35.463)	459.069	-	131.587	1.016.415	3,324.334	5,693.648	779.913	6,473.561

CONVENIENCE TRANSLATION INTO ENGLISH OF FINANCIAL STATEMENTS ORIGINALLY ISSUED IN TURKISH

ÜLKER BİSKÜVİ SANAYİ A.Ş. AND ITS SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS FOR THE YEARS ENDED 31 DECEMBER 2020 AND 2019

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

		Audited Current Period 1 January - 31 December 2020	Audited Previous Period 1 January - 31 December 2019
	Notes		
CASH FLOWS FROM OPERATING ACTIVITIES			
Net Profit for the Period		1.203.585	1.102.425
Adjustments to Reconcile Net Profit			
Adjustment for Depreciation and Amortization Expenses			
Depreciation expenses of tangible assets	12	183.867	165.471
Amortization expenses of intangible assets	14	2.604	5.639
Adjustment for Impairment Loss (Reversal)			
Provision/(reversal) for doubtful receivables	7	99	(9.307)
Adjustment for impairment loss of other financial investments Loss/(gain)			
Increase in financial investments	28	(316.724)	(302.223)
Adjustment for impairment loss of inventories	10	12.934	14.654
Adjustments for Provisions			
Adjustments for Provisions Related with Employee Benefits			
Provision for employment benefits	18	52.146	53.788
Provision for unused vacation	18	26.663	17.393
Provision for premium	18	43.606	48.488
Adjustments for Provision (Cancelled) Lawsuits	16	(68)	2.227
Adjustments for Other Provisions			
Change in Other Provisions (net)		62.742	11.506
Adjustments for Dividend Income	28	(64)	(83)
Adjustments for Interest Income and Expense			
Adjustments for Interest Income			
Interest Income	28	(174.989)	(233.928)
Adjustments for Interest Expense			
Rediscounted interest expense (net)	27	190	5.239
Interest Expense	30	436.118	413.353
Fair Value Increase of Investment Properties	11-28	(4.990)	(1.115)
Adjustments for Tax Expense	31	291.062	260.517
Adjustments for Losses/(Gains) on Disposals of Non-Current Assets			
Adjustments for Losses /(Gains) Arised from Sale of Tangible Assets	28	(1.390)	1.846
Adjustments for Other Items That Cause Cash Flows Arising from Investing or Financing Activities			
Change in foreign currency of financial liabilities (net)	29-30	1.396.213	474.289
Change in foreign currency from investing activities (net)	28	(1.309.144)	(574.714)
Commission expenses and finance service income (net)	29-30	(15.020)	23.795
Other Adjustments to Reconcile Profit/(Loss)			
Rent income		(11.919)	(10.444)
Net operating cash flows provided before changes in working capital		1.877.521	1.468.816

**CONVENIENCE TRANSLATION INTO ENGLISH OF FINANCIAL STATEMENTS ORIGINALLY
ISSUED IN TURKISH**
ÜLKER BİSKÜVİ SANAYİ A.Ş. AND ITS SUBSIDIARIES
**CONSOLIDATED STATEMENTS OF CASH FLOWS FOR THE YEARS ENDED 31 DECEMBER 2020
AND 2019**

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

		Audited Current Period 1 January - 31 December 2020	Audited Previous Period 1 January - 31 December 2019
	Notes		
Changes in Working Capital			
Increase in trade receivables		(196.742)	(37.918)
Increase in trade receivables from related parties		(260.279)	(491.336)
Increase in inventories		(247.078)	(2.569)
(Increase)/Decrease in other receivables and other current assets		(125.490)	10.091
Increase/(Decrease) in trade payables		69.366	(11.802)
(Decrease)/Increase in trade payables to related parties		(159.763)	144.627
Increase/(Decrease) in other payables and liabilities		8.680	(41.431)
Net cash generated from operations		966.215	1.038.478
Payments related with provisions for employee benefits			
Employment termination benefit paid	18	(25.669)	(19.452)
Unused vacation paid	18	(25.083)	(15.715)
Performance premium paid	18	(41.021)	(35.704)
Lawsuits provision paid	16	(347)	(525)
Taxes paid		(338.022)	(171.654)
Collections from doubtful trade receivables	7	131	255
Net cash from generated operating activities		536.204	795.683
CASH FLOWS FROM INVESTING ACTIVITIES			
Proceeds from sales of tangible and intangible assets		4.068	7.544
Purchase of property, plant and equipment		(193.143)	(135.572)
Purchase of intangible assets	14	(2.728)	(5.178)
Changes in non-trade receivables from related parties		(1.441.584)	758
Cash generated from dividends		64	817.961
Interest received		174.989	233.928
Other advances given and payables		(40.837)	-
Repayments from other advances given and payables		-	2.026
Rent Income		11.919	10.444
Payment of capital advance to shareholders		-	(336.410)
Cash outflows from purchase of other businesses or share of funds or debt instruments		491.169	801.458
Other cash outflows		-	(17.630)
Net cash (used)/generated from investing activities		(996.083)	1.379.329
CASH FLOWS FROM FINANCING ACTIVITIES			
Cash inflow from borrowings		8.446.445	317.922
Repayments of borrowings		(6.634.184)	(345.444)
Cash inflow from derivative instruments		500.271	-
Dividends paid		(6.686)	-
Commission paid		(33.849)	(23.795)
Interest paid		(364.133)	(414.644)
Change in non-trade payables to related parties		20	(1.064)
Net cash generated/(used) in financing activities		1.907.884	(467.025)
NET CHANGE IN CASH AND CASH EQUIVALENTS		1.448.005	1.707.987
THE EFFECT OF FOREIGN EXCHANGE RATE			
CHANGE ON CASH AND CASH EQUIVALENTS		348.716	(679.850)
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE PERIOD	2.4-4	2.027.599	999.462
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD	2.4-4	3.824.320	2.027.599

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

ÜLKER BİSKÜVİ SANAYİ A.Ş. AND ITS SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2020

(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 (2019: Fourteen).

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 İstanbul 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/İstanbul.

As of 31 December 2020, the total number of people employed by the Group is 9.035, which contains 1.393 employees who worked as subcontractors (31 December 2019: 8.921, subcontractor: 1.276).

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 2020 and 31 December 2019, the names and percentages of the shareholders holding more than 5% of the Company's share capital are as follows:

Name of the Shareholders	31 December 2020		31 December 2019	
	Share	Percentage	Share	Percentage
pladis Foods Limited	174.420	51,00%	174.420	51,00%
Ülker Family Members and Yıldız Holding A.Ş.	25.580	7,48%	25.580	7,48%
Other	142.000	41,52%	142.000	41,52%
	342.000	100,00%	342.000	%100,00

CONVENIENCE TRANSLATION INTO ENGLISH OF FINANCIAL STATEMENTS ORIGINALLY ISSUED IN TURKISH

ÜLKER BİSKÜVİ SANAYİ A.Ş. AND ITS SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2020

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

1. ORGANIZATION AND OPERATIONS OF THE GROUP (Continued)

As of 31 December 2020 and 31 December 2019, the details of the subsidiaries under consolidation in terms of direct and effective share of ownership and principal business activities are as follows:

Subsidiaries	31 December 2020		31 December 2019		Nature of Operation
	Ratio of Direct Ownership	Ratio of Effective Ownership	Ratio of Direct Ownership	Ratio of Effective Ownership	
Biskot Bisküvi Gıda Sanayi ve Ticaret A.Ş.	73,9%	73,9%	73,9%	73,9%	Manufacturing
Ülker Çikolata Sanayi A.Ş.	91,7%	91,7%	91,7%	91,7%	Manufacturing
Atlas Gıda Pazarlama Sanayi ve Ticaret A.Ş.	100,0%	100,0%	100,0%	100,0%	Trading
Reform Gıda Paz. San. ve Tic. A.Ş.	100,0%	100,0%	100,0%	100,0%	Trading
UI Egypt B.V.	51,0%	51,0%	51,0%	51,0%	Investing
Hi-Food for Advanced Food Industries	-	51,4%	-	51,4%	Manufacturing/Sales
Sabourne Investments Ltd	100,0%	100,0%	100,0%	100,0%	Investing
Food Manufacturers' Company	-	55,0%	-	55,0%	Manufacturing/Sales
Hamle Company Ltd LLP	100,0%	100,0%	100,0%	100,0%	Manufacturing/Sales
Ulker Star LLC	-	99,0%	-	99,0%	Sales
UI Mena BV	100,0%	100,0%	100,0%	100,0%	Investing
Amir Global Trading FZE	-	100,0%	-	100,0%	Sales
Ulker for Trading and Marketing	-	99,8%	-	99,8%	Sales
International Biscuits Company	100,0%	100,0%	100,0%	100,0%	Manufacturing/Sales

Approval of Financial Statements:

The Board of Directors has approved the financial statements and given authorization for the issuance on 10 March 2021. The General Assembly has the authority to amend 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 ("POA"). TAS contains Turkish Accounting Standards, Turkish Financial Reporting Standards ("TFRS") and its addendum and interpretations. In addition, it has been presented in accordance with the TAS taxonomy published by the POA with the decision number 30 on June 2, 2016 and subsequently announced to the public on 15 April 2019, together with the changes in TFRS-15 Revenue from Contracts with Customers and TFRS-16 Leases standards.

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

ÜLKER BİSKÜVİ SANAYİ A.Ş. AND ITS SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2020

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

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 2020, rates declared by Central Bank of Republic of Turkey are;

Currency	Period End		Average	
	31 December 2020	31 December 2019	31 December 2020	31 December 2019
Euro	9,0079	6,6506	8,014	6,3481
USD	7,3405	5,9402	7,0034	5,6712
EGP	0,4670	0,3703	0,4433	0,3380
SAR	1,9563	1,5834	1,8663	1,5121
KZT	0,0174	0,0156	0,0169	0,0148
AED	2,0002	1,6186	1,9084	1,5453

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.

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

ÜLKER BİSKÜVİ SANAYİ A.Ş. AND ITS SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2020

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

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 interpretations applicable from 1 January 2020.

Standards, amendments and interpretations applicable as at 1 January 2020:

The amendments to TAS 1 and TAS 8 are required to be applied for annual periods beginning on or after 1 January 2020. The amendments did not have a significant impact on the financial position or performance of the Group.

The amendments to TFRS 3 are effective for annual reporting periods beginning on or after 1 January 2020. The amendments did not have a significant impact on the financial position or performance of the Group.

Amendments to TFRS 9, TAS 39 and TFRS 7- Interest Rate Benchmark Reform; which are effective for periods beginning on or after January 1, 2020. The amendments did not have a significant impact on the financial position or performance of the Group.

Amendments to TFRS 16 – Covid-19 Rent Related Concessions; A lessee will apply the amendment for annual reporting periods beginning on or after 1 June 2020. The amendments did not have a significant impact on the financial position or performance of the Group.

Standards issued but not yet effective and not early adopted

Amendments to TFRS 10 and TAS 28: Sale or Contribution of Assets between an Investor and its Associate or Joint Venture (Amendments); In December 2017, POA postponed the effective date of this amendment indefinitely pending the outcome of its research project on the equity method of accounting. the Group will wait until the final amendment to assess the impacts of the changes.

TFRS 17 will become effective for annual reporting periods beginning on or after 1 January 2023. The amendment will not have an impact on the financial position or performance of the Group.

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

ÜLKER BİSKÜVİ SANAYİ A.Ş. AND ITS SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2020

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

2. BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (Continued)

2.2 New and Revised International Financial Reporting Standards (Continued)

Amendments to TAS 1, "Presentation of financial statements" amendment regarding the classification of liabilities; effective for annual reporting periods beginning on or after 1 January 2023. The Group is in the process of assessing the impact of the amendments on financial position or performance of the Group.

Amendments to TFRS 3 – Reference to the Conceptual Framework; The amendments issued to TFRS 3 which are effective for periods beginning on or after 1 January 2022 and must be applied prospectively. the Group is in the process of assessing the impact of the amendments on financial position or performance of the Group.

Amendments to TAS 16 – Proceeds before intended use; The amendments issued to TAS 16 which are effective for periods beginning on or after 1 January 2022. The Group is in the process of assessing the impact of the amendments on financial position or performance of the Group.

Amendments to TAS 37 – Onerous contracts – Costs of Fulfilling a Contract; The amendments issued to TAS 37 which are effective for periods beginning on or after 1 January 2022 The Group is in the process of assessing the impact of the amendments on financial position or performance of the Group.

The Group is in the process of assessing the impact of the standards, a amendments and interpretations on consolidated financial position or performance of the Group.

Interest Rate Benchmark Reform – Phase 2 – Amendments to TFRS 9, TAS 39, TFRS 7, TFRS 4 and TFRS 16

In December 2020, the POA issued Interest Rate Benchmark Reform – Phase 2, Amendments to TFRS 9, TAS 39, TFRS 7, TFRS 4 and TFRS 16 to provide temporary reliefs which address the financial reporting effects when an interbank offering rate (IBOR) is replaced with an alternative nearly risk-free rate (RFR, amending the followings. The amendments are effective for periods beginning on or after 1 January 2021. The Group is in the process of assessing the impact of the amendments on consolidated financial position or performance of the Group.

Annual Improvements – 2018–2020 Cycle

In July 2020, the POA issued Annual Improvements to TFRS Standards 2018–2020 Cycle, amending the followings:

TFRS 1 First-time Adoption of International Financial Reporting Standards – Subsidiary as a first-time adopter: The amendment permits a subsidiary to measure cumulative translation differences using the amounts reported by the parent. The amendment is also applied to an associate or joint venture.

TFRS 9 Financial Instruments – Fees in the “10 per cent test” for derecognition of financial liabilities: The amendment clarifies the fees that an entity includes when assessing whether the terms of a new or modified financial liability are substantially different from the terms of the original financial liability.

TAS 41 Agriculture – Taxation in fair value measurements: The amendment removes the requirement in paragraph 22 of TAS 41 that entities exclude cash flows for taxation when measuring fair value of assets within the scope of TAS 41.

Improvements are effective for annual reporting periods beginning on or after 1 January 2022. Earlier application is permitted for all.

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

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

ÜLKER BİSKÜVİ SANAYİ A.Ş. AND ITS SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2020

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

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 valued at the lower of cost or net realizable value. Costs, including some of the fixed and variable general production expenses, are valued according to the average cost method suitable for the class of the inventories. Net realizable value is obtained by deducting the estimated completion cost from the estimated sales price in the ordinary commercial activity and the estimated costs required to realize the sale. When the net realizable value of the inventory falls below its cost, the inventories are reduced to their net realizable value and the expense is reflected in the income statement in the year in which the impairment occurred. In cases where the conditions that previously caused the inventories to be reduced to net realizable value lose their validity or there is an increase in net realizable value due to changing economic conditions, the provision for impairment allocated is canceled. The canceled amount is limited to the previously reserved impairment amount.

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

ÜLKER BİSKÜVİ SANAYİ A.Ş. AND ITS SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2020

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

2. BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (Continued)

2.3 Summary of Significant Accounting Policies (Continued)

Tangible Assets

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 frequency of revaluation depends on the changes in the fair values of the tangible assets subject to revaluation. In the event that the fair value of the re-evaluated assets differ significantly from their carrying value, they are revalued in maximum 5-year periods. 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.

Finance 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.

The Group does not have an important lease agreement to be evaluated within the scope of TFRS 16.

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

ÜLKER BİSKÜVİ SANAYİ A.Ş. AND ITS SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2020

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

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. Business 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.

2. BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (Continued)

2.3 Summary of Significant Accounting Policies (Continued)

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 consolidated 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.

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.

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

ÜLKER BİSKÜVİ SANAYİ A.Ş. AND ITS SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2020

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

2. BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (Continued)

2.3 Summary of Significant Accounting Policies (Continued)

Impairment of Non-Financial 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 consolidated 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 through profit or loss, financial assets carried at fair value through 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 than 12 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 whose fair value is reflected to profit or loss include "financial investments and investment funds at fair value through profit or loss" items in the statement of financial position.

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

Financial assets, whose fair value is reflected in other comprehensive income, include "equity-based financial investments and derivative instruments" items in the statement of financial position. Derivative instruments are recognized as assets when the fair value is positive and as liabilities if the fair value is negative. The Group measures these assets at their fair values. Gains or losses arising from the relevant financial assets other than impairment and exchange difference income or expenses are reflected in other comprehensive income. In case of the sale of assets whose fair value differences are recorded in other comprehensive income, the valuation difference classified into other comprehensive income is classified into previous years profits.

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. The Group's financial borrowings consist of bank loans, issued debt instruments, loans from related parties and financial lease liabilities.

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.

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

ÜLKER BİSKÜVİ SANAYİ A.Ş. AND ITS SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2020

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

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.

2. BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (Continued)

2.3 Summary of Significant Accounting Policies (Continued)

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.

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 company 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 company related to the company. If the company is itself such a plan, the sponsoring employers are also related to the company.

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

ÜLKER BİSKÜVİ SANAYİ A.Ş. AND ITS SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2020

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

2. BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (Continued)

2.3 Summary of Significant Accounting Policies (Continued)

- (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.

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 alternatively 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.

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

ÜLKER BİSKÜVİ SANAYİ A.Ş. AND ITS SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2020

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

2. BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (Continued)

2.3 Summary of Significant Accounting Policies (Continued)

Current and deferred income tax (Continued)

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.

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.

2. BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (Continued)

2.3 Summary of Significant Accounting Policies (Continued)

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.

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'.

CONVENIENCE TRANSLATION INTO ENGLISH OF FINANCIAL STATEMENTS ORIGINALLY
ISSUED IN TURKISH

ÜLKER BİSKÜVİ SANAYİ A.Ş. AND ITS SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2020

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

2. BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (Continued)

2.3 Summary of Significant Accounting Policies (Continued)

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).

2.4 Comparative Information and Restatement/Reclassification of Prior Period Consolidated Financial Statements

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

The Group has reclassified investments fund with financial asset characteristics from cash and cash equivalents to financial assets measured at fair value through profit or loss in the financial statements as of December 31, 2020. Such reclassification has been made due to unpredictability of the change in fair value and not being readily convertible into precise certain known amounts of cash at inception on individual investment fund level. The Group has made restatements to prior periods balance sheets and cash flow statements in order to confirm to current period financial statements. The effects of the restatement in the consolidated statement of financial position as of 31 December 2019 and in the consolidated statements of cash flows for the year then ended 31 December 2019 are as follows;

	31 December 2019 Restated	Effects of Restatement	31 December 2019 Previously Reported
Consolidated financial statements			
Cash and cash equivalents	2.027.599	(3.053.379)	5.080.978
Short term financial investments	3.057.459	3.053.379	4.080
.			
	1 January- 31 December 2019 Restated	Effects of Restatement	1 January- 31 December 2019 Reported
Consolidated cash flow			
Net cash generated from operating activities	795.683	104	795.579
Net cash generated from investing activities	1.379.329	502.509	876.820
The effect of foreign exchange rate change on cash and cash equivalents	(679.850)	(1.176.693)	496.843
Cash and cash equivalents at the beginning of the period	999.462	(2.379.299)	3.378.761
Cash and cash equivalents at the end of the period	2.027.599	(3.053.379)	5.080.978

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

ÜLKER BİSKÜVİ SANAYİ A.Ş. AND ITS SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2020

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

2. BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (Continued)

**2.4 Comparative Information and Restatement/Reclassification of Prior Period Consolidated Financial Statements
(Continued)**

The Group has accounted the fair value decreases below the cost of the financial assets, which are carried at fair value through other comprehensive income in accordance with TFRS 9, in the statement of income for the year ended December 31, 2019. In 2020, the Group has restated the fair value decreases and accounted in the statement of other comprehensive income as required by TFRS 9. Accordingly, TL 91.201 thousands, fair value decrease after tax, has been reclassified from net income for the year end of 2019 to Gains from Financial Assets Measured at Fair Value Through Other Comprehensive Income in the consolidated statement of financial position as at December 31, 2019. The effects of the related restatements on the consolidated statement of financial position as of December 31, 2019 and the consolidated statement of profit or loss and other comprehensive income for twelve months ending 31 December 2019 are as follows:

	31 December 2019 Restated	Effects of Restatement	31 December 2019 Previously Reported
Consolidated statement of financial position			
Net profit for the period	996.503	91.201	905.302
Gains from Financial Assets Measured at Fair Value through Other Comprehensive Income	422.738	(91.201)	513.939
Statement Of Profit Or Loss			
Expenses from Investment Activities	(11.246)	114.002	(125.248)
Deferred Tax Income	(28.394)	(22.801)	(5.593)
Other Comprehensive Income			
Not to be Reclassified To Profit and Loss			
Gains from Financial Assets Measured at Fair Value through Other Comprehensive Income	87.403	(114.002)	201.405
Gains from Financial Assets Measured at Fair Value through Other Comprehensive Income Tax Effect	53.272	22.801	30.471

2. BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (Continued)

2.5 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 10,6% discount rate and 2,1% long term growth rate (2019: %10,9 discount rate and %2,7 long term growth rate). A change in discount rate by 1% effects amount of goodwill by TL 6.067 thousand (2019 : TL 5.975 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 1,9% 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 2020, the Group has accounted for deferred tax assets by TL 13.993 thousand (2019 : TL 21.115 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 2020, the Company has accounted for deferred income tax assets amounting to TL 83.719 thousand from the carry forward tax losses amounting to TL 16.744 thousand in the consolidated financial statements. 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.

Fair values of financial instruments 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, KPMG Yönetim Danışmanlığı A.Ş. which has compliance with the valuation competence criteria determined by CMB. 5 years discounted cash flow analysis is applied with 9% (2019: 12%) discount rate and 2% (2019: 2%) long term growth rate for G-New and 9,5% (2019: 12%) discount rate and 2% (2020: 2%) long term growth rate for Godiva Belgium which are Group's financial investments.

A change in discount rate by 0,3% affects the fair values of G-New and Godiva Belgium, in amount of TL 8.525 thousand and TL 7.562 thousand, respectively. (2019 G-New: TL 1.138 thousand and Godiva Belgium: TL 2.963 thousand).

Goodwill

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). Discounted cash flow used to identify goodwill is applied with 10,1% discount rate and 2,1% long term growth rate. 1% change in the rates used does not cause a decrease in goodwill.

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

ÜLKER BİSKÜVİ SANAYİ A.Ş. AND ITS SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2020

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

2. BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (Continued)

2.6 Significant Changes Regarding Current Period

The necessary actions were taken by the Group management to minimize the possible effects of COVID-19, which affects the whole world, on the operations and financial position of the Group. Meanwhile, actions were taken by the Group to minimize the increase in investment expenditures, operational expenses and inventories, and the cash management strategy is reviewed to strengthen the liquidity position. No significant impact has been observed on the financial position or the performance of the Group due to the Covid 19 Pandemic.

While the Group preparing the consolidated financial statements dated December 31, 2020, the Group evaluated the possible effects of the COVID-19 pandemic on the consolidated financial statements and reviewed the estimates and assumptions used in the preparation of the consolidated financial statements. In this context, possible impairments in the financial assets, inventories, tangible assets, goodwill and brands in the consolidated financial statements of 31 December 2020 is analysed and the necessary changes is reflected in the consolidated financial statements.

2.7 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 2020 and 2019.

Biskot Bisküvi Gıda Sanayi ve Ticaret A.Ş.

	2020	2019
Total assets	1.321.884	1.234.995
Total liabilities	611.297	755.898
Total shareholder's equity	710.587	479.097
Accumulated funds on non-controlling interests	185.294	124.930
Revenue	1.715.343	1.440.272
Net profit for the year	232.275	70.696
Cash flow (used)/generated from operating activities	(79.889)	102.465
Cash flow used in investment activities	(18.393)	(78.445)
Cash flow (used)/generated from financing activities	(152.129)	70.818

Food Manufacturers' Company

	2020	2019
Total assets	1.155.082	771.658
Total liabilities	371.525	241.852
Total shareholders' equity	783.557	529.806
Accumulated funds on non-controlling interests	352.601	238.413
Revenue	1.386.958	1.043.268
Net profit for the year	131.312	106.044
Cash flow generated from operating activities	262.608	156.410
Cash flow used in investment activities	(22.459)	(10.754)
Cash flow used in financing activities	(82)	(16.125)

CONVENIENCE TRANSLATION INTO ENGLISH OF FINANCIAL STATEMENTS ORIGINALLY ISSUED IN TURKISH

ÜLKER BİSKÜVİ SANAYİ A.Ş. AND ITS SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2020

(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 Board of Directors, which makes the strategic decisions, has been determined as the competent authority to make decisions regarding the activities of the Group. 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 reviews segmental analysis based on gross profit and operating 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 periods 1 January – 31 December 2020 and 1 January - 31 December 2019.

	Domestic	Foreign	1 January- 31 December 2020
Revenue	5.606.929	3.793.932	9.400.861
Gross Profit	1.222.951	1.420.512	2.643.463
Operating Profit (*)	725.909	708.772	1.434.681
EBITDA (**)	809.630	811.522	1.621.152
EBITDA/Revenue	14,4%	21,4%	17,2%
Investment Expense	130.800	52.249	183.049
	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

(*) 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.

CONVENIENCE TRANSLATION INTO ENGLISH OF FINANCIAL STATEMENTS ORIGINALLY
ISSUED IN TURKISH

ÜLKER BİSKÜVİ SANAYİ A.Ş. AND ITS SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2020

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

4. CASH AND CASH EQUIVALENTS

	31 December 2020	31 December 2019
Cash on hand	438	180
Demand deposits	666.006	344.705
Time deposits	3.174.606	1.689.735
Impairment provision	(16.730)	(7.021)
	3.824.320	2.027.599

Details of time deposits are shown below:

Currency Type	Annual Weighted Average Effective Interest Rate(%)	Maturity	31 December 2020
TL	17,47%	January 2021	401.754
EUR	2,25%	January 2021	567.376
USD	1,07%	January 2021	2.127.856
EGP	8,64%	January 2021	53.377
KZT	10,00%	January 2021	24.243
			3.174.606

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	1.396.246
GBP	0,15%	January 2020	5.217
EGP	11,01%	January 2020	21.925
KZT	10,00%	January 2020	23.640
			1.689.735

5. FINANCIAL INVESTMENTS

Short Term Financial Investments:	31 December 2020	31 December 2019
Financial Assets Measured at Fair Value through Profit or Loss (*)	3.639.474	3.057.459
	3.639.474	3.057.459
Long Term Financial Investments:	31 December 2020	31 December 2019
Financial Assets Measured at Fair Value through Other Comprehensive Income (**)	978.106	946.029
	978.106	946.029
Long Term Financial Assets Measured at Fair Value through Other Comprehensive Income	31 December 2020	31 December 2019
G New, Inc	273.122	312.171
Godiva Belgium BVBA	704.784	633.658
Other	200	200
	978.106	946.029

(*) TL 3.585.984 thousands of short-term financial investments consist of liquid mutual funds with a maturity of less than 3 months (31 December 2019: TL 3.053.379 thousands).

(**) Equity investments that the Group does not have a significant influence are classified as financial assets measured at fair value through other comprehensive income as at 31 December 2020 amounting to TL 459.069 thousand have been presented under shareholder's equity. (31 December 2019: TL 422.738 thousands).

CONVENIENCE TRANSLATION INTO ENGLISH OF FINANCIAL STATEMENTS ORIGINALLY
ISSUED IN TURKISH

ÜLKER BİSKÜVİ SANAYİ A.Ş. AND ITS SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2020

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

6. FINANCIAL LIABILITIES

	31 December 2020	31 December 2019
Short term liabilities	11.408	150.764
Short term portion of long term liabilities	768.723	5.088.239
Long term liabilities	8.607.951	701.318
	9.388.082	5.940.321
<u>Short Term Liabilities</u>	<u>31 December 2020</u>	<u>31 December 2019</u>
Bank loans	11.408	66.437
Non-trade payables to related parties (Note 33)	-	84.327
	11.408	150.764
<u>Short Term Portion of Long Term Liabilities</u>	<u>31 December 2020</u>	<u>31 December 2019</u>
Banka kredileri	431.144	5.074.414
Issued Debt Instruments (*)	318.467	-
Financial lease liabilities	19.112	13.825
	768.723	5.088.239
<u>Long Term Liabilities</u>	<u>31 December 2020</u>	<u>31 December 2019</u>
Bank loans	4.097.309	652.490
Issued Debt instruments (*)	4.479.923	-
Financial Lease liabilities	30.719	48.828
	8.607.951	701.318

The group has used a syndicated loan in 20 April 2020. Details of Group's syndication loans are as follows: Syndication loan consists of two credit tranches which are USD 110.000.000 and EUR 243.938.528. 7 international banks joined to the syndication. Effective interest rate for both credit tranches are Euribor + 2,95 % for EUR, Libor + 3,10 % for USD and the maturity date is 20 April 2023. Principal payments of the loans are repaid at maturity with semi-annual interest payments.

In addition to the syndicated loan, the Group has received a EUR 75,000,000 EBRD loan dated 20 April 2020. The interest rate of the related EBRD loan is Euribor + 2,95% and the maturity date is 20 April 2023. The principal repayments of loan tranches must pay interest every six months, at the end of maturity

(*) The Group has USD 650.000.000 of bond issued on the Irish Stock Exchange (Euronext Dublin) on October 30, 2020, with a 5-year maturity, coupon payment every 6 months, principal and coupon payments at the end of the maturity, with an annual fixed interest rate of 6,95%.

The covenants which belong to syndicated loan are as follows:

- Leverage:** The ratio of the consolidated net debt at balance sheet date to the last twelve months consolidated EBITDA (Earnings before interest, tax, depreciation and amortization) in the valid period should not be over 3.50 to 1.
- Interest Coverage:** Consolidated interest coverage ratio of the Group should be at least 2 to 1.

In the current period ended December 31, 2020, the consolidated financial statements of the Group comply with the covenants of the syndication loan agreement.

CONVENIENCE TRANSLATION INTO ENGLISH OF FINANCIAL STATEMENTS ORIGINALLY ISSUED IN TURKISH

ÜLKER BİSKÜVİ SANAYİ A.Ş. AND ITS SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2020

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

6. FINANCIAL LIABILITIES (Continued)

Liabilities:

31 December 2020

Currency Type	Maturity	Annual Weighted Average Effective Interest Rate (%)	Short Term	Long Term
TL	January 2021-April 2023	27,30%	19.112	30.729
EUR	April 2021-May 2023	2,97%	317.963	3.078.869
USD	April 2021-October 2025	6,40%	345.280	5.254.470
EGP	January 2021-September 2023	8,00%	11.408	7.827
KZT	January 2021-January 2026	11,59%	86.368	236.056
			780.131	8.607.951

31 December 2019

Currency Type	Maturity	Annual Weighted Average Effective 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

Repayment terms of bank loans and issued debt are as follows:

	<u>31 December 2020</u>	<u>31 December 2019</u>
to be paid within 1 year	761.019	5.225.178
to be paid within 1-2 years	703.486	273.085
to be paid within 2-3 years	3.866.831	215.508
to be paid within 3-4 years	309.008	98.892
to be paid within 4-5 years	3.688.853	52.004
Above 5 years	9.054	13.001
	9.338.251	5.877.668

Short Term Portion of Long Term Financial Lease Liabilities

	<u>31 December 2020</u>	<u>31 December 2019</u>
Financial lease liabilities	30.285	29.282
Future finance charges on finance leases (-)	(11.173)	(15.457)
	19.112	13.825

Long Term Financial Lease Liabilities

	<u>31 December 2020</u>	<u>31 December 2019</u>
Financial lease liabilities	36.613	65.895
Future finance charges on finance leases (-)	(5.894)	(17.067)
	30.719	48.828

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

	<u>31 December 2020</u>	<u>31 December 2019</u>
to be paid within 1 year	19.112	13.825
to be paid within 1-2 years	26.567	18.108
to be paid within 2-3 years	4.152	23.720
to be paid within 3-4 years	-	7.000
	49.831	62.653

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

ÜLKER BİSKÜVİ SANAYİ A.Ş. AND ITS SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2020

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

6. FINANCIAL LIABILITIES (Continued)

The movement of financial liabilities as of 31 December 2020 and 2019 is as follows:

	2020	2019
Beginning of period- January 1	5.940.321	5.245.753
Addition	8.446.445	387.922
Repayments	(6.647.006)	(352.791)
Foreign exchange difference	1.549.445	571.692
Interest accrual differences	64.702	(191)
Currency translation differences	34.175	87.936
Closing balance – December 31	9.388.082	5.940.321

7. TRADE RECEIVABLES AND PAYABLES

	31 December 2020	31 December 2019
Short Term Due from Related Parties		
Due from related parties (Note 33)	2.031.627	2.106.741
	2.031.627	2.106.741
Other Trade Receivables		
Trade receivables	860.041	269.750
Notes receivables	230	84
Provision for doubtful receivables	(12.211)	(10.773)
	848.060	259.061
Total Short Term Trade Receivables	2.879.687	2.365.802

The movement of the allowance for doubtful receivables as of 31 December 2020 and 2019 is as follows:

	2020	2019
Opening balance	(10.773)	(19.351)
Current period charge	(1.719)	(688)
Cancelled provision	1.620	9.995
Sale of subsidiary	-	152
Currency translation differences	(1.470)	(1.136)
Collection	131	255
Ending Balance	(12.211)	(10.773)

	31 December 2020	31 December 2019
Short Term Trade Payables		
Due to related parties (Note 33)	374.544	607.365
Trade payables	827.715	617.233
	1.202.259	1.224.598

CONVENIENCE TRANSLATION INTO ENGLISH OF FINANCIAL STATEMENTS ORIGINALLY ISSUED IN TURKISH

ÜLKER BİSKÜVİ SANAYİ A.Ş. AND ITS SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2020

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

8. OTHER RECEIVABLES AND PAYABLES

	31 December 2020	31 December 2019
Other Receivables		
Due from related parties (Note 33)	1.706.078	115.619
Short term other receivables	49.818	37.283
	1.755.896	152.902
	31 December 2020	31 December 2019
Other Short Term Receivables		
VAT receivables	22.633	17.229
Deposits and guarantees given	22.945	18.277
Receivables from personnel	1.298	1.568
Other	2.942	209
	49.818	37.283
	31 December 2020	31 December 2019
Other Long Term Receivables		
Deposits and guarantees given	369	460
	369	460
	31 December 2020	31 December 2019
Other Payables		
Due to related parties (Note 33)	133	113
Other short term payables	3.619	4.994
	3.752	5.107
	31 December 2020	31 December 2019
Other Short Term Payables		
Deposits and guarantees received	122	124
Other short term payables	3.497	4.870
	3.619	4.994

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.

The Group entered into fixed interest rate swap contracts amounting to USD 33.000.000 in order to hedge the interest rate risk in line with the repayment schedule of the USD 110,000,000 tranches of 3-year term and floating rate syndication loan received as date of 20 April 2020.

Derivative instruments as of 31 December 2020 and 2019 are as follows:

	31 December 2020		31 December 2019	
	Contract Amount	Fair Value	Contract Amount	Fair Value
Derivative instruments held for hedge				
Cross Currency Fixed Interest Rate Swap	-	-	528.132	358.919
Fixed Interest Rate Swap	242.237	(1.892)	-	-
Total Asset/(Liabilities)	242.237	(1.892)	528.132	358.919

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

ÜLKER BİSKÜVİ SANAYİ A.Ş. AND ITS SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2020

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

10. INVENTORIES

Details of inventory are as follows;

	31 December 2020	31 December 2019
Raw materials	373.399	231.633
Work in progress	19.440	24.430
Finished goods	406.972	272.475
Trade goods	35.578	34.347
Other inventories	65.900	47.843
Allowance for impairment on inventory (-)	(29.809)	(18.030)
	871.480	592.698

Inventories are presented on the cost values and provision has been made for the impaired inventories.

The movement of allowance for impairment on inventory for the periods ended on 31 December 2020 and 2019 are below:

	2020	2019
Opening balance	(18.030)	(11.829)
Charge for the period	(12.934)	(14.654)
Reversal of provision	2.714	8.927
Currency translation differences	(1.559)	(474)
Closing balance	(29.809)	(18.030)

11. INVESTMENT PROPERTIES

	2020	2019
Opening balance	21.155	21.036
Gains from appreciation	4.990	1.115
Sale of subsidiary	-	(996)
Closing balance	26.145	21.155

The fair value of the Group's investment properties at 31 December 2020 has been calculated on the basis of a valuation carried out at that date by 31 December 2020, 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 1.140 thousand (31 December 2019: TL 1.382 thousand) as of 31 December 2020. Direct operating expenses arising from the investment properties in the current period is TL 145 thousand. (31 December 2019: TL 115 thousand).

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

ÜLKER BİSKÜVİ SANAYİ A.Ş. AND ITS SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2020

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

12. TANGIBLE ASSETS

Movement of tangible assets between 1 January 2020 and 31 December 2020 is as follows:

Cost	1 January 2020	Addition	Disposal	Transfer	Revaluation increase	Currency Translation Differences	31 December 2020
Land	720.030	-	-	-	72.688	6.532	799.250
Buildings	820.437	10.268	-	3.259	309.238	47.699	1.190.901
Machinery, plant and equipment	2.197.143	24.662	(4.374)	127.316	-	170.936	2.515.683
Vehicles	12.656	-	(1.968)	530	-	1.558	12.776
Furniture and fixture	112.036	8.867	(1.007)	7.170	-	10.069	137.135
Leasehold improvements	41.518	282	(115)	865	-	59	42.609
Other tangible assets	975	-	(358)	(791)	-	174	-
Construction in progress	63.648	136.242	(991)	(139.546)	-	4.620	63.973
	3.968.443	180.321	(8.813)	(1.197)	381.926	241.647	4.762.327

Accumulated Depreciation	1 January 2020	Charge for the period	Disposal	Transfer	Revaluation increase	Currency Translation Differences	31 December 2020
Buildings	(377.766)	(24.941)	-	-	(197.504)	(19.491)	(619.702)
Machinery, plant and equipment	(1.095.425)	(143.570)	2.765	-	-	(86.576)	(1.322.806)
Vehicles	(9.143)	(1.367)	1.968	-	-	(1.317)	(9.859)
Furniture and fixture	(78.955)	(9.872)	936	(205)	-	(7.142)	(95.238)
Leasehold improvements	(22.893)	(3.893)	3	-	-	(26)	(26.809)
Other tangible assets	(1.084)	(224)	463	496	-	349	-
	(1.585.266)	(183.867)	6.135	291	(197.504)	(114.203)	(2.074.414)

Net Book Value	2.383.177						2.687.913
-----------------------	------------------	--	--	--	--	--	------------------

From depreciation and amortization expenses, TL 175.399 thousand (31 December 2019: TL 157.735 thousand) is included in cost of goods sold, TL 365 thousand (31 December 2019: TL 383 thousand) is included in research and development expenses, TL 4.697 thousand (31 December 2019: TL 3.082 thousand) is included in marketing and selling expenses, TL 6.010 thousand (31 December 2019: TL 9.910 thousand) is included in general and administrative expenses. In the twelve-month period ending as of December 31, 2020, there is no fixed asset acquired through financial leasing by the Group. There is not any mortgage or collateral on tangible assets.

**CONVENIENCE TRANSLATION INTO ENGLISH OF FINANCIAL STATEMENTS ORIGINALLY
ISSUED IN TURKISH
ÜLKER BİSKÜVİ SANAYİ A.Ş. AND ITS SUBSIDIARIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2020**
(Amounts expressed in thousands of Turkish Lira ("TL") unless otherwise stated)

12. TANGIBLE ASSETS (Continued)

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	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	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

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

ÜLKER BİSKÜVİ SANAYİ A.Ş. AND ITS SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2020

(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 yıl
Machinery, plant and equipment	4 – 20 yıl
Vehicles	4 – 10 yıl
Other tangible assets	4 – 10 yıl
Furniture and fixtures	3 – 10 yıl
Leasehold improvements	During rent period

The company has chosen the revaluation model from the application methods in TMS 16 regarding the representation of the lands and buildings with their fair values. The related assets were revalued with the "equivalent comparison method" on 29 January, 2021, and the studies were carried out by the valuation company authorized by the CMB. Nova Taşınmaz Değerleme ve Danışmanlık A.Ş. The fair values of the land and buildings stated in the valuation reports are reflected in the consolidated financial statements as of 31 December 2020.

13. GOODWILL

	31 December 2020	31 December 2019
Opening Balance	388.047	331.975
Currency translation difference	108.149	56.072
Closing Balance	496.196	388.047

Breakdown of goodwill is as follows:

Company	31 December 2020	31 December 2019
UI Mena B.V.	477.303	373.272
IBC	18.893	14.775
	496.196	388.047

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 has been 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 has been accounted to these financial statement by restating prior years.

CONVENIENCE TRANSLATION INTO ENGLISH OF FINANCIAL STATEMENTS ORIGINALLY
ISSUED IN TURKISH

ÜLKER BİSKÜVİ SANAYİ A.Ş. AND ITS SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2020

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

14. INTANGIBLE ASSETS

Movements of intangible assets between 1 January 2020 – 31 December 2020 are as follows:

Cost	1 January 2020	Addition	Disposal	Transfer	Sale of subsidiary	Currency Translation Differences	31 December 2020
Rights (*)	299.979	2.004	-	-	-	71.613	373.596
Other intangible assets	5.988	724	-	1.197	-	784	8.693
	305.967	2.728	-	1.197	-	72.397	382.289

Accumulated Amortization	1 January 2020	Charge for the Period	Disposal	Transfer	Sale of subsidiary	Currency Translation Differences	31 December 2020
Rights	(11.130)	(1.023)	-	-	-	(2.264)	(14.417)
Other intangible assets	(2.649)	(1.581)	-	(291)	-	(143)	(4.664)
	(13.779)	(2.604)	-	(291)	-	(2.407)	(19.081)
Net Book Value	292.188						363.208

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

(*) As of 31 December 2020 Rights contain reacquired rights related with Saudi distribution agreements of Groups products in Saudi Arabia amounting to TL 292.064 thousand (31 December 2019: TL 236.349 thousand), the remaining amount of TL 59.663 thousand (31 December 2019: TL 46.659 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 or more frequently when there is any indicator that impairment may occur.

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

ÜLKER BİSKÜVİ SANAYİ A.Ş. AND ITS SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2020

(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

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 Official 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 222.585.321 in Karaman plant. The Group has utilized TL 62.665 thousand (2019: TL 86.118 thousand) portion of such incentives and accounted for deferred tax assets by TL 13.993 thousand for the remaining portion of these earned incentives (2019: TL 21.115 thousand) (Note 31).

The Group has received government incentives amounting TL 43.517 thousand in current year (2019: TL 50.227 thousand). In 2020, TL 22.665 thousand stems from employment grants, TL 71 thousand stems from agricultural products exports incentives, TL 13.685 thousand stems from investment incentives, TL 7.067 thousand stems from research and development grants, TL 29 thousand stems from other grants (2019: TL 11.451 thousand stems from employment grants, TL 1.315 thousand stems from agricultural products export incentives, TL 30.338 thousand stems from investment incentive, TL 5.802 thousand stems from research and development grants, TL 1.321 thousand stems from other grants).

CONVENIENCE TRANSLATION INTO ENGLISH OF FINANCIAL STATEMENTS ORIGINALLY ISSUED IN TURKISH

ÜLKER BİSKÜVİ SANAYİ A.Ş. AND ITS SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2020

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

16. OTHER PROVISIONS, CONTINGENT ASSETS AND LIABILITIES

Short Term Debt Provisions	31 December 2020	31 December 2019
Provisions for lawsuits	6.200	6.615
Provision for marketing activities	110.525	75.761
Other	48.933	20.955
	165.658	103.331

Movement for lawsuit provisions for 31 December 2020 and 2019 is as follows:

	2020	2019
Opening balance	6.615	5.758
Charge for the period	483	2.227
Terminated provisions	(551)	(338)
Sale of subsidiary (-)	-	(507)
Payment/relinquishment (-)	(347)	(525)
	6.200	6.615

a) Guarantees Given

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

	31 December 2020			31 December 2019		
	TL	USD	EUR	TL	USD	EUR
A) CPM's given in the name of own legal personality (*)	209.221	25.354	-	201.279	26.273	-
B) CPM's given on behalf of the fully consolidated companies	-	-	81.000	-	-	87.922
C) CPM's given on behalf of third parties for ordinary course of business (**)	-	-	97.950	-	-	97.270
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	209.221	25.354	178.950	201.279	26.273	185.192

(*) Non-cash risk amounting to TL 62.9 million and USD 5,8 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 Zero as of 31 December 2020 (31 December 2019: Zero).

CONVENIENCE TRANSLATION INTO ENGLISH OF FINANCIAL STATEMENTS ORIGINALLY ISSUED IN TURKISH

ÜLKER BİSKÜVİ SANAYİ A.Ş. AND ITS SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2020

(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 cash balance of Ülker Bisküvi's subsidiaries with an amount of TL 146,3 million and USD 19,5 million and non-cash bank guarantees amounting to TL 45,7 million and USD 6,1 million, have been transferred to Yıldız Holding A.Ş. through the syndication as of 8 June 2018. 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 2020;

Lawsuits filed by the Group:

	31 December 2020	31 December 2019
Compensation litigations	61	61
Action of debts	173	170
Pena action cases	172	175
	406	406

Lawsuits filed against to the Group:

	31 December 2020	31 December 2019
Action of debts	870	870
Foreclosure litigations	1.244	1.243
Compensation litigations	4.086	4.502
	6.200	6.615

Lease Agreements

The Group's lease agreements are made for a one-year period. All leases contain a clause to review the conditions according to market conditions in case the tenant exercises his right to renew. The tenant has no right to purchase the leased asset at the end of the lease term.

The Group has a rental income of 11.919 thousand TL (2019: 10.289 thousand TL) from the lease contracts made for its tangible fixed assets and investment properties and from its suppliers and customers as a common area usage fee. During the period, direct operating expenses associated with fixed assets are 5.397 thousand TL (2019: 4.016 thousand TL). The minimum rents to be obtained in the future within the framework of the non-cancellable lease amount to 9.458 thousand TL (2019: 11.378 thousand TL), all of which will be realized within one year. Within the framework of the non-cancellable lease, the minimum rents to be paid in the future amount to 6.213 thousand TL (2019: 4.601 thousand TL) and will be paid in full within one year.

CONVENIENCE TRANSLATION INTO ENGLISH OF FINANCIAL STATEMENTS ORIGINALLY ISSUED IN TURKISH

ÜLKER BİSKÜVİ SANAYİ A.Ş. AND ITS SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2020
(Amounts expressed in thousands of Turkish Lira ("TL") unless otherwise stated)

17. COMMITMENTS AND OBLIGATIONS

The Group's export commitments amount to USD 305.240 thousand as of 31 December 2020 (2019: 199.532 thousand USD). The average period of export commitments is 2 years. If the export commitments are not fulfilled, the Group loses the tax advantage. The Group has fulfilled most of its commitments for the year 2020 and it is expected to fulfill its commitments extending to 2021 (2019: almost fulfilled)

18. PROVISION FOR EMPLOYEE BENEFITS

Short Term Liabilities for Employee Benefits	31 December 2020	31 December 2019
Unused vacation accrual	36.047	30.924
Performance premium accrual	42.243	35.442
	78.290	66.366

<u>Movement of Unused Vacation Provision</u>	2020	2019
Opening balance	30.924	28.633
Decrease in period	(25.083)	(15.715)
Increase in period	26.663	17.393
Sale of subsidiaries	-	(1.447)
Currency translation differences	3.543	2.060
Closing balance	36.047	30.924

<u>Movement of Performance Premium Provision</u>	2020	2019
Opening balance	35.442	22.668
Cash payments in period	(41.021)	(35.704)
Increase in period	43.606	48.488
Sale of subsidiary	-	(2.063)
Currency translation differences	4.216	2.053
Closing balance	42.243	35.442

Long Term Liabilities for Employee Benefits	31 December 2020	31 December 2019
Provision for employee termination benefits	211.021	161.010
	211.021	161.010

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 7.117,17 for each period of service as of 31 December 2020 (2019: 6.730,15 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.

CONVENIENCE TRANSLATION INTO ENGLISH OF FINANCIAL STATEMENTS ORIGINALLY ISSUED IN TURKISH

ÜLKER BİSKÜVİ SANAYİ A.Ş. AND ITS SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2020

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

18. PROVISION FOR EMPLOYEE BENEFITS (Continued)

The maximum estimate for the main year of service will increase in line with inflation. Therefore, it refers to the real rate after the correction of infinite inflation. This bit, December 31, 2020, provisions in the financial statements, prospective, the present value of the candidate that will arise from the retirement of the employees is calculated. Provisions in the relevant habero dates were calculated with a real discount rate of approximately 3,85%, based on the assumptions of 9,03% annual inflation and 13,23% interest rate (2019: 4,00%). In accordance with the current edition Law 4447, for employees who were insured before September 8, 1999 and who completed 15 years and 3600 premium days, even if they quit with their own consent, the titles for this are 100%. The severance pay ceiling is revised every six months, and in the calculation of the severance payment of the Group, the ceiling of 7.638,96 TL, which has been purchased since the beginning of January 1, 2021, has been purchased. It is 3,9% of employees leaving the Group as of the end of 2020 (2019: 3,9%).

Movement of provision for employee termination benefits is as below:

	2020	2019
Opening balance	161.010	115.344
Service cost	37.778	43.873
Interest cost	14.368	9.915
Actuarial loss	12.939	7.930
Cash payments in period	(25.669)	(19.452)
Sale of subsidiary	-	(1.670)
Currency translation differences	10.595	5.070
Closing balance	211.021	161.010

19. PREPAID EXPENSES

Short Term Prepaid Expenses

	31 December 2020	31 December 2019
Advances given to related parties (Not 33)	134.308	41.545
Advances given to third parties	52.674	31.629
Prepaid expenses	10.699	11.317
	197.681	84.491

Long Term Prepaid Expenses

	31 December 2020	31 December 2019
Advances given to third parties	48.439	7.602
	48.439	7.602

20. EMPLOYEE BENEFITS RELATED LIABILITIES

	31 December 2020	31 December 2019
Payables to personnel	30.909	29.709
Social security premiums payable	18.965	15.113
	49.874	44.822

21. OTHER ASSET AND LIABILITIES

Other Current Asset

	31 December 2020	31 December 2019
VAT carried forward	84.913	74.619
Other	1.078	1.036
	85.991	75.655

Other Current Liabilities

	31 December 2020	31 December 2019
Taxes and fund payable	30.246	34.181
Other liabilities	16.571	1.782
	46.817	35.963

CONVENIENCE TRANSLATION INTO ENGLISH OF FINANCIAL STATEMENTS ORIGINALLY ISSUED IN TURKISH

ÜLKER BİSKÜVİ SANAYİ A.Ş. AND ITS SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2020
(Amounts expressed in thousands of Turkish Lira ("TL") unless otherwise stated)

22. DEFERRED REVENUE

	31 December 2020	31 December 2019
Deferred revenue		
Advances received	36.610	7.804
Short term deferred revenue	3.946	4.050
	40.556	11.854

23. SHAREHOLDERS' EQUITY

a) Capital Structure

The composition of the Company's paid-in share capital as of 31 December 2020 and 2019 is as follows:

	31 December 2020		31 December 2019	
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%

According to the provisions of the Capital Market Law, the registered capital ceiling of the Company is TL 500,000 thousand as of December 31, 2020, and it is divided into 50,000,000,000 (fifty billion) shares, each with a nominal value of 1 (one) kuruş. The issued capital of the company is TL 342,000 thousand fully paid. There is no privilege or group distinction between the shares.

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 2020, the Group's financial asset valuation fund after tax is TL 459.069 thousand (2019: TL 422.738 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 4.990 thousand in 2020 and TL 1.115 thousand in 2019 have been accounted under the consolidated income statement (Note 28).

Land and Buildings Revaluation Fund:

Increases in the carrying amounts arising on revaluation of land and buildings are recognised, net off 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 off tax, is reclassified from the property, plant and equipment revaluation surplus to retained earnings.

As of 31 December 2020, the Group's revaluation fund after tax resulting from revaluation of land and buildings and the value increase from the first transfer of investment properties is TL 812.025 (31 December 2019: TL 647.779 thousand).

CONVENIENCE TRANSLATION INTO ENGLISH OF FINANCIAL STATEMENTS ORIGINALLY ISSUED IN TURKISH

ÜLKER BİSKÜVİ SANAYİ A.Ş. AND ITS SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2020
(Amounts expressed in thousands of Turkish Lira ("TL") unless otherwise stated)

23. SHAREHOLDERS' EQUITY (continue)

c) Other Gains

	31 December 2020	31 December 2019
Other Gains	-	817.879
	-	817.879

The Group Management recognized the dividend income obtained from its financial investments from Godiva Belgium BVBA in other comprehensive income within the scope of TFRS. The Group reclassified the amount of 31 December 2020 to previous years' profits by the decision of the General Assembly.

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.

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

ÜLKER BİSKÜVİ SANAYİ A.Ş. AND ITS SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2020

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

23. SHAREHOLDERS' EQUITY (continue)

d) Restricted Reserves (continue)

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:

As of balance sheet date, the total company funds that can be utilized for profit distribution is TL 3.132.987 thousand (2019: TL 2.498.996 thousand).

e) Retained Earnings

Details of retained earnings are as follows:

	31 December 2020	31 December 2019
Retained earnings	2.387.879	839.352
Extraordinary reserves	880.508	666.532
Inflation restatement differences of shareholders' equity accounts other than capital and legal reserves	(18.214)	(18.214)
Other reserves	74.161	22.282
	3.324.334	1.509.952

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

The amount of non-controlling interest as of 31 December 2020 is TL 779.913 thousand (2019: TL 522.903 thousand). The minority share of TL 187.170 thousand on operating results for the period of 1 January 2020 and 31 December 2020 has been presented separately from the profit for the same period in these consolidated statements of income (2019: TL 105.922 thousand).

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

ÜLKER BİSKÜVİ SANAYİ A.Ş. AND ITS SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2020

(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:

	2020	2019
Domestic sales(*)	10.321.016	8.497.206
Export sales	1.941.206	1.731.435
Sales returns and discounts (-)	(2.861.361)	(2.425.521)
Sales Income (net)	9.400.861	7.803.120
Cost of merchandises sold	(6.567.805)	(5.468.784)
Cost of trade goods sold	(189.593)	(195.144)
Cost of sales	(6.757.398)	(5.663.928)
Gross Profit	2.643.463	2.139.192

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

b) Cost of Sales

	2020	2019
Raw materials	(5.263.909)	(4.362.124)
Personnel expenses	(744.361)	(592.936)
Production overheads	(461.394)	(383.220)
Depreciation and amortization expenses	(175.399)	(157.735)
Change in work-in-progress inventories	(6.167)	7.060
Change in finished goods inventories	83.425	20.171
Cost of goods sold	(6.567.805)	(5.468.784)
Cost of trade goods sold	(189.593)	(195.144)
Cost of sales	(6.757.398)	(5.663.928)

**25. RESEARCH AND DEVELOPMENT EXPENSES, MARKETING EXPENSES, AND GENERAL
ADMINISTRATIVE EXPENSES**

	2020	2019
General administrative expenses	(263.248)	(234.744)
Marketing expenses	(921.325)	(752.076)
Research and development expenses	(24.209)	(19.956)
	(1.208.782)	(1.006.776)

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

ÜLKER BİSKÜVİ SANAYİ A.Ş. AND ITS SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2020

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

26. EXPENSES BY NATURE

The detail of operating expenses is as follows:

	2020	2019
General Administrative Expenses		
Personnel expenses	(124.240)	(94.206)
Operating expenses	(85.935)	(89.169)
Consultancy expenses	(23.131)	(18.465)
Depreciation and amortization expenses	(6.010)	(9.910)
Other	(23.932)	(22.994)
	(263.248)	(234.744)
Marketing Expenses		
Marketing operating expenses	(698.734)	(560.022)
Personnel expenses	(157.618)	(134.049)
Rent expenses	(21.663)	(15.111)
Depreciation and amortization expenses	(4.697)	(3.082)
Other	(38.613)	(39.812)
	(921.325)	(752.076)
Research Expenses		
Personnel expenses	(13.866)	(12.034)
Materials used	(3.267)	(2.195)
Depreciation and amortization expenses	(365)	(383)
Other	(6.711)	(5.344)
	(24.209)	(19.956)

27. OTHER OPERATING INCOME AND EXPENSES

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

	2020	2019
Foreign exchange gains	174.222	69.201
Service income	5.606	1.887
Provisions no longer required	1.011	2.338
Rediscount income	-	1.170
Other income	49.057	12.735
	229.896	87.331

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

	2020	2019
Foreign exchange loss	(105.788)	(35.780)
Donation expense	(28.817)	(9.876)
Provision expenses	(18.335)	(10.534)
Financial expense on credit purchase	(190)	(6.409)
Other expenses	(18.709)	(3.430)
	(171.839)	(66.029)

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

ÜLKER BİSKÜVİ SANAYİ A.Ş. AND ITS SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2020

(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 follows:

	2020	2019
Foreign exchange gains	1.992.637	581.712
Fair value gains of financial assets	316.724	302.223
Interest income	174.989	233.928
Rent income	11.919	10.444
Fair value increase in investment property (Note 11)	4.990	1.115
Income on sales of tangible assets	1.826	2.402
Dividend income	64	83
	2.503.149	1.131.907

b) The detail of investment expenses is as follows:

	2020	2019
Foreign exchange losses	(683.493)	(6.998)
Loss on sales of tangible assets	(436)	(4.248)
	(683.929)	(11.246)

29. FINANCIAL INCOME

	2020	2019
Foreign exchange gain	504.448	552.358
Other	50.994	2.337
	555.442	554.695

30. FINANCIAL EXPENSES

	2020	2019
Foreign exchange losses from financing	(1.900.661)	(1.026.647)
Interest expenses	(436.118)	(413.353)
Other	(35.974)	(26.132)
	(2.372.753)	(1.466.132)

CONVENIENCE TRANSLATION INTO ENGLISH OF FINANCIAL STATEMENTS ORIGINALLY ISSUED IN TURKISH

ÜLKER BİSKÜVİ SANAYİ A.Ş. AND ITS SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2020
(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 20% (2019: 22%), for entities in Saudi Arabia and Kazakhstan is 20% (2019: 20%), for entities in Egypt 22,5% (2019: 22,5%), and for entity in Kyrgyzstan 10% (2019: 10%), for entity in the United Arab Emirates is zero (2019: Zero).

Deferred tax bases:

	31 December 2020	31 December 2019	31 December 2020	31 December 2019
Indexation and useful life differences of tangible and intangible assets	-	-	1.338.310	1.114.931
Investment properties valuation differences	-	-	22.164	17.174
Marketable securities valuation differences	-	-	4.890	89.868
Discount of trade receivables / payables (net)	-	-	-	487
Allowance of employee termination benefits	(151.400)	(122.368)	-	-
Previous year losses	(83.719)	(75.059)	-	-
Provision of doubtful receivables	(24.293)	(11.987)	-	-
Provision for unused vacation	(19.497)	(16.148)	-	-
Impairment on inventories	(15.927)	(14.986)	-	-
Profit elimination on inventories	(15.923)	(12.891)	-	-
Provision for lawsuits	(6.200)	(6.615)	-	-
Derivative instruments	(1.892)	-	-	358.919
Other	(18.225)	(19.390)	87.042	17.601
	(337.076)	(279.444)	1.452.406	1.598.980

CONVENIENCE TRANSLATION INTO ENGLISH OF FINANCIAL STATEMENTS ORIGINALLY
ISSUED IN TURKISH

ÜLKER BİSKÜVİ SANAYİ A.Ş. AND ITS SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2020

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

31. TAX ASSET AND LIABILITIES (Continued)

Deferred tax calculated over the tax bases

	31 December 2020	31 December 2019	31 December 2020	31 December 2019
Indexation and useful life differences of tangible and intangible assets	-	-	178.391	151.686
Investment properties valuation differences	-	-	2.216	1.717
Marketable securities valuation differences	-	-	245	4.493
Discount of trade receivables/payables (net)	-	-	-	107
Allowance of employee termination benefits	(30.280)	(24.474)	-	-
Previous year losses	(16.744)	(15.012)	-	-
Investment incentive	(13.993)	(21.115)	-	-
Provision of doubtful receivables	(4.859)	(2.637)	-	-
Provision for unused vacation	(3.899)	(3.553)	-	-
Impairment on inventories	(3.185)	(3.297)	-	-
Profit elimination on inventories	(3.185)	(2.836)	-	-
Provision for lawsuits	(1.240)	(1.455)	-	-
Derivative instruments	(378)	-	-	78.962
Other	(3.645)	(4.263)	17.408	3.872
	(81.408)	(78.642)	198.260	240.837

Movement of Deferred Tax Liabilities:

	1 January – 31 December 2020	1 January – 31 December 2019
1 January – opening	162.195	198.003
Taxes netted from funds recognised under equity	10.946	(68.618)
Currency translation differences	2.578	4.416
Deferred tax (income)/expense	(58.867)	28.394
	116.852	162.195

As of 31 December 2020, the Group calculated deferred tax assets of TL 83.179 thousand for deductible financial losses in the consolidated financial statements for the current year (31 December 2019: TL 75.059 thousand). The maturities of these losses are as follows:

	31 December 2020	31 December 2019
2025	83.719	75.059
Toplam	83.719	75.059

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

ÜLKER BİSKÜVİ SANAYİ A.Ş. AND ITS SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2020

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

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 2020 is 22% (2019: 22%).

In Turkey, advance tax returns are filed on a quarterly basis. The advance corporate income tax rate is 22% in 2020 (2019: 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% (2019: 22,5%). The corporate tax rate in Saudi Arabia where Food Manufacturers' Company and International Biscuits Company, subsidiaries of the Group is 20% (2019: 20%).

The corporate tax in Kazakhstan where Hamle Company Ltd LLP, a subsidiary of the Group is 20% (2019: 20%).

The corporate tax in Kyrgyzstan where Ülker Star LLC, a subsidiary of the Group is 10% (2019: 10%).

In UAE where Amir Global Trading FZE, a subsidiary of the Group is exempt from corporate tax earnings (2019: exempt).

CONVENIENCE TRANSLATION INTO ENGLISH OF FINANCIAL STATEMENTS ORIGINALLY ISSUED IN TURKISH

ÜLKER BİSKÜVİ SANAYİ A.Ş. AND ITS SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2020

(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 2020 and 2019 is as follows:

	2020	2019
Total corporate tax provision	(349.929)	(232.123)
Prepaid taxes and funds	265.282	163.156
Taxation in the balance sheet	(84.647)	(68.967)
	2020	2019
Current period corporate tax expense	349.929	232.123
Deferred tax income	(58.867)	28.394
Tax expense in the income statement	291.062	260.517

The reconciliation of provision for taxation as of 31 December 2020 and 2019 are as follows:

	2020	2019
Reconciliation of taxation:		
Profit before taxation and non-controlling interest	1.494.647	1.362.942
Effective tax rate	22%	22%
Calculated tax	328.822	299.847
Tax effects of:		
-Non-deductible expenses	14.485	4.684
-Other non-taxable income	(6.751)	(19.015)
-Investment incentive	(16.039)	(22.770)
-Carry forward tax loss which were not subject to deferred tax	-	1.039
- Tax rate difference	(28.422)	(3.642)
-Other	(1.033)	374
Taxation in the income statement	291.062	260.517

CONVENIENCE TRANSLATION INTO ENGLISH OF FINANCIAL STATEMENTS ORIGINALLY ISSUED IN TURKISH

ÜLKER BİSKÜVİ SANAYİ A.Ş. AND ITS SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2020

(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 2020 and 2019 computation of earnings per share set out here as follows:

	2020	2019
Weighted average number of common stock outstanding	34.200.000	34.200.000
Net profit	1.016.415	996.503
Basic Earnings per Share	2,97	2,91

33. BALANCES AND TRANSACTIONS WITH RELATED PARTIES

The detail of receivables from related parties is as follows:

	31 December 2020	31 December 2019
Trade receivables	2.031.627	2.106.741
Non-trade receivables	1.706.078	115.619
	3.737.705	2.222.360

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

	31 December 2020		31 December 2019	
	Trade	Non- Trade	Trade	Non- Trade
Principle Shareholder				
Yıldız Holding A.Ş.	-	1.706.078	-	-
Other Companies Controlled by the Ultimate Shareholder				
Horizon Hızlı Tük. Ür. Paz. Sat. ve Tic. A.Ş.	1.019.436	-	901.132	-
Pasifik Tük. Ürün. Satış ve Ticaret A.Ş.	742.344	-	585.481	-
Yeni Teközel Markalı Ürünler Dağıtım Hizmetleri A.Ş.	121.428	-	159.344	-
G2M Eksper Satış ve Dağıtım Hizmetleri A.Ş.	77.350	-	70.794	-
United Biscuits (UK) Ltd.	4.576	-	2.788	-
Other	66.493	-	51.809	115.619
Other Related Parties				
İstanbul Gıda Dış Ticaret A.Ş.	-	-	335.393	-
	2.031.627	1.706.078	2.106.741	115.619

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.

CONVENIENCE TRANSLATION INTO ENGLISH OF FINANCIAL STATEMENTS ORIGINALLY ISSUED IN TURKISH

ÜLKER BİSKÜVİ SANAYİ A.Ş. AND ITS SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2020

(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 follows:

	31 December 2020	31 December 2019
Önem Gıda San. ve Tic. A.Ş.	134.308	41.545
	134.308	41.545

The detail of payables to related parties is as follows:

	31 December 2020	31 December 2019
Trade payables	374.544	607.365
Non-trade payables	133	113
	374.677	607.478

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

	31 December 2020		31 December 2019	
	Trade	Non Trade	Trade	Non Trade
Principle Shareholder				
Yıldız Holding A.Ş.	113.241	-	96.125	-
Other Companies Controlled by the Principle Shareholder				
Önem Gıda San. ve Tic. A.Ş.	132.014	-	385.307	-
United Biscuits (UK) Ltd.	41.889	-	7.925	-
Besler Gıda ve Kimya San. ve Tic. A.Ş.	29.491	-	8.466	-
Adapazarı Şeker Fabrikası A.Ş.	26.853	-	8.268	-
Marsa Yağ San. ve Tic. A.Ş.	5.190	-	2.409	-
pladis Foods Limited	866	-	4.491	-
CCC Gıda San. ve Tic. A.Ş.	150	-	564	-
Other	24.850	133	20.752	9
Other Related Parties				
İstanbul Gıda Dış Ticaret A.Ş.	-	-	73.058	104
	374.544	133	607.365	113

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

	31 December 2020	31 December 2019
Yıldız Holding A.Ş.	-	84.327
	-	84.327

CONVENIENCE TRANSLATION INTO ENGLISH OF FINANCIAL STATEMENTS ORIGINALLY
ISSUED IN TURKISH

ÜLKER BİSKÜVİ SANAYİ A.Ş. AND ITS SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2020

(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:

	1 January – 31 December 2020		1 January – 31 December 2019	
	Purchases	Sales	Purchases	Sales
<i>Other Companies Controlled by the Principle Shareholder</i>				
Önem Gıda San. ve Tic. A.Ş.	2.341.140	586	1.952.092	558
Besler Gıda ve Kimya San. ve Tic. A.Ş.	362.416	229	254.416	4.526
United Biscuits (UK) Ltd.	104.386	8.546	94.811	115.359
Marsa Yağ San. ve Tic. A.Ş.	97.436	-	67.165	-
Pendik Nişasta San. A.Ş.	35.690	-	43.403	-
CCC Gıda San. ve Tic. A.Ş.	606	9.931	68.227	3.538
Horizon Hızlı Tük. Ür. Paz. Sat. ve Tic. A.Ş.	4	3.208.388	91	2.889.207
Pasifik Tüketim Ürünleri Satış ve Tic. A.Ş.	-	1.935.289	-	1.450.278
Yeni Teközel Markalı Ürünler Dağıtım Hizmetleri A.Ş.	-	271.282	-	261.407
Other	75.991	221.789	32.109	373.048
<i>Other Related Parties</i>				
İstanbul Gıda Dış Tic. A.Ş.	115.401	579.534	-	-
	3.133.070	6.235.574	2.512.314	5.097.921

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.

CONVENIENCE TRANSLATION INTO ENGLISH OF FINANCIAL STATEMENTS ORIGINALLY ISSUED IN TURKISH

ÜLKER BİSKÜVİ SANAYİ A.Ş. AND ITS SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2020
(Amounts expressed in thousands of Turkish Lira ("TL") unless otherwise stated)

33. BALANCES AND TRANSACTIONS WITH RELATED PARTIES (Continued)

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

For the year ended 31 December 2020:

	Rent Income/(Expense) Net	Service Income/(Expense) Net	Interest and Foreign Exchange Income/(Expense) Net
Principle Shareholder			
Yıldız Holding A.Ş.	16	(236.049)	230.133
Other Companies Controlled by the Principle Shareholder			
pladis Foods Limited	-	(83.061)	(941)
Horizon Hızlı Tük. Ür. Paz. Sat. ve Tic. A.Ş.	-	(27.168)	59.528
Pasifik Tüketim Ürünleri Satış ve Tic. A.Ş.	67	(21.344)	26.853
United Biscuits (UK) Ltd.	3	(11.620)	969
Önem Gıda San. ve Tic. A.Ş.	3.183	(4.501)	11.012
İzsal Gayrimenkul Geliştirme A.Ş.	(1.716)	(3.154)	-
Besler Gıda ve Kimya San. ve Tic. A.Ş.	-	(5)	(93)
CCC Gıda San. ve Tic. A.Ş.	(852)	383	(181)
Other	1.413	(17.784)	(13.753)
Other Related Parties			
İstanbul Gıda Dış Ticaret A.Ş.	-	950	85.758
	2.114	(403.353)	399.285

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	(15.178)	12.788
	1.577	(366.667)	90.335

Benefits provided to members of BOD and key management personnel:

	31 December 2020	31 December 2019
Fees and other short term benefits	43.392	35.540
	43.392	35.540

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

ÜLKER BİSKÜVİ SANAYİ A.Ş. AND ITS SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2020
(Amounts expressed in thousands of Turkish Lira ("TL") unless otherwise stated)

34. NATURE AND LEVEL OF RISKS DERIVED FROM FINANCIAL INSTRUMENTS

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 ratios as of 31 December 2020 and 2019 are as follows:

	31 December 2020	31 December 2019
Total financial liabilities and non-trade related parties payables / (receivables) (net)	7.682.137	5.824.815
Negative: Cash & cash equivalent	(7.458.415)	(5.080.978)
Positive/(negative): Financial derivatives instruments	1.892	(358.919)
Net debt	225.614	384.918
Total shareholders' equity	6.473.561	4.934.232
Total capital	6.699.175	5.319.150
Net debt/Total Capital Ratio	3%	7%

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.

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

ÜLKER BİSKÜVİ SANAYİ A.Ş. AND ITS SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2020

(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				Deposit in Bank	Derivative instruments
	Trade Receivables		Other Receivables			
2020	Related Party	Third Party	Related Party	Third Party		
Maximum net credit risk as of balance sheet date (*)	2.031.627	848.060	1.706.078	50.187	3.823.882	-
- The part of maximum risk under guarantee with collateral etc (**)	-	1.171	-	-	-	-
A. Net book value of financial assets that are neither past due nor impaired	1.962.253	847.964	1.706.078	50.187	-	-
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	69.374	96	-	-	-	-
- The part under guarantee with collateral etc	-	-	-	-	-	-
D. Net book value of impaired assets	-	-	-	-	3.823.882	-
- Past due (gross carrying amount)	-	12.211	-	-	-	-
- Impairment (-)	-	(12.211)	-	-	-	-
- The part of net value under guarantee with collateral etc	-	-	-	-	-	-
- Not past due (gross carrying amount)	-	-	-	-	3.840.612	-
- Impairment (-)	-	-	-	-	(16.730)	-
- 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.

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

ÜLKER BİSKÜVİ SANAYİ A.Ş. AND ITS SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2020

(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)

Credit Risk of Financial Instruments	Receivables				Deposit in Bank	Derivative instruments
	Trade Receivables		Other Receivables			
2019	Related Party	Third Party	Related Party	Third Party		
Maximum net credit risk as of balance sheet date (*)	2.106.741	259.061	115.619	37.743	2.027.419	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	-	-	-	-	2.027.419	-
- 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)	-	-	-	-	2.034.440	-
- 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.

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

ÜLKER BİSKÜVİ SANAYİ A.Ş. AND ITS SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2020

(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 2020 and 2019 is as follows:

	Receivables		
	Trade Receivables	Other Receivables	Total Receivables
31 December 2020			
Overdue between 1-30 days	31.978	-	31.978
Overdue between 1-3 months	36.176	-	36.176
Overdue between 3-12 months	1.316	-	1.316
Overdue between 1-5 years	-	-	-
Overdue more than 5 years	-	-	-
Total overdue receivables	69.470	-	69.470
<i>The portion of under guarantee with collateral etc</i>	-	-	-
	Receivables		
	Trade Receivables	Other Receivables	Total Receivables
31 December 2019			
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
<i>The portion of under guarantee with collateral etc</i>	-	-	-

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

ÜLKER BİSKÜVİ SANAYİ A.Ş. AND ITS SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2020

(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 its on-balance sheet financial liabilities according to remaining maturities as at 31 December 2020 and 31 December 2019 . 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 2020	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	4.539.861	4.925.790	33.267	427.239	4.465.284	-
Issued Debt Instruments	4.798.390	6.429.360	-	331.607	6.097.753	-
Financial lease liabilities	49.831	65.896	7.321	21.962	36.613	-
Trade payables	1.202.259	1.202.259	1.128.782	73.477	-	-
Other payables	3.752	3.752	3.752	-	-	-
Total liabilities	10.594.093	12.627.057	1.173.122	854.285	10.599.650	-
Derivative instruments (Net)	1.892	2.010	201	670	1.139	-
Cash inflow regarding derivative instruments	22.104	24.131	2.413	8.044	13.674	-
Cash outflow regarding derivative instruments	(20.212)	(22.121)	(2.212)	(7.374)	(12.535)	-

The expected maturities are same as the maturities per contracts.

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

ÜLKER BİSKÜVİ SANAYİ A.Ş. AND ITS SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2020
(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)

<u>Contractual maturity analysis 2019</u>	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.

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, and CHF currency risks.

CONVENIENCE TRANSLATION INTO ENGLISH OF FINANCIAL STATEMENTS

ORIGINALLY ISSUED IN TURKISH

ÜLKER BİSKÜVİ SANAYİ A.Ş. AND ITS SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2020

(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

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, and CHF currency risks..

The distribution of the monetary and non-monetary assets and monetary and non-monetary liabilities of the Group in foreign currency as of the balance sheet date is as follows:

	31 December 2020				
	TL	USD	EUR	GBP	CHF
1. Trade Receivables	526.599	58.580	8.725	1.810	-
2a. Monetary Financial Assets	8.964.662	1.143.031	63.439	229	62
2b. Non-Monetary Financial Assets	-	-	-	-	-
3. Other	15.658	323	1.453	20	-
4. CURRENT ASSETS	9.506.919	1.201.934	73.617	2.059	62
5. Trade Receivables	-	-	-	-	-
6a. Monetary Financial Assets	-	-	-	-	-
6b. Non-Monetary Financial Assets	-	-	-	-	-
7. Other	-	-	-	-	-
8. NON-CURRENT ASSETS	-	-	-	-	-
9. TOTAL ASSETS	9.506.919	1.201.934	73.617	2.059	62
10. Trade Payables	167.278	13.269	6.073	1.420	127
11. Financial Liabilities	663.243	47.038	35.298	-	-
12a. Other Monetary Financial Liabilities	1.987	121	122	-	-
12b. Other Non-monetary Financial Liabilities	3.737	395	93	-	-
13. CURRENT LIABILITIES	836.245	60.823	41.586	1.420	127
14. Trade Payables	-	-	-	-	-
15. Financial Liabilities	8.333.339	715.819	341.797	-	-
16a. Other Monetary Financial Liabilities	-	-	-	-	-
16b. Other Non-monetary Financial Liabilities	-	-	-	-	-
17. NON-CURRENT LIABILITIES	8.333.339	715.819	341.797	-	-
18. TOTAL LIABILITIES	9.169.584	776.642	383.383	1.420	127
19. Net Assets of Off Statement of Financial Position (19a-19b)	-	-	-	-	-
19a. Net Assets of Off Statement of Financial Position	-	-	-	-	-
19b. Net Liabilities of Off Statement of Financial Position	-	-	-	-	-
20. Net Foreign Currency Asset / (Liability) Position (9-18+19)	337.335	425.292	(309.766)	639	(65)
21. Monetary Items Net Foreign Currency Asset / (Liability) Position	-	-	-	-	-
(1+2a+5+6a-10-11-12a-14-15-16a)	325.414	425.364	(311.126)	619	(65)
22. Total Fair Value of Financial Instruments Used to Hedge the Foreign Currency Position	-	-	-	-	-
23. Total value of Hedged Foreign Currency Assets	-	-	-	-	-
24. Total value of Hedged Foreign Currency Liabilities	-	-	-	-	-

CONVENIENCE TRANSLATION INTO ENGLISH OF FINANCIAL STATEMENTS

ORIGINALLY ISSUED IN TURKISH

ÜLKER BİSKÜVİ SANAYİ A.Ş. AND ITS SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2020

(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 (Continued)

	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	5.179	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	379.467	-	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	-	-	-	-	-

The Group's export and import balances for the period of 31 December 2020 and 2019 are presented below:

	31 December 2020	31 December 2019
Total exports	1.941.206	1.731.435
Total imports	470.178	447.562

CONVENIENCE TRANSLATION INTO ENGLISH OF FINANCIAL STATEMENTS

ORIGINALLY ISSUED IN TURKISH

ÜLKER BİSKÜVİ SANAYİ A.Ş. AND ITS SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2020

(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 2020		31 December 2019	
	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	312.238	(312.238)	474.113	(474.113)
2- Part of hedged from US Dollar risk (-)				
3- US Dollar net effect (1 +2)	312.238	(312.238)	474.113	(474.113)
In case of %10 appreciation of EUR against TL				
4 -Euro net asset / liability	(280.259)	280.259	(371.242)	371.242
5 - Part of hedged from Euro risk (-)				
6- Euro net effect (4+5)	(280.259)	280.259	(371.242)	371.242
Total (3 + 6)	31.979	(31.979)	102.871	(102.871)

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 2.200 thousand (Net profit in 2019 would have been decreased by TL 1.043 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 2.200 thousand (Net profit in 2019 would have been increased by TL 1.043 thousand)

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

ÜLKER BİSKÜVİ SANAYİ A.Ş. AND ITS SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2020

(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 2020	31 December 2019
Financial Assets	Cash and Cash Equivalents	3.174.606	1.689.735
	Other Receivables	50.187	37.743
Financial Liabilities	Borrowings	5.179.466	875.965
	Financial lease liabilities	49.831	62.653
	Other Payables	3.619	4.994
Floating interest rate financial instruments			
Financial Assets	Non-trade receivables from related parties	1.706.078	115.619
Financial Liabilities	Borrowings	4.158.785	4.917.375
	Loan payables due to related parties	-	84.327
	Non-trade payables due to related parties	133	113

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.

CONVENIENCE TRANSLATION INTO ENGLISH OF FINANCIAL STATEMENTS

ORIGINALLY ISSUED IN TURKISH

ÜLKER BİSKÜVİ SANAYİ A.Ş. AND ITS SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2020

(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		
	31 December	Level 1	Level 2	Level 3
	2020	TL	TL	TL
Financial assets				
Financial assets at fair value through profit and loss				
- Available for sale	3.639.474	49.044	3.585.948	4.682
Financial assets at fair value through comprehensive income statement				
- Shares	977.906	-	-	977.906
Total	4.617.380	49.044	3.585.948	982.588
Financial liabilities				
Financial liabilities at fair value through comprehensive income statement				
- Derivative instruments	1.892	-	1.892	-
Total	1.892	-	1.892	-
		Fair value hierarchy		
	31 December	Level 1	Level 2	Level 3
	2019	TL	TL	TL
Financial assets				
Financial assets at fair value through profit and loss				
- Available for sale	3.057.459	806	3.053.379	3.274
Financial assets at fair value through comprehensive income statement				
- Shares	945.829	-	-	945.829
- Derivative instruments	358.919	-	358.919	-
Total	4.362.207	806	3.412.298	949.103

It is anticipated that the carrying values of trade payables, other payables and bank borrowings reflect their fair values.

The carrying value of the Company's total nominal value of USD 650,000,000 and fixed interest Eurobond (Note 6) issued to be traded in Dublin Euronext is TL 405.224 thousand below the fair value based on the quoted prices in active markets (Level 1).

CONVENIENCE TRANSLATION INTO ENGLISH OF FINANCIAL STATEMENTS

ORIGINALLY ISSUED IN TURKISH

ÜLKER BİSKÜVİ SANAYİ A.Ş. AND ITS SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2020

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

36. SUBSEQUENT EVENTS

At the Board of Directors meeting held on January 5, 2021, Food Manufacturers Company, in which the Company has a shareholding of 55%, decided to pay a dividend of 75,000 Saudi Arabian Riyals.

While Fitch Ratings confirmed the long-term credit rating of the Group as BB- on March 1, 2021, it revised its outlook from Negative to Stable.



Kısıklı Mahallesi Ferah Caddesi No: 1
34692 Büyük Çamlıca-Üsküdar / İstanbul - TURKEY
Tel: (0216) 524 29 00
Fax: (0216) 316 43 44
www.ulker.com.tr
www.ulkerbiskuvi.com.tr