ÜLKER BİSKÜVİ ANNUAL REPORT 2018

SUSTAINABLE SUCCESS...

ÜLKER

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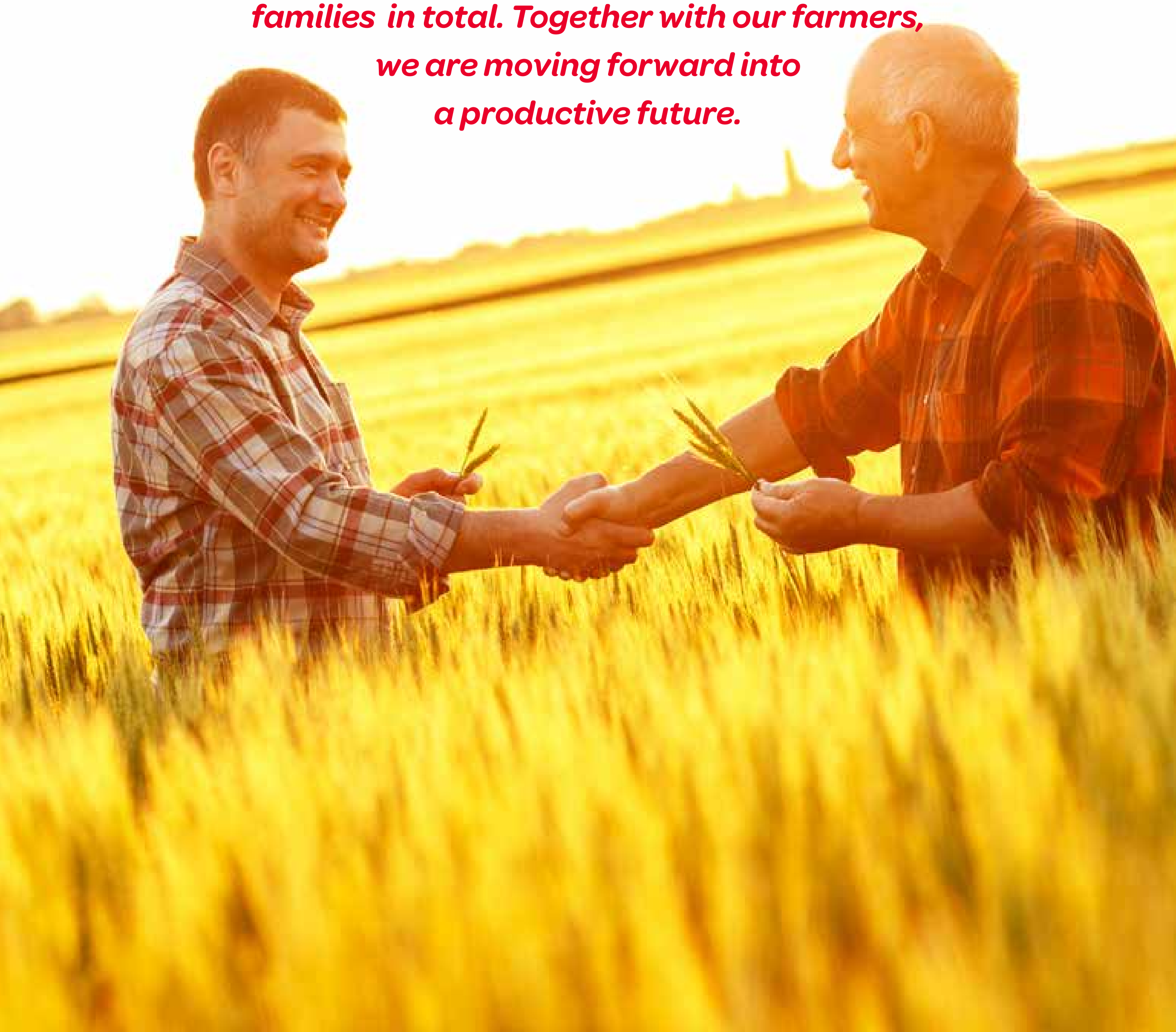
SALES VOLUME BY CATEGORY

(Thousand tons)	2017	(%)	2018	(%)	2017-2018 Growth
Biscuit	307	56	313	56	%2
Chocolate	179	33	188	34	5%
Cake	60	11	53	10	-11%
Total Confectionary	**546**	**100**	**554**	**100**	**1.5%**

NET SALES BY CATEGORY

(TL Million)	2017	(%)	2018	(%)	2017-2018 Growth
Biscuit	2,050	43	2,624	44	28%
Chocolate	2,241	47	2,808	47	25%
Cake	446	10	489	8	10%
Total Confectionary	**4,737**	**100**	**5,922**	**100**	**25%**

We consider farmers our key business partners and they have a central role in our production. We’ve maintained a consistent cooperation with them since the foundation of our company. Through wheat procurement, we support farmers, shipping, loading/unloading, and warehouse employees as well as cooperatives and associations -more than 500 thousand families in total. Together with our farmers, we are moving forward into a productive future.



KEY FINANCIAL INDICATORS

Summary Balance Sheet (TL Million)	2017	2018
Current Assets	4,831	6,392
Non-Current Assets	3,641	4,278
Short-term Liabilities	2,211	1,845
Long-term Liabilities	3,696	5,145
Shareholders' Equity	2,564	3,680

Summary Revenue (TL Million)	2017	2018
Revenue	4,826	5,956
Gross Profit	1,252	1,560
Operating Profit	616	779
Net Profit (Equity Holders' of the Parent)	397	701

Ratios	2017	2018
Gross Profit Margin	26%	26%
EBITDA Margin	15%	16%
Net Profit Margin	8%	12%
Earnings per Share	1.16	2.05

Revenue (TL million)

Shareholders' Equity (TL million)

Operating Profit (TL million)

Net Profit (Equity Holders' of the Parent) (TL million)

EBITDA Margin (%)

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

In 2018, Ülker Bisküvi maintained a strong performance, increasing its operating profit to TL 779 million.

SALES VOLUME AND REVENUE GROWTH

Sales Volume by Category (thousand tons)

Net Sales by Category (TL million)

Biscuit Chocolate Cake

CAPITAL STRUCTURE

	31 December 2018		31 December 2017	
Shareholding Title	**Share Value**	**Share Rate**	**Share Value**	**Share Rate**
pladis Foods Limited	174,420	51.00%	174,420	51.00%
Yıldız Holding A.Ş. Subsidiaries and Ülker Family Members	25,580	7.48%	25,580	7.48%
Other	142,000	41.52%	142,000	41.52%
Total	**342,000**	**100%**	**342,000**	**100%**

ÜLKER'S SHARE PERFORMANCE ON THE BIST

41.52% of Ülker's shares are publicly traded on the BIST Star Market under the ticker symbol ULKER.IS. Investors who sought a long-term investment with consistent returns continued to invest in Ülker. The Company's share price stood at TL 14.7 as of December 31, 2018. At year-end, Ülker's market capitalization totaled TL 5,017 million, while the market value of its free-float shares rose to TL 2,106 million.

Company	Ülker Bisküvi
Reuters & Forex Code	ULKER.IS
Bloomberg Code	ULKER TI
Industry	FOOD
Related BIST Index	BIST ALL
	BIST FOOD, BEVERAGE
	BIST INDUSTRIALS
	BIST SUSTAINABILITY
	BIST DIVIDEND
	BIST 100-30
	BIST 50
	BIST STARS
	BIST ANKARA

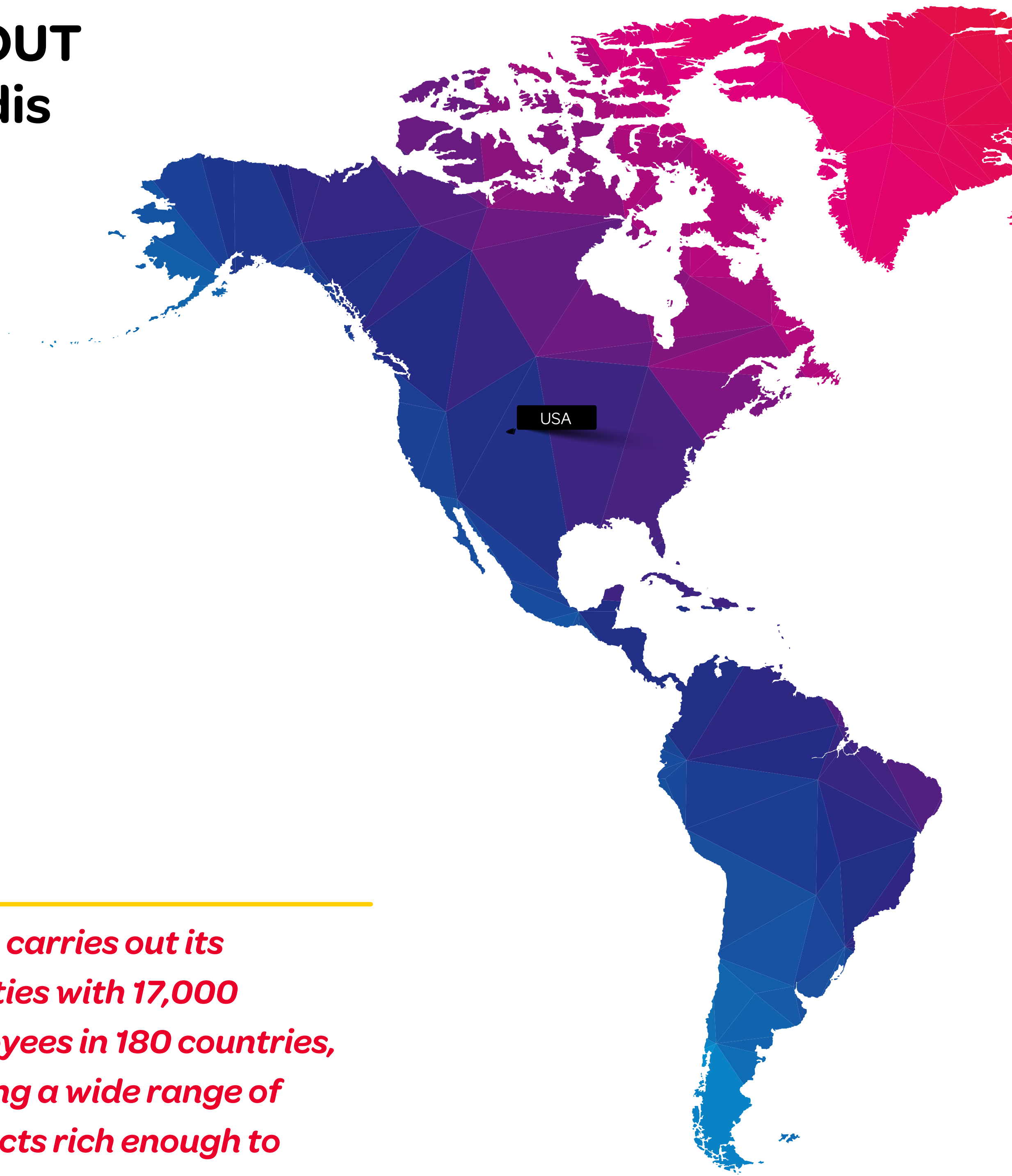
Ülker stock performance compared to BIST-100 index performance for the period between the 1st of January and 31st of December 2018 is given in the below chart:

As of 31 December 2018

Closing Price (TL)	14.7
Free Float (%)	41.52
Market Value (TL)	5,017 million

Share Performance (%)	2017	2018
TL	19.3	14.7
USD	5.2	2.8

ABOUT pladis



pladis carries out its activities with 17,000 employees in 180 countries, offering a wide range of products rich enough to meet different consumer expectations and needs in line with the idea of "promising happiness to the world with every bite."

Founded in 2017, pladis is a new global company which brings together Yıldız Holding's core confectionary businesses including United Biscuits, DeMet's Candy Company and Ülker brands under one umbrella. By revenue it forms the largest part of its parent company, Yıldız Holding.

Carrying out production activities in 13 countries with 34 factories, and integrating its 300-year sector expertise, the main theme of pladis company is "To promise happiness to the world with every bite." Setting out on the road with this approach, the company carries out activities with 17,000 employees in 180 countries across the world, offering a wide range of products rich enough to meet different consumer expectations and needs in biscuit, chocolate, cake, confectionery and gum categories particularly with its premium chocolate brand Godiva, England's leader biscuit brand McVitie's, and Ülker, the leading confectionary brand in Turkey and the MENA region.

ÜLKER BİSKÜVİ PRODUCTION FACILITIES

Silivri, Istanbul Factory

Chocolate, chocolate covered biscuit
Established in 1995.

Capacity:
53 thousand tons/year

Hadımköy, Istanbul Factory

Cake
Established in 1992.

Capacity:
56 thousand tons/year

Topkapı, Istanbul Factory

Chocolate
Established in 1991.

Capacity:
210 thousand tons/year

Ankara Factory

Biscuit
Established in 1969.

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

Karaman Factory

Biscuit, Cake, Cracker & Chocolate
Established in 1986.

Capacity:
158 thousand tons/year

Gebze, İzmit Factory

Biscuit & Cracker
Established in 1997.

Capacity:
137 thousand tons/year

Egypt Factory

Purchased in 2016.

Capacity:
44 thousand tons/year

Kazakhstan Factory

Purchased in 2017.

Capacity:
47 thousand tons/year

Saudi Arabia Factory (FMC)

Purchased in 2016.

Capacity:
57 thousand tons/year

Saudi Arabia Factory (IBC)

Purchased in 2018.

Capacity:
20 thousand tons/year

Ülker Bisküvi carries out its production operations at 10 factories in 4 countries.

MESSAGE FROM THE CHAIRMAN

We helped our country's economy stand out positively with our contribution to employment as well as exports to more than 100 countries across the globe, from the U.S. to Australia.

Esteemed Shareholders,

Today, our world is being managed by a generation of people who haven't witnessed a big war, like the Second World War. The changing of generations is a result of the natural flow of life. However, limited life experiences and the possibility of instantaneous communication across the globe have made the economic and political landscape very volatile. As a result of sudden decisions, gains from global trade and long-standing policies can immediately be abandoned, leading to contentious attitudes while tolerance and understanding can be replaced with tough and uncompromising attitudes. On the other hand, this unfavorable atmosphere can suddenly change and become a dream of a promising future for younger generations, thanks to the promptness and transparency of global online communication. Therefore, we must correctly predict the course of events and be prepared for change in order to do business and keep up with the competition in today's world. We must also focus on our core business to be able to control and eliminate all types of risks. I'm confident that we will reinforce the foundations that will help us carry our company into the future by conducting flawless operations, strengthening the essence of our business further, and by focusing on our priorities as well as our customers and consumers.

Believing that happiness lies in making others happy, we launched the "Our Country Grows with Ülker Farmers" campaign to show our gratitude to our farmers whom we consider our key business partners and who have had a central role in our production for the past 74 years.

Last year was marked by US-China trade war, Brexit developments, Fed's decision to raise interest rates, geopolitical risks, and speculative attacks. Timely and resolute measures made it possible to control high market fluctuations. Ülker Bisküvi provided support for the full-scale fight against inflation program.

As a representative of Turkey's real sector, we will continue to contribute to our country's economy and employment with our production and export operations, in line with our government's vision. In 2018, Ülker Bisküvi continued its investments in the countries where it has manufacturing operations while responding to the demands of consumers and the region in a quick and effective manner. Thanks to our strong sales and distribution organization, we were able to increase the visibility and market share of our products. In 2018, we maintained our leadership position in our key markets. Last year, we moved one step closer to our goal of becoming a production hub in the Middle East, North Africa and Central Asia after acquiring International Biscuits Company, which produces the products of United Biscuits in Saudi Arabia.

Additionally, we started manufacturing McVitie's products at our Gebze factory, and several Godiva products at our Topkapı and Silivri factories. We also introduced many products that we produce in Turkey to various markets under global brands. We helped our country's economy stand out positively with our contribution to employment as well as exports to more than 100 countries across the globe, from the U.S. to Australia.

Believing that happiness lies in making others happy, we launched the "Our Country Grows with Ülker Farmers" campaign to show our gratitude to our farmers whom we consider our key business partners and who have had a central role in our production for the past 74 years.

In the coming period, we will continue our efforts with full speed and fulfill our responsibilities to support our country's development. I would like to express my deepest gratitude to our shareholders, customers, dealers, business partners, trade unions, managers and employees who have always given us strength, helped us achieve sustainable success, and enabled us to improve and make further progress since 1944.

Respectfully yours,

Murat ÜLKER
Chairman of the Board of Directors

MESSAGE FROM THE CEO

Ülker Bisküvi continued to grow in 2018 with increasing contributions from exports and overseas operations. It stood out among the companies with rising profits and revenues in the food and beverage industry.

The year 2018 has been eventful both in the world and in Turkey due to global economic and political developments. The developments that highlighted the economic agenda include the loss of value in the lira and rising inflation in Turkey; Brexit in Europe; and the decision of the U.S. Central Bank the Fed to raise rates as well as the trade war between the United States and China in the world.

After growing 7.2% in Q1 and 5.3% in Q2, the Turkish economy expanded just 5.3% in Q3 due in part to the attacks on the local currency in August and global economic developments. Turkey announced the New Economic Program (NEP) that will serve as the roadmap for the Turkish economy between 2019 and 2021. The "Full-Scale Fight Against Inflation Program" was launched. Thanks to the resolutely implemented reforms, the Turkish economy made major progress and proved its resilience against domestic and foreign factors.

Nevertheless, in the face of this fragile environment in the world and in Turkey, Ülker Bisküvi continued to grow in 2018 with increasing contributions from exports and overseas operations. It stood out among the companies with rising profits and revenues in the food and beverage industry.

- Acquiring United Biscuits' IBC biscuit factory in Saudi Arabia in 2018, the Company maintained its profitable growth in exports and international operations.
- The Company's total confectionary revenue grew 25% in 2018.
- Our Turkey operations grew 16.9% while our exports and overseas operations soared 41.5%.

In an effort to support effective and sustainable fight against inflation, Ülker Bisküvi will continue to undertake dedicated efforts for efficient production and prevention of waste.

- The Company's operating profit (Earnings before Interest, Tax, Depreciation and Amortization - EBITDA) grew 28.0% in 2018. EBITDA from domestic operations increased 15.8% while EBITDA from international operations jumped 45.3% due to rising commercial activity, synergies, and positive impact from the exchange rate.
- The share of overseas operations in our total revenue reached 37.7%, an all-time high for the Company.
- Our EBITDA margin reached a Company record of 15.8% for the year, above the 15% target we had been setting in previous years.
- We achieved the goal of being the market leader in sales volume in the biscuits category, which was among our major targets for this year.
- We began 2018 by launching new products such as Ülker Flipz, Biskrem Extra, Fırından Mozaik Kek, O'lala Waffle Kek, Piko 5, and Godiva Masterpiecet hat enriched our portfolio and continued to innovate at full speed during the year.
- Our facilities in Turkey became a production hub for Godiva chocolate tablets.
- We were awarded with the third-place prize in the Environment and Sustainability Management category at the Istanbul Chamber of Industry's Environment Awards.

On the road to this success,

- We successfully implemented our structural decisions.
- We aligned our efforts for efficiency and common goals.
- We solidified our market presence by launching new products.
- We structured our organization to focus on value added.
- We prioritized the goal of reasonable prices, innovation, and investments that will create a competitive edge for the Company.
- We utilized our existing resources more efficiently.

We will move the Company further ahead in 2019 with our investments in Turkey, cost advantages, product synergies, strong operating performance, and continuous investment in our brand. Ülker Bisküvi will continue to undertake dedicated efforts for efficient production and prevention of waste In an effort to support effective and sustainable fight against inflation. We will strive to achieve our targets categorized under the headings of the environment, value chain, social responsibility, leadership, employees, and innovation while remaining steadfast to our sustainability approach rooted in our founder Sabri Ülker's wasteless company model.

Sincerely,

Mehmet Tütüncü
CEO

STRATEGIES

In the Area of Productivity, We Aim to:

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

In Brand Investments, We Aim to:

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

In the Areas of Strategies, We Aim to:

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

Ülker Bisküvi aims to achieve higher sales volumes and revenues in biscuit, chocolate and cake operations.

CURRENT ECONOMIC OUTLOOK, GLOBAL AND TURKISH FOOD INDUSTRIES

Trade wars, protectionist policies, and economic slowdown in some countries were among the biggest risks to global financial markets, posing major threat to economic stability in 2018. The past year was largely marked by concerns about how the protectionist trade policies introduced by the U.S. would affect global trade, commodity prices, and of course the world economy. Meanwhile, recent geopolitical events also increased the global risk perception. Developing countries were largely affected by tightened financial conditions, which were mainly due to Fed's interest rate hikes and ECB's decision to end its asset purchase program. In 2018, global market volatility continued while economic policy uncertainty remained high.

The Medium Term Program, which sets forth a 3-year economic roadmap, was renamed as the New Economic Program (NEP). According to this program, inflation will drop to 6%, unemployment will be lowered to 10.8%, and economic growth rate will reach 2.8% by the year 2021.

In the second half of 2018, the Turkish government launched a set of measures to fight inflation. These measures include financial support for businesses and SMEs, and 10% discount offered by participating companies.

2018 was a record-breaking year for Turkish exports. In November, Turkey's exports increased by 9.49% YoY, amounting to US$ 15,532 million while annual exports totaled US$ 168,077 million.

In the third quarter of 2018, the Turkish economy expanded by 1.6% YoY.

In 2018, the food and retail industry continued to grow with new product launches. While demand for home entertainment products increased, digital technology trend rose across all socioeconomic groups and generations. Despite economic fluctuations, Ülker Bisküvi maintained its strong position. Keeping pace with global "health and wellness" trends, the Company expanded its product portfolio successfully and launched new products such as Metro Protein, Piko 5, Saklıköy, and Altınbaşak. Thanks to technology investments as well as diverse production and supply capabilities, Ülker became a major production base, making the biggest contribution to the biscuit market in 2018.

Looking at the categories, we see that the total market expanded by 4.3% in volume and 21.8% in value as compared to last year. Similarly, the biscuit market expanded by 2.2% in volume and 20.4% in value while chocolate and cake markets grew 7.9% and 2.8%, respectively. In value terms, chocolate and cake markets grew 22.1% and 21.1%, respectively.

PRODUCTION AND CAPACITY

Biskot Bisküvi Karaman Biscuit Factory is situated on 53,600 m² of land, of which 27,298 m² is covered space. In 2018, the factory produced 58,621 tons of biscuits.

BISCUIT

Located on 110,000 m² of land, of which 80,000 m² is covered space, and running three shifts per day, Ankara Factory produced 103,227 tons of biscuits in 2018.

Established in the Gebze Organized Industrial Zone in 1997, the Gebze Factory is situated on 85,330 m² of land, of which 80,000 m² is covered space. In 2018, the factory ran three shifts per day and produced 93,649 tons of goods.

Biskot Bisküvi Karaman Biscuit Factory is situated on 53,600 m² of land, of which 27,298 m² is covered space. In 2018, the factory produced 58,621 tons of biscuits.

Main Brands

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


Biskrem

PRODUCTION AND CAPACITY

Biskot Bisküvi produces chocolates and chocolate-coated biscuits and bars at a total of 19 production lines. The Karaman Chocolate Factory produced 20,000 tons of products as of year-end 2018.

CHOCOLATE

Ülker Çikolata, a subsidiary of Ülker, carries out its operations in 29,716 m² of closed area, built on 84,537 m² of land. In 2018, the total production of Ülker Çikolata produced 105,926 tons at its Topkapı Factory and 19,678 tons at its Silivri Factory.

Biskot Bisküvi produces chocolates and chocolate-coated biscuits and bars at a total of 19 production lines. The Karaman Chocolate Factory produced 26,822 tons of products as of year-end 2018.

Main Brands

Ülker Çikolatalı Gofret, Albeni, Metro, Çokonat, Dido, Laviva, Napoliten, Hobby Krem, Hobby, Smartt Sürpriz Yumurta, Caramio, Cocostar, Çokomel, Çokomel Pofti, Godiva Masterpiece, Alpella Gofret, Ülker Cocostar, Ülker Finger Çikolata, Çokokrem, Piko, Çokomilk, Ülker Çikolata


ÜLKER
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PRODUCTION AND CAPACITY

Esenyurt Factory, which has 27,000 m² of covered space, ran three shifts in 2018 and produced 31,305 tons of goods.

CAKE

Ülker produces cakes at its Esenyurt Factory, which was built in 1993 on 27,000 m² of land. In 2018, Esenyurt Factory ran three shifts and produced 31,305 tons of goods.

Biskot Bisküvi produces cakes at 4 production lines on 25,293 m² of closed space. As of year-end 2018, Karaman Cake Factory produced 17,514 tons of goods.

Main Brands

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

INVESTMENTS

Through capital investments, Ülker Bisküvi improves the quality of its products further and makes its cost structure more competitive by increasing operational efficiency.

In 2017, 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, productivity upgrades, and improvements in hygienic conditions and warehousing processes.

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

In 2018, Ülker carried out the following modernization activities within a consolidated investment budget of approximately TL 232 million:

- 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 and Ülker Çikolata

Biskot Bisküvi Gıda

After the merger of AGS-Anadolu Gıda San. ve Tic. A.Ş., a cake manufacturer, with Biskot Bisküvi Gıda San. ve Tic. A.Ş. at 2011 year-end, the Company attained a larger production volume. Its product portfolio consists of biscuit (petit-beurre biscuits, fingers), special biscuit, cream-filled biscuits, sandwich biscuits, crackers, wafers, chocolate wafers, rolled wafers, cake (muffin, baton), chocolate-covered cakes, chocolate-covered bar, chocolate-covered marshmallow, chocolate cream, chocolate eggs with toys, and gift able chocolates. Our major brands are Ülker, Alpella and Karsa. We also produce for PL (private label) brands.

The Biskot Silivri Branch comprises 10.500 square meters. Confined areas expanded to 42.500 square meters with the addition of a new building. The factory has 16 production plants. The Company stands out with its unique products, such as dragées, cornet, drops, eggs and so on.

Ülker Çikolata

In 2011, Ülker acquired a majority stake in Ülker Çikolata, previously jointly held by Yıldız Holding. Ülker Çikolata produces solid chocolate, chocolate covered products, chocolate cream, gift able chocolates and powder cocoa under. The Company is the market leader in its sector and operates the facilities located in Topkapı/Istanbul with a total covered area of 84.537 m².

Godiva

With Godiva Belgium BVBA, in which Ülker Bisküvi has a 19% stake and G-New Inc, in which Ülker Bisküvi has a 12% stake, Godiva Chocolatier Inc. is the owner of the Godiva brand, the world's leading brand of premium chocolate and chocolate coated products. In 2008, Yıldız Holding acquired Godiva Chocolatier Inc. for US$ 850 million, the largest overseas acquisition by a Turkish company. Over the last ten years, Godiva has truly been a success story. Today, Silivri Factory is the production hub for Godiva Masterpiece chocolate.

İstanbul Gıda Dış Ticaret A.Ş.

İstanbul Gıda Dış Ticaret A.Ş. was established in 1987 in İstanbul. İstanbul Gıda Dış Ticaret A.Ş. sells and markets Ülker products abroad. The Company exports the products produced by Ülker Bisküvi in the confectionary category (biscuits, chocolates, cakes) through its distribution channels and clients in more than 100 countries.

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.

SUBSIDIARIES AND FINANCIAL INVESTMENTS

Food Manufacturers Company
The Food Manufacturers Company was established on January 25, 2000. Its mission is to produce biscuits, cakes and chocolates in the factory in Saudi Arabia, and to sell these to the 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. Biscuit, cake and coated chocolate production is carried out at the factory located in Kazakhstan to make exportation to the market and the countries in the region.

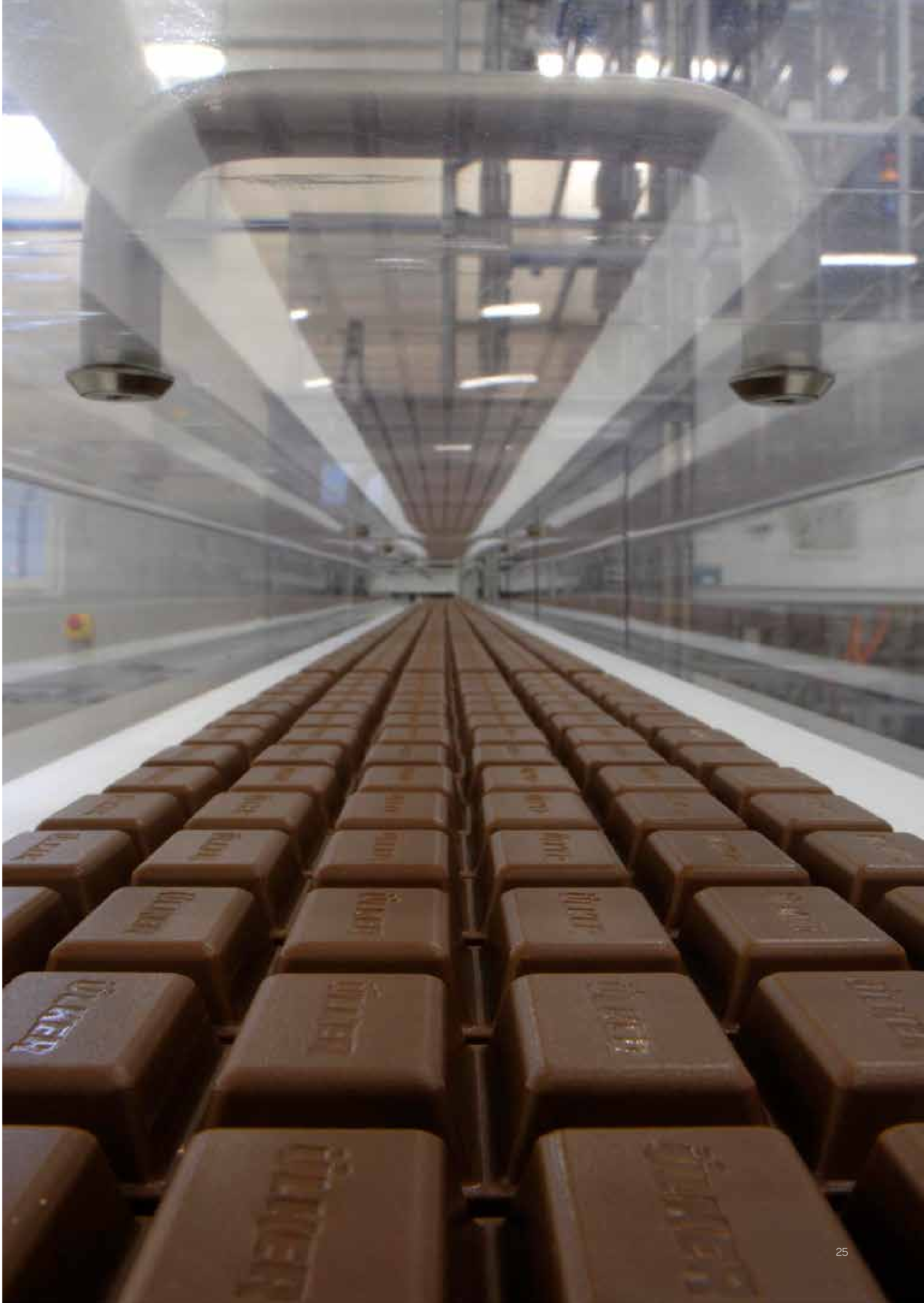
Amir Global
In line with its strategy, Ülker Bisküvi bought, in 2017, UI Mena BV company the only shareholder of Amir Global Trading FZE, which has distribution/production rights of the United Biscuits Limited products in Saudi Arabia, Middle East and North Africa.

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

	31 December 2018		31 December 2017		
Subsidiaries	Direct Ownership Interest	Effective Ownership Interest	Direct Ownership Interest	Effective Ownership Interest	Main Field of Activity
Biskot Bisküvi Gıda Sanayi ve Ticaret A.Ş.	73.90%	73.90%	73.90%	73.90%	Manufacturing
Ülker Çikolata Sanayi A.Ş.	91.70%	91.70%	91.70%	91.70%	Manufacturing
Atlas Gıda Pazarlama Sanayi ve Ticaret A.Ş.	100.00%	100.00%	100.00%	100.00%	Trade
Reform Gıda Paz. San. ve Tic. A.Ş.	100.00%	100.00%	100.00%	100.00%	Trade
İstanbul Gıda Dış Ticaret A.Ş.	100.00%	100.00%	100.00%	100.00%	Export
UI Egypt B.V.	51.00%	51.00%	51.00%	51.00%	Investment
Hi-Food for Advanced Food Industries	-	51.40%	-	51.40%	Manufacturing
Sabourne Investments Ltd	100.00%	100.00%	100.00%	100.00%	Investment
Food Manufacturers' Company(*)	-	55.00%	-	55.00%	Manufacturing-Sales
Food Manufacturers' Company for Distribution	-	-	-	52.30%	Sales
Hamle Company Ltd LLP	100.00%	100.00%	100.00%	100.00%	Manufacturing-Sales
Ulker Star LLC	-	99.00%	-	99.00%	Sales
UI Mena BV	100.00%	100.00%	100.00%	100.00%	Investment
Amir Global Trading FZE	-	100.00%	-	100.00%	Sales
Ulker for Trading and Marketing	-	99.80%	-	99.80%	Sales
International Biscuits Company(**)	100.00%	100.00%	100.00%	100.00%	Manufacturing-Sales

(*) Food Manufacturers' Company for Distribution was merged with Food Manufacturers' Company on December 31, 2018.

(**) The Company paid USD 40 million and purchased 100% of UB Group Limited's International Biscuits Company (which is 100% owned by Yıldız Holding A.Ş.) shares on the 23th of May 2018. With this acquisition, the Company became the controlling partner of International Biscuits Company (located in Saudi Arabia).



SUSTAINABILITY

All of our facilities have the ISO 14001 certificate, in addition to ISO 9001 and ISO 22001 certificates.

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

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

We carry out all of our activities with the awareness that our products depend on earth, water and nature.

We fulfilled the criteria for inclusion in the Dow Jones Sustainability Index, the world's leading and most prestigious sustainability index.

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

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

SUSTAINABILITY

Our Understanding of Sustainability

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

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

The sustainability efforts at Ülker Bisküvi are founded on generating long-term value and establishing the necessary strategies, policies and objectives in order to manage the risks that may arise due to economic, environmental and social factors. The Ülker Bisküvi Sustainability Platform provides that these efforts comply with the Corporate Governance Principles as well as with the decisions, management and processes of the Company. The Sustainability Platform is represented at an executive level by the president, vice president and general manager. The Sustainability 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 2018. We are moving towards our goals by conducting workshops in these areas in order to reach our 2024 objectives, and to determine our road map on this journey.

We continued to carry out energy studies, and established detailed energy monitoring systems at Ülker Bisküvi factories.

Our Sustainability Targets for 2024

We undertook massive efforts to reach our 2024 sustainability targets. We launched efficiency enhancement projects and managed to keep our carbon emissions stable while maintaining steady growth. We reduced the amount of waste that we regularly send to storage facilities.

We won first prize for Turkey at the European Union Environment Awards and were granted the right to represent our country in Europe. We won third prize in the category of Environmental and Sustainability Management at the 2018 Environmental Awards organized by the Istanbul Chamber of Industry.

Activities we carry out in line with our leadership target 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 qualified to be listed in the FTSE4Good Emerging Markets Index in 2018, and met the criteria of Dow Jones Sustainability Index, the world's leading and most prestigious sustainability index. In 2015, Ülker Bisküvi became the first food company to be included in the BIST Sustainability Index, which evaluates the sustainability practices and performances of the largest 100 companies in Turkey. Since then, Ülker has maintained growing success in the BIST Sustainability Index.

We carry out all of our activities with the awareness that our products depend on earth, water and nature. Our relationship with the environment accepted as one of the most important areas of the strategy is defined by our mission to "contribute to a happier world." 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. All our factories in Turkey have ISO 9001 and ISO 22001 certificates in addition to ISO 14001 certificates.

Achieving growth without increasing carbon emissions

In line with our objective to grow without increasing carbon emissions, we continued to carry out energy studies, to establish detailed energy monitoring systems, and to develop new projects at Ülker Bisküvi factories. Since the date we set this target, we managed to grow without increase in carbon emission, and our aim is to continue this trend until 2024. As part of Operational Sustainability efforts, we continue to integrate the Greenhouse Gas Emissions Accounting and Verification System, and ISO50001 Energy Management System at our factories. In 2018, we initiated the certification process at the only factory that currently doesn't hold the ISO 50001 certificate. We also provide training workshops on sustainability to our factory personnel as part of these efforts. Under the Carbon Disclosure Project (CDP), which we joined in 2016, we continued to report our strategy on climate change and our data on carbon emissions.

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.

Sustainable Hazelnut Farming Project

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

We put a healthy and active life at the forefront of our activities, and inform all our consumers and other stakeholders in a transparent manner. While promoting a healthy society, we focus on making life easier and more streamlined.

SUSTAINABILITY

Social Responsibility

Ülker Bisküvi gets its inspiration from its founder Sabri Ülker and his motto, "We believe everyone has the right to have a nice childhood no matter where they live on this world." Having witnessed dozens of generations grow up since 1944, Ülker has always been a socially responsible and sensitive company throughout its deep-rooted history. Thanks to the projects of sports, culture & arts; the Company contributes to physical, social, cultural and mental development of children. "Ülker Art Studio for Children" and "Ülker Movie Festival for Children" projects were carried out. Ülker has supported multi-dimensional development of more than 330 thousand children with the children's football projects organized between 2007 and 2016. Culture & arts projects such as "Istanbul Modern - Your Thursday Sponsorship" and "Printing Museum - Free Tuesday Day Support" also continued in 2018.

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. We place people at the center, and we create the necessary foundations for the development of new talents. We refrain from hierarchical structures in internal communication and we offer to all our employees the value they deserve. During the year, we continued to attract new talent to our company with the "Job Stajyer" program.

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

Occupational Health and Safety

We consider providing a safe and hygienic working environment as one of our responsibilities. Occupational Health and Safety (OHS) efforts are managed under the responsibility of the Operational Excellence, Health, Safety, Energy and Environment General Manager and the senior executives who are members of the Sustainability Platform. We aim to proactively assess potential OHS risks and take precautionary measures, thereby preventing accidents. As part of our efforts on operational excellence, we create awareness in our employees about safe behaviors and provide regular trainings on this topic. In order to foster a strong OHS culture across the 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 can minimize workplace accidents while contributing to the corporate culture.

We have been awarded a gold medal in Brandon Hall Awards, in the category of Training and Development, with our "Zero Mistake Training Program" which we have been implementing in our factories since 2012 using the motto "Our Target is Zero Mistake." In addition to this, our aim is to give our employees sustainability trainings and help them adopt sustainability both in their personal and in their professional lives. Within this scope we have organized trainings for 2.500 employees.

Employee Satisfaction

Happiness of our employees is a priority for us. According to the results of the employee loyalty and satisfaction survey, which we conduct every two years, the level of employee loyalty was 77% in 2017. We aim to further improve these rates, which are already above the average in Turkey, and to be included among the "High Performance Companies." We also aim to reduce our employee turnover rate to 3.5% from 5% by 2024.

HUMAN RESOURCES

In line with Ülker's vision to "become a food and beverage company which always pleases its consumers, customers, employees and shareholders, and makes them smile," Ülker acts with its global vision and an innovative and sustainable system. The Company's human resources vision is to establish a competitive, active, pioneer in innovation and an innovator organization, to embrace a culture based on ethical principles and earned values, and always sticking to rational decisions.

The Company aims to increase its competitive advantages in both domestic and foreign markets via effective human resources practices, which aim to achieve superior quality in all business processes, high levels of motivation and loyalty among employees, and a culture of collaboration.

As in previous years, the Company organized a series of events in 2018 to increase the level of motivation of the entire workforce, encourage social interaction among employees and foster their loyalty toward the Company:

The Company aims to increase its 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.

HUMAN RESOURCES

Stars of the Year

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

Voice of the Stars

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

The survey results are shared with all our employees and a platform is prepared where we talk about (with the Focus Groups that we also structure within the company) and implement the actions that can be taken. Thus, not only operational changes are made but also extra activities increasing motivation and corporate loyalty are also organized in order to carry our company to a better position.

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

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

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

In line with the Human Resources Planning program, initiated across Ülker companies in 2011 and further enhanced with various measures in 2013, Ülker developed a backup system for managerial positions to ensure the continuity of the Company's success. In addition, the Company devised Individual Development Plans to ensure the career development of personnel. In order to create a "feedback culture" within the framework of the Human Resources Planning and Performance Management Process initiatives, the Company actively encouraged managers to provide feedback to employees.

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

With its superior quality standards, Ülker has created "Happy Moments" for the Turkish people since 1944; and the Company is committed to developing its human capital in line with its future goals and in keeping with the principle of continuity of service.

QUALITY AND R&D

Ülker Biscuit Quality System, principles and importance

Under the umbrella of Zero Defects Manual Trainings, we provided systematic training sessions to Ülker's own employees and to the employees of our contractors on the topics of Quality, Food Safety, Occupational Health and Safety, Environment Management Systems, Allergenic Substances, Pest Control and CCP.

Ülker Biscuit Quality System is a control system built upon Input, Process Control and Food Safety requisites. In this system the aim is to make sure that Input, Process Control and Food Safety parameters work in accordance with the "zero defect" principle. In case a defect or non-conformity occurs, corrective and preventive measures are taken within the framework of continuous enhancement so that the non-conformity does not occur again.

Regarding the products demanded by the consumers, the general principle is to continuously manufacture them at the same standards each time and to establish and operate the entire infrastructure and control system required for delivering them to the consumers.

Quality teams lead the activities carried out to eliminate "non-conformity" for sustainable quality standards and keep track of the outcomes.

Continuous and sustainable quality approach carries us to Zero Defect. Within the framework of sustainable quality approach, targets are set and systematically monitored in the following issues.

Operational perfection efforts make a great deal of contribution to the sustainability of the quality system.

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

Biscuit and cake quality assurance

The specifications of the products and raw materials manufactured in Ülker factories in Esenyurt, Gebze and Ankara are identified by R&D, Marketing and Quality within the regulatory compliance. From raw material to the end product, Ülker production always meets the prescribed requirements and standards.

As part of the quality control procedures, elements that can pose a risk to product quality and food safety were controlled by critical control points (CCP).

Shelf life analyses were also regularly monitored. Supervisory work on product scoring, equipment hygiene, the environment and employees also were carried out on a regular basis.

Ülker provided training sessions to its own employees and the employees of its contractors on the topics of Quality, Food Safety, Occupational Safety and Health, Environment Management Systems and Energy Management Systems, and Allergenic Substances. Pest Control and CCP trainings were organized and repeated systematically under the title of Zero Defects (ZD) Book Trainings.

Ülker always aims to consistently increase customer satisfaction. Therefore, the Company continuously solicits consumer feedback and takes any corrective action that is required. Our Company makes prompt and highly efficient manufacturing in conformity with Food Laws and Legislations in national and international markets. In addition, inspections and analyses are conducted in collaboration with suppliers to prevent any quality-related problems at the source.

Ülker Bisküvi uses all its resources most effectively, and continues to develop with technological renovation, institutionalization, new markets, new products, and the new investments it makes in line with its targets. Furthermore, Ülker Bisküvi manufactures products in a manner sensitive to environment, respecting ethical principles, paying attention to food defense, and thus the Company offers products to its consumers accordingly.

QUALITY AND R&D

Ülker consistently produces "Delicious, Healthy and Trusted" products of superior quality, in compliance with existing laws and regulations, and under stringent hygienic conditions. Accordingly, the Ülker Ankara, Gebze and Esenyurt factories hold the following quality certifications:

- ISO 9001:2008 Quality Management System
- ISO 22000 Food Safety Management System
- ISO 14001 Environment Management System
- OHSAS 18001 Occupational Health and Safety Management System
- ISO 27001 Information Security Management System
- ISO 5001 Energy Management System
- BRC (Achieved Grade: A)
- IFS (at Higher Level)
- AIB
- HALAL

Bakery Products R&D activities

Within the scope of R&D activities in the bakery segment, Global R&D business model and the local action steps were clearly identified. In this regard, new missions and tasks have been added to ongoing activities. In 2018, the Bakery Products R&D unit carried out numerous projects.

In line with the determined strategies, customer oriented activities continued incessantly and rapidly in areas such as; new-product development, existing-product improvement, cost reduction, quality development, alternative raw material approval, and technical/technological support. Project categorization system was initiated, and as a result, business focus and output were improved significantly.

2,389 R&D trials were conducted at the new R&D center, which was established in 2018.

The projects were evaluated on the basis of business scope, consumer, and technology; and innovative projects were given priority. The R&D team proposed new projects with the aim of fostering a culture of innovation. In 2018, the Ministry of Industry officially announced its support for our ongoing activities and projects, which are carried out by our R&D Center.

In 2018, the R&D Center carried out 198 projects in total; out of these, 81 projects were completed while 96 are currently in progress. Additionally, 34 consumer tests were conducted, and the taste of the products were documented and detailed based on consumers' feedback.

In 2018, Ülker conducted a total of 2,389 R&D trials, both big- and small-scale, by utilizing the infrastructure of its new R&D center.

In 2018, a new R&D lab infrastructure and office sections were built; pilot equipment investments will continue in 2019. The newly established lab infrastructure provided a great environment for performing product development trials. It also enabled the company to develop products more rapidly and at lower costs.

New products launched as a result of R&D activities:

- Biskrem Extra
- Saklıköy - 2 varieties (relaunch)
- Saklıköy Çikolatalı
- Hanımeller Tart
- İnce ince 2 wafer varieties
- Kat Tat with tahini
- Krispi Pop
- Lokmalık H. cake with walnuts
- Olala waffle, Kesktra jelly bar
- Ülker Fırından - 3 different cake varieties
- Jaffa cake
- Crawford salty cracker sticks

Global vision - global products R&D activities

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

In 2018, the Bakery Products R&D unit carried out numerous projects. In line with the determined strategies, customer oriented activities continued incessantly and rapidly in areas such as; new-product development, existing-product improvement, cost reduction, quality development, alternative raw material approval, and technical/technological support.

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

Ülker continued to update and develop its specifications, one of the most important steps in the quality movement, which was initiated as part of the quality road map. System and product revisions in conformity with the quality priority are monitored and carried out with full force.

Chocolate Quality Assurance 2018

We have identified the following focus areas in line with our 2018 goals:

1. Customer complaints

(Foreign substances) Target: 0.080 CPM = Actual 0.102 CPM
(Customer complaints in total) Target: 0.610 CPM = Actual 0.637 CPM

2. Percentage of external green production-percentage of green production = Successful

3. Passed the Global Field Inspection and Quality System Inspection without any major or critical findings (approved as Green) = Successful

*System certificate upgraded to Grade A (5%) = Successful

QUALITY AND R&D

Zero-Defect Training Programs

Zero-Defect Training Programs, launched in 2015, continued in 2018. Operators attended specific courses based on the results of initial exams. These courses covered topics such as halal, allergens, and food safety inspections. The efficiency of the training was measured with a test at the conclusion of the training, in addition to a production line test. Successful operators received a Zero Defect certificate. Additionally, blue-collar workers received 3 hours of zero-defect training, and training efficiency was measured by the trainers.

Audits

Ülker Çikolata consistently produces "Delicious, Healthy and Trusted" products of superior quality, in compliance with applicable laws and regulations, and under stringent hygienic conditions. Accordingly, the Company completed to audit the following certifications successfully:

ISO 27001	Successful
IFS Food	High
ISO 9001: 2015	Successful
ISO 22000: 2015	Successful
BRC 7	Grade A
Halal 22000	Successful
GMP Audit (global)	Green
KOSHER	NA
TSE	NA
Food Safety Association inspection	Successful

Chocolate R&D activities

Ülker Çikolata R&D continues its work in four different categories: Coated Products; Solid-Spread Cocoa and Cocoa Products, Dragee and PL products, Packaging Development and Design. In 2018, Ülker Çikolata R&D department carried out a total of 740 projects directed towards new product development, cost improvement, alternative raw materials, process and quality improvement, and packaging development at Ülker Çikolata, Önem Gıda, Ülker Çikolata Silivri, Biskot Karaman.

As part of an initiative to develop projects in line with customer needs and emerging trends, a total of 223 products were launched. These included new products, changes in the weight of the products, line extensions, export products, and global projects aimed at various countries.

In 2018, in addition to the products promoted for the national market, products were developed for various international markets, USA, UK, China, Japan, and Saudi Arabia in particular. New product launches in international markets included Godiva 90 g series, Godiva biscuit series, UK Pretzel varieties.

Godiva Belgian dough match was completed at Önem Gıda. In the first quarter of 2019, the company will start selling Turkish-made chocolate in all regions, including the UK and Europe. Godiva Chocolate Dome was launched in 2018; the company plans to introduce the three new varieties in January 2019.

As part of efforts carried out in collaboration with EksperGıda for the out-of-home consumption channel, the development of a new chocolate recipe and cocoa powder was successfully completed to meet the market demand. As a result of this, the company's market share increased by about 50% compared to the previous year.

As a result of various activities such as finding alternative raw materials, process development, and recipe optimization undertaken by Ülker Çikolata, Önem Gıda and Ülker Çikolata Silivri factories within the scope of cost reduction efforts, the total amount of potential savings reached TL 10 million.

As part of new product development and cost improvement in existing products, we conducted 19 consumer tests and 15 QDA surveys in collaboration with Northstar Department of Consumer Technical Research.

As part of new product development and in relation to existing products, a total of 101 difference test surveys were conducted with employees who were selected as panelists from the Ülker Çikolata Silivri and Ülker Çikolata factories.

The annual report relating to the R&D activities undertaken in 2018 was successfully presented to the Ministry of Industry and Technology in Ankara. As part of R&D activities, the company launched one TEYDEP project, which is currently in progress.

SOCIAL RESPONSIBILITY

Ülker has supported multi-dimensional development of more than 330 thousand children with the children's football projects organized between 2007 and 2016.

Ülker Bisküvi gets its inspiration from its founder Sabri Ülker and his motto, "We believe everyone has the right to have a nice childhood no matter where they live on this world." Having witnessed dozens of generations grow up since 1944, Ülker has always been a socially responsible and sensitive company throughout its deep-rooted history. Thanks to the projects carried out in three main - the areas - sports, culture & arts, and balanced diet, Company has been contributing to physical, social, cultural and mental development of children for many years. With projects such as Ülker Children's Film Festival and Ülker Children's Art Workshop, the Company has reached out to approximately 7 million children over the last 10 years. Ülker has also supported multi-dimensional development of more than 330 thousand children with the children's football projects organized between 2007 and 2016. Culture & arts projects such as "Istanbul Modern - Your Thursday Sponsorship" and "Printing Museum - Free Tuesday Day Support" also continued in 2018.

Istanbul Modern Your Thursday

With the aim of making art, which is a crucial aspect in social development, more accessible, Ülker carries out "Your Thursday" project in collaboration with Istanbul Modern, one of the important contemporary art museums in Turkey. Within the scope of the project, Istanbul Modern opens its doors every Thursday free of charge to all its visitors for longer hours so that art enthusiasts can visit all exhibitions and see film shows at Istanbul Modern free of charge on Thursdays from 10:00 to 20:00.

Baksı Museum free Tuesday project

Ülker Bisküvi carries out the Free Tuesday project in collaboration with Baksı Museum, which was founded in 2010 in Bayburt. After its foundation, Baksı Museum developed rapidly and received the European Museum of the Year award.

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 17 of the Capital Market Law No: 6362, dated December 6, 2012, and II-17.1 Corporate Governance Communiqué released on 3.1.2014, issuance of a "Corporate Governance Compliance Report" and compliance with specified Corporate Governance Principles have become mandatory for companies traded on Borsa Istanbul (BIST). Accordingly, the Company has resolved that the requirements imposed by the CMB be strictly followed, and the Company has also completed all the works necessary for compliance with the other principles specified in the Communiqué. The established committees of the Board of Directors actively carry out their tasks. Committee working principles were announced at the website. Committee chairmen were determined 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. Company website and annual report were reviewed and efforts were undertaken to update them. A report for the extensive and continuous transactions in 2018 was prepared and published on the Public Disclosure Platform upon the decision of the Board of Directors. Independency 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, first comprehensive sustainability report was released in 2016 and the second sustainability report was released in 2017. Our third report was released in 2018 and made available and accessible for the shareholders and stakeholders at the investor relations website of Ülker Bisküvi.

Reasons for the Corporate Governance Principles that are not implemented:
No model or mechanism was created for the stakeholders to participate in the management. However, the independent members of the Board of Directors make sure that the Company and shareholders as well as all stakeholders are represented in the management.

For our employees, we do not have an existing written compensation policy that must be formulated as per the Article 3.1.2 of the "Corporate Governance Principles" and we are still working on the issue.

Some of the members of the Board of Directors assume duties in a number of committees.

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 personal basis but made to indicate the differentiation between the Board of Directors and executive senior managers.

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

There are no provisions in the Articles of Association, giving the shareholders any personal right to request "private audit" from the general assembly. 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.

Even if the aim is to fully comply with the non-compulsory Corporate Governance Principles as well; we have not yet achieved to fully comply with the principles due to the difficulties faced in the implementation of a number of principles, and due to the fact that some of the principles do not match with the current structure of the market and the company. We are working on the principles that have not yet been implemented; and thus we're planning to start the implementation after completing the administrative, legal, and technical infrastructure procedures that will support the effective management of our company.

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

The Corporate Governance Compliance Report as required by the Capital Markets Board Resolution no. 2/49 on 10.01.2019 and the Communiqué no. II-17.1 on Corporate Governance will be published on the Public Disclosure Platform by using the templates of Corporate Governance Compliance Reporting (URF) and Corporate Governance Information Form (KYBF).

The Corporate Governance Compliance Report as required by the Capital Markets Board Resolution no. 2/49 on 10.01.2019 and the Communiqué no. II-17.1 on Corporate Governance will be published on the Public Disclosure Platform by using the templates of Corporate Governance Compliance Reporting (URF) and Corporate Governance Information Form (KYBF). Related documents can be reached at https://www.kap.org.tr/en/sirket-bilgileri/ozet/4028e4a14184e9c901419801438a422b website.

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
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Tel: 0216 524 25 00

Verda Beste Taşar-Director of Investor Relations
Tel: 0 216 524 25 56
Fax: 0 216 316 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 manages the public disclosures as required to the BIST, the Capital Markets Board, and the Central Registry Agency for the information of the shareholders and stakeholders and other communications with these agencies.

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. 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 1542 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 2018.

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 2017 was held on June 5, 2018 at 11:00 a.m. at the address Kısıklı Mahallesi Ferah Caddesi No 1 Büyük Çamlıca Üsküdar-ISTANBUL under the supervision of the Ministry Representative Ms. Ayşin YAZGAN BİLGİN, who was assigned with Istanbul Provincial Trade Directorate's letter no. 34886781 dated June 4, 2018.

The invitation for the General Assembly, which stated the date and agenda of the meeting as well as the items of the agenda, was published in the Turkish Trade Registry Gazette No. 9576 dated May 11, 2018, in the daily Dünya Newspaper dated May 11, 2018, at the corporate websites of Ülker Bisküvi Sanayi A.Ş., on the Public Disclosure Platform, and Electronic General Assembly System, as specified by law and the Articles of Association within the prescribed time limit.

The Company makes the financial statements and reports, including the annual report, dividend distribution 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. Items on the agenda are expressed in an unbiased and detailed manner at the General Assembly and shall be clear and intelligible.

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.

Prior to the General Assembly meeting, the Company shared with the shareholders the meeting agenda, a sample proxy form, informational document, balance sheet, profit-loss statements, independent auditor's report and footnotes, auditor's report, Board of Directors' resolution on profit distribution, the annual report, and the resolution on the selection of an independent audit company, via the corporate websites, www.ulkerbiskuvi.com.tr and http://ulkerbiskuviyatirimciiliskileri.com/default.aspx.

The draft amendment to change Article 7 entitled "Capital" of the Company's Articles of Association regarding the extension of the duration for the Company's existing registered capital cap, for which necessary permits have been obtained from the Capital Markets Board and the Ministry of Customs and Trade, was submitted to the approval of the shareholders and accepted.

Shareholders did not make any requests to the Company about the meeting agenda.

Decisions taken at our Company's Extraordinary General Assembly Meeting held on June 5, 2018 were registered by Istanbul Trade Registry Office on June 20, 2018.

2.4. VOTING AND MINORITY RIGHTS

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

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

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

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

2.5. DIVIDEND RIGHTS

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

The Company has set its profit distribution policy in accordance with the Capital Market Law and Articles of Association, taking into consideration the Company's operational performance, financial situation and market developments. Starting from the earnings of fiscal year 2012, the Company distributes a minimum of 70% of its net distributable profit for each accounting period in cash, upon the proposal of the Board of Directors and the approval of the General Assembly, with any changes made by these entities, in accordance with Turkish legislation, and after due consideration of the Company's cash flow requirements. This policy will be reviewed each year by the Board of Directors, taking into account any negative developments in domestic and global economic conditions, the situation of current projects and the Company's financial resources. In accordance with the profit distribution policy, dividends are equally distributed to all shares in the relevant accounting period, and no privileges are granted. Again, the Articles of Association provides for advanced dividend payment, but the Company has not made any advanced dividend payment so far. The profit distribution policy of the Company was submitted to the shareholders in the General Assembly. Our profit distribution policy has been announced to the public, and accessible at the Company website and in annual reports.

It was accepted upon submittal by the Board of Directors to the General Assembly in the 2017 Ordinary General Assembly Meeting held on June 5, 2018, to i) distribute all of gross TL 88,000,000.00 (net TL 74,800,000.00) from the profit for the period in conformity with the "Article on Profit Distribution" in the Articles of Association; ii) set aside TL 7,090,000.00 from the profit for the period as general legal reserve funds and TL 30,472,196.26 as extraordinary reserves; iii) distribute the entire amount of profit (to be distributed) in cash, and distribute the amount by the end of 2018; iv) authorize the company executives to determine other matters regarding distribution; (v) further distribute TL 4,302,319.20 to the employees as performance premiums, and; (vi) withdraw TL 825,882.46 (exceptional earnings from real estate and subsidiary sell off in previous periods) from the special funds within the equity capital, and write this amount under the previous years' profits.

2.6. TRANSFER OF SHARES

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

PART III – PUBLIC DISCLOSURE AND TRANSPARENCY

3.1. COMPANY'S WEBSITE AND CONTENTS THEREOF

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

- Information on Ülker Bisküvi and its Subsidiaries
- Company Vision
- Code of Conduct
- Information on the Board of Directors and Executive Management
- Company's Shareholding Structure
- Organizational Chart
- Social Responsibility
- Registration Information and Company Profile
- Articles of Association
- Financial Statements and Footnotes
- 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
- Newspaper Advertisements 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.

CORPORATE GOVERNANCE PRINCIPLES COMPLIANCE REPORT

PART IV – STAKEHOLDERS

4.1. INFORMATION TO STAKEHOLDERS

In the event there is not any regulation in laws or contracts regarding 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 sent to all 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 has nine members, including three independent directors. 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. This is how employees are able to share their opinions to execute their ideas from processes to the business model and find solutions to existing problems. Employees also have the chance to enter competitions under "calls" announced on Idea Stars and win specific awards.

4.3. HUMAN RESOURCES POLICY

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

4.4. CODE OF CONDUCT AND SOCIAL RESPONSIBILITY

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

PART V – BOARD OF DIRECTORS

5.1. STRUCTURE AND ORGANIZATION OF THE BOARD OF DIRECTORS

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

Name - Surname	Title	Executive Position	Term of Office
Murat ÜLKER	Chairman	Non-Executive	31.3.2017-31.3.2020
Mehmet TÜTÜNCÜ	Vice Chairman/CEO	Executive	31.3.2017-31.3.2020
Ali ÜLKER	Board Member	Executive	31.3.2017-31.3.2020
Ahmet ÖZOKUR	Board Member	Non-Executive	31.3.2017-31.3.2020
İbrahim TAŞKIN	Board Member	Executive	31.3.2017-31.3.2020
Cengiz SOLAKOĞLU	Board Member	Non-Executive	31.3.2017-31.3.2020
Ahmet Murat YALNIZOĞLU	Board Member (Independent)	Non-Executive	31.3.2017-31.3.2020
Mehmet Aydın MÜDERRİSOĞLU	Board Member (Independent)	Non-Executive	7.9.2017- 31.3.2020
Halil Bülent ÇORAPÇI	Board Member (Independent)	Non-Executive	31.3.2017-31.3.2020

Murat ÜLKER - Chairman

A graduate of Boğaziçi University, Faculty of Economics and Administrative Sciences, Department of Business Administration, Murat Ülker began his professional career in 1982. He took sector-related courses at schools abroad such as American Institute of Baking (AIB) and Zentralfachschule der Deutschen Süßwarenwirtschaft (ZDS). He did internship at Continental Baking in the US. He made examinations in nearly 60 factories and plants operating in biscuit, chocolate and food sector in the US and Europe for three years. He also assumed roles in various International Executive Services Corps (IESC) projects.

Murat Ülker started work as Control Coordinator within the Group in 1984. He was appointed as Assistant General Manager for Enterprises and General Manager in the following years. Acting as the Member of the Executive Committee and a Board member in different enterprises within the Group, Ülker managed many new "Vertical Integration" related investments.

Assuming the role of Chairing the Holding's Executive Board in 2000, Murat Ülker has been acting as the Chairman of the Board of Directors since 2000. Married and the father of three children, Murat Ülker speaks English and German. He likes sailing and traveling with his family.

Mehmet TÜTÜNCÜ - Deputy Chairman - CEO

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

In 2016, he was appointed as the CEO in charge of Turkey, Middle East, North Africa and Central Asia in the pladis organization established within Yıldız Holding. In 2017, he assumed responsibility for South Asia and Latin America as well as pladis Global Information Systems and Business Models Transformation, acting as Vice CEO. Since October 2018, he has been serving as the Vice Chairman of the Yıldız Holding Board of Directors and CEO of Yıldız Holding. 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.

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

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

İbrahim TAŞKIN - Board Member
Born in Trabzon in 1965, İbrahim Taşkın completed his primary education in Artvin, and his secondary education in İstanbul. In 1986, he graduated from the Law School of Istanbul University. He served as an officer at the Disciplinary Court in Şanlıurfa, and completed his mandatory 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 has been responsible for legal affairs at Yıldız Holding since 2004, and currently serves as the Head of Global Legal Affairs at 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 and/or member. In addition to his responsibilities in the affiliated companies of the Holding, he also serves as Chairman of the Honor Board, Chairman of the Board of Food Security and Defense and Head of Global Legal Affairs at Yıldız Holding A.Ş.. Mr. Taşkın is married with four children, and he speaks English.

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

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

DECLARATION OF INDEPENDENCE

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

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

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

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

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

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

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

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

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

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

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

Kind regards,
Mehmet Aydın Müderrisoğlu

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

DECLARATION OF INDEPENDENCE

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

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

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

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

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

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

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

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

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

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

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

Kind regards.
Halil Bülent Çorapçı

Ahmet Murat YALNIZOĞLU – Board Member (Independent)

Born in 1957, Murat Yalnızoğlu completed his secondary education at the Istanbul High School for Boys. He obtained a Bachelor's degree from Boğaziçi University, and a Master's degree in industrial and systems engineering from the University of Florida, USA. He began his professional career in 1982 as an entrepreneur in the fields of information systems and software development. In 1989, he worked in the field of information technologies-oriented management consultancy at Arthur Andersen and Andersen Consulting. He later managed consultancy projects for leading companies in Turkey in the areas of strategy and organizational development as a senior executive, founder and partner at Coopers & Lybrand and ARGE Danışmanlık. Since 2006 he has been focusing on developing efficient corporate structures particularly in large multi-business companies. He has conducted a number of studies on increasing the efficiency of boards of directors, along with defining organizational structures from the "top." In addition to management consultancy, he assumed board membership in numerous companies. Mr. Yalnızoğlu shares his experiences in management, and addresses the benefits of "good" management with non-governmental and professional organizations and universities, in seminars and conferences, and on social media.

DECLARATION OF INDEPENDENCE

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

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

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

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

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

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

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

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

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

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

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

Kind Regards,
Murat Yalnızoğlu

CORPORATE GOVERNANCE PRINCIPLES COMPLIANCE REPORT

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

Name - Surname	Title	Duties Outside the Company
Murat ÜLKER	Chairman	Chairman of the Board of Directors in Group Companies
Mehmet TÜTÜNCÜ	Vice Chairman of the Board of Directors	Board Member in Group Companies
Ali ÜLKER	Board Member	Board Member in Group Companies
Ahmet ÖZOKUR	Board Member	Board Member in Group Companies
İbrahim TAŞKIN	Board Member	Board Member in Group Companies
Cengiz SOLAKOĞLU	Board Member	Board Member in Group Companies
Mehmet Aydın MÜDERRİSOĞLU	Board Member (Independent)	Board Member in Group Companies Ankon Consulting- Consultant
Halil Bülent ÇORAPÇI	Board Member (Independent)	Astay Gayrimenkul A.Ş., Atikpaşa Turizm A.Ş., Sultanahmet (Four Seasons Hotels) A.Ş., Pilen Pak A.Ş., Martı GYO, Kerevitaş (Super Fresh) A.Ş., Bağımsız Senapa Stampa Plastik A.Ş. Board Member
Ahmet Murat YALNIZOĞLU	Board Member (Independent)	IELEV Eğitim Kurumları A.Ş. Board Member and Pruva Yönetim Danışmanlığı Ltd. Şti. Shareholder

5.2. RULES OF CONDUCT OF THE BOARD OF DIRECTORS

The Company's Board of Directors took 27 resolutions in the period of January – December 2018. 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 and as often as necessary to conduct its business and affairs effectively. The Board of Directors shall convene once a month when it is deemed necessary due to the Company operations and transactions. 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 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 and executives are clearly specified in the Articles of Association which is available on our website: http://ulkerbiskuviyatirimciiliskileri.com/default.aspx

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 2018. The Board of Directors held five meetings in 2018, with a participation rate of 89%. In 2018, Audit Committee's, Corporate Governance Committee's and Risk Committee's meeting minutes and reports were monitored and reviewed by the Board of Directors.

There has been no material transaction with respect to related party transactions which 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 2018, the Audit Committee had 4 meetings, and meeting minutes and reports were presented to the Board of Directors.

The following is the new structure of the Audit Committee, as per the Board of Directors' resolution dated September 7, 2017:

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

CORPORATE GOVERNANCE COMMITTEE

The Company established a Corporate Governance Committee by a resolution of the Board of Directors dated August 5, 2008 in accordance with the Corporate Governance Principles published by the Capital Markets Board. This Committee reports directly to the Board of Directors. It convenes as necessary but at least three times each year. In 2018, 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 replaced by a resolution of the Board of Directors dated September 7, 2017 are as follows:

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

CORPORATE GOVERNANCE PRINCIPLES COMPLIANCE REPORT

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 2018, the Risk Committee convened six times, and meeting minutes and reports were presented to the Board of Directors.

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

Chairman	Halil Bülent ÇORAPÇI- Board Member (Independent)
Member	Ahmet Murat YALNIZOĞLU- 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. The Company is also audited regularly by the auditing units of Yıldız Holding A.Ş., which is the majority shareholder of the Company, and an independent audit firm. 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 nice childhood regardless of the country s/he lives 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 the financial situation of the Company. At the Ordinary General Assembly dated March 30, 2017, it was decided; to pay a net salary of TL 5,000 to Ahmet Murat Yalnızoğlu and Halil Bülent Çorapçı until the next ordinary general assembly and; not to pay any salary – for the tasks the Board members carry out in the committees – to the members of the Board of Directors who assume tasks in the committees established within the Company. At the Extraordinary General Assembly dated September 7, 2017, it was decided; to pay a net salary of TL 5,000 to Mehmet Aydın Müderrisoğlu until the next ordinary general assembly and not to pay any salary – for the tasks the Board members carry out in the committees – to the members of the Board of Directors who assume tasks in the committees established within the Company. No loan was extended to any member or executive officer during the period, nor extended, directly or through a third party, any personal loan or given any collateral on their behalf, such as a surety. Principles for remuneration regarding the benefits of executive management and the Board of Directors are explained in detail on the website:
http://ulkerbiskuviyatirimciiliskileri.com/default.aspx

RISK MANAGEMENT

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

While a potential risk may present a negative factor which must be taken under control, for companies that implement Corporate Risk Management it creates important opportunities. In the past, risks were managed by individual departments; however, in line with the changes in the overall risk management concept, risks are now tackled as a whole and assessed on the basis of each company. 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 which 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:

- Ensure sustainable profitability and growth,
- Minimize revenue fluctuations,
- Make healthier decisions about risks,
- Identify opportunities and threats in a better way,
- Sharpen the competitive edge,
- Utilize resources more efficiently,
- Comply with laws and regulations,
- Improve the quality of Corporate Governance.

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

The Company's risk management activities are carried out by the Risk Committee. Furthermore, Ülker Bisküvi is also audited regularly by the audit units of Yıldız Holding A.Ş., the parent company, and also by independent auditors. The findings of these audits are reported to the members of the Audit Committee 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 Department always seeks to establish more effective, transparent, equal and timely communications with investors. The Company strives to carry out such processes in strict compliance with applicable laws, rules and regulations, and on par with global best practices.

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 works regarding Investor Relations to the Board of Directors and Corporate Governance Committee. In 2018, she presented reports to the Corporate Governance Committee and also to the Board of Directors on March 6, May 8, August 9, and November 7. Inquiries and questions of the shareholders during the period were directly addressed without exception via phone, e-mail and face-to-face meetings, in addition to participation in five conferences.

Ülker Bisküvi took part in meetings held in Turkey and abroad as well as meetings held at the Headquarters with investors and analysts. The Company also attended conferences in New York, London and Prague. At these conferences and meetings, Ülker Bisküvi provided information to shareholders and prospective investors, and regularly received requests for information flow.

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

Analysts and investors had 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 record of the voting results, and ensuring that reports about the results are sent to the shareholders,
f) Overseeing and tracking all issues regarding public disclosure, including the Legislation and the Information Policy of the Company.

OTHER ISSUES

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

In 2018, our shareholders did not make any request for a private audit with respect to our Company.

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

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

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

In 2018, no administrative or judicial sanction for any breach of legislation provisions was imposed on our Company or the Members of the Board of Directors.

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

None.

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

None.

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

None.

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

No extraordinary general assembly meeting was held in 2018.

STATEMENT OF RESPONSIBILITY REGARDING THE ANNUAL REPORT

BOARD RESOLUTION CONCERNING THE APPROVAL OF THE FINANCIAL STATEMENTS
RESOLUTION DATE: 05.03.2019
RESOLUTION NUMBER: 2019/1

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

January 1, 2018 - December 31, 2018 accounting period's consolidated financial statements (subject to independent audit) approved by our Board of Directors' decision 2018/02 on March X, 2018, and issued in line with the Capital Markets Board Communiqué no. II-14.1, and our Board of Directors' Annual Report are given in the annex. Thus, we do declare that;

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 do 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
Finance Director

Halil Bülent ÇORAPÇI (CPA)
President of the Audit Committee

Ahmet Murat YALNIZOĞLU
Member of the Audit Committee

SUBSIDIARY COMPANY REPORT RESULTS

As per the 199th Article of the Turkish Commercial Code 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 within the first three months of the activity period about the relations between Ülker Bisküvi Sanayi A.Ş. and the Company's controlling shareholder and the affiliates of the controlling shareholder in the previous activity period, and; (ii) include conclusion part 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. 34 of the financial report.

The report prepared by the Board of Directors of Ülker Bisküvi Sanayi A.Ş., states that "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 2018, i) appropriate consideration was provided in each transaction, and ii) there were no measures, taken or avoided, that could cause loss for the company, and iii) within this scope, there were no transactions or measures that would require offsetting."

ÜLKER BİSKÜVİ SANAYİ A.Ş. AND ITS SUBSIDIARIES

CONVENIENCE TRANSLATION INTO ENGLISH OF CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2018 TOGETHER WITH INDEPENDENT AUDITOR'S REPORT

(ORIGINALLY ISSUED IN TURKISH)

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

CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2018

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ÜLKER BİSKÜVİ SANAYİ A.Ş. AND ITS SUBSIDIARIES
CONSOLIDATED BALANCE SHEET FOR THE YEARS ENDED
31 DECEMBER 2018, 2017 AND 2016
(Amounts expressed in thousand Turkish Lira (TL) unless otherwise stated.)

ASSETS	Notes	Audited Current Period 31 December 2018	Restated (*) Audited Previous Period 31 December 2017	Restated (*) Audited Previous Period 31 December 2016
Current Assets		**6.391.831**	**4.830.708**	**3.662.558**
Cash and Cash Equivalents	5	3.378.761	3.189.865	2.288.339
Financial Investments	6	702	619	755
Trade Receivables				
- Due From Related Parties	8-34	1.564.689	534.993	587.415
- Other Trade Receivables	8	334.397	241.929	175.851
Other Receivables				
- Due From Related Parties	9-34	627	428	5.845
- Other Receivables	9	38.554	23.814	20.716
Derivatives Instruments	10	323.087	55.912	-
Inventories	11	604.554	583.581	406.274
Prepaid Expenses				
- Due To Related Parties	20-34	36.368	97.094	78.047
- Other Prepaid Expenses	20	39.690	41.879	39.814
Current Income Tax Assets		16.899	-	11.064
Other Current Assets	22	53.503	60.594	48.438
Non-Current Assets		**4.278.041**	**3.640.638**	**2.503.112**
Financial Investments	6	1.340.221	981.132	928.800
Other Receivables				
- Other Receivables	9	234	183	271
Investment Properties	12	21.036	16.192	14.588
Tangible Assets	13	2.276.366	2.098.780	1.118.765
Intangible Assets				
- Goodwill	14	331.975	253.507	215.513
- Other Intangible Assets	15	257.758	182.879	167.699
Prepaid Expenses	20	9.628	61.629	14.160
Deferred Tax Assets	32	40.823	46.336	43.316
TOTAL ASSETS		**10.669.872**	**8.471.346**	**6.165.670**

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

CONVENIENCE TRANSLATION INTO ENGLISH OF CONSOLIDATED FINANCIAL STATEMENTS ORIGINALLY ISSUED IN TURKISH
ÜLKER BİSKÜVİ SANAYİ A.Ş. AND ITS SUBSIDIARIES
CONSOLIDATED BALANCE SHEET FOR THE YEARS ENDED
31 DECEMBER 2018, 2017 AND 2016
(Amounts expressed in thousand Turkish Lira (TL) unless otherwise stated.)

LIABILITIES	**Notes**	**Audited Current Period 31 December 2018**	**Restated (*) Audited Previous Period 31 December 2017**	**Restated (*) Audited Previous Period 31 December 2016**
Current Liabilities		**1.844.865**	**2.211.464**	**3.377.536**
Short Term Financial Liabilities	7	85.519	433.371	544.791
Short Term Portion of Long Term Financial Liabilities	7	369.129	457.356	1.821.637
Trade Payables				
- Due to related parties	8-34	520.308	353.465	341.189
- Other trade payables	8	593.789	591.861	328.310
Employee Benefit Related Liabilities	21	33.332	28.577	31.676
Other Payables				
- Due to Related Parties	9-34	1.177	193.060	192.333
- Other Payables	9	5.631	8.088	7.005
Deferred Revenue	23	37.351	18.710	20.047
Current Income Tax Liabilities	32	15.214	21.477	15.262
Short Term Provisions				
- Short Term Provisions for Employee Benefits	19	51.301	40.060	34.542
- Other Short Term Provisions	17	90.968	50.267	25.958
Other Current Liabilities	22	41.146	15.172	14.786
Non-Current Liabilities		**5.145.275**	**3.696.345**	**1.341.826**
Long Term Financial Liabilities	7	4.791.105	3.419.676	586.498
Other Liabilities				
- Due to Related Parties	34	-	47.749	633.397
Long Term Provisions				
- Long Term Provisions for Employee Benefits	19	115.344	82.958	74.073
Deferred Tax Liabilities	32	238.826	145.962	47.858
SHAREHOLDERS' EQUITY	24	**3.679.732**	**2.563.537**	**1.446.308**
Equity Attributable To Equity Holders' of the Parent		**3.296.237**	**2.294.994**	**1.246.890**
Share Capital		342.000	342.000	342.000
Inflation Adjustments to Share Capital		108.056	108.056	108.056
Effect of Business Combinations Under Common Control		(498.670)	(559.686)	(585.998)
Other Comprehensive Income/Expense not to be Reclassified to Profit and Loss				
-Increases on Revaluation of Plant , Property and Equipment		647.779	659.037	5.232
-Actuarial Gains and Losses on Post-Employment Termination Benefit Obligation		(21.173)	(15.401)	(16.687)
-Gains from Fnancial Assets Measured at fair Value through other comperensive income		1.099.942	-	-
Other Comprehensive Income/Expense to be Reclassified to Profit and Loss				
- Currency Translation Adjustments		(89.429)	(67.666)	(81.306)
- Cash Flow Hedges		52.481	16.025	-
- Gains from Financial Assets Measured at Fair Value through Other Comprehensive Income		-	743.710	695.363
Restricted Reserves		131.587	124.497	119.807
Retained Earnings		822.885	547.163	385.373
Net Profit for the Period		700.779	397.259	275.050
Non-Controlling Interest		**383.495**	**268.543**	**199.418**
TOTAL LIABILITIES AND EQUITY		**10.669.872**	**8.471.346**	**6.165.670**

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

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

CONSOLIDATED STATEMENTS OF INCOME FOR THE YEARS ENDED
31 DECEMBER 2018 AND 2017
(Amounts expressed in thousand Turkish Lira (TL) unless otherwise stated.)

	Notes	Audited Current Period 2018	Restated (*) Audited Previous Period 2017
Revenue	25	5.955.508	4.825.648
Cost of Sales (-)	25	(4.395.223)	(3.573.677)
GROSS PROFIT FROM OPERATIONS		**1.560.285**	**1.251.971**
General Administrative Expenses	26-27	(159.664)	(142.567)
Marketing, Sales and DistributionExpenses	26-27	(598.206)	(478.147)
Research and Development Expenses	26-27	(12.551)	(13.525)
Other Operating Income	28	114.557	58.773
Other Operating Expenses	28	(125.337)	(60.193)
OPERATING PROFIT FROM MAIN OPERATIONS		**779.084**	**616.312**
Income from Investment Activities	29	1.709.158	680.495
Expenses from Investment Activities	29	(13.599)	(97.632)
OPERATING PROFIT BEFORE FINANCIAL INCOME AND EXPENSES		**2.474.643**	**1.199.175**
Financial Income	30	1.285.301	27.859
Financial Expenses	31	(2.786.405)	(703.282)
PROFIT BEFORE TAX		**973.539**	**523.752**
Tax Expense		**(185.918)**	**(78.755)**
Corporate Tax Expense	32	(118.197)	(68.079)
Deferred Tax Expense	32	(67.721)	(10.676)
PROFIT FOR THE YEAR		**787.621**	**444.997**
Distribution of the Profit for the Year			
Non-Controlling Interest		86.842	47.738
Equity Holders of the Parent		700.779	397.259
Earning per Share	33	2,05	1,16

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

(Amounts expressed in thousand Turkish Lira (TL) unless otherwise stated.)

	Audited Current Period 2018	**Restated (*) Audited Previous Period 2017**
PROFIT FOR THE YEAR	**787.621**	**444.997**
Other Comprehensive Income not to be Reclassified To Profit and Loss	**380.902**	**675.967**
Actuarial Gain/(Loss) on Post-Employment Termination Benefit Obligation	(9.539)	1.805
Increases on Revaluation of Plant, Property and Equipment	10.677	752.597
Change in revaluation Funds of Financial Assets	399.836	-
Deferred Tax For The Items That Will Not Be Reclassified in Profit and Loss		
Actuarial Gain/(Loss) on Post-Employment Termination Benefit Obligation, Deferred Tax Effect	452	(361)
Increases on Revaluation of Plant, Property and Equipment, Deferred Tax Effect	(532)	(78.074)
Financial Assets Fair Value Through Other Comprehensive Income, Tax Effect	(19.992)	-
Items to be Reclassified to Profit and Loss	**60.489**	**86.444**
Currency Translation Adjustments	24.033	20.705
Change in Revaluation Funds of Financial Assets	-	52.331
Cash Flow Hedges	47.252	20.031
Deferred Tax For The Items That Will be Reclassified to Profit and Loss		
Change in Revaluation Funds of Financial Assets, Deferred Tax Effect	-	(2.617)
Cash Flow Hedges, Deferred Tax Effect	(10.796)	(4.006)
OTHER COMPREHENSIVE INCOME	**441.391**	**762.411**
TOTAL COMPREHENSIVE INCOME	**1.229.012**	**1.207.408**
Distribution of Total Comprehensive Income		
Non-Controlling Interest	129.117	77.046
Equity Holders of the Parent	1.099.895	1.130.362

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

CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS’ EQUITY FOR THE YEAR ENDED 31 DECEMBER 2018 AND 2017

(Amounts expressed in thousand Turkish Lira (TL) unless otherwise stated.)

				Accumulated Other Comprehensive Income To Be Reclassified To 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**	**Financial Assets Measured at Fair Value**	**Revaluation Plant, Property and Equipment**	**Actuarial Gains and Losses on Post-Employment Termination Benefit Obligation**	**Restricted Reserves Appropriated from Profits**	**Net Profit for the Period**	**Retained Earnings**	**Equity Attributable to Equity Holders of the Parent**	**Non-Controlling Interest**	**Total Equity**
As of 1 January 2017 (Previously reported)	**342.000**	**108.056**	**(141.863)**	**3.216**	**-**	**695.363**	**5.232**	**(16.687)**	**119.807**	**230.372**	**303.710**	**1.649.206**	**205.390**	**1.854.596**
Restatement effect	-	-	-	-	-	-	-	-	-	-	81.663	81.663	(5.972)	75.691
Transactions under common control		-	(444.135)	(84.522)	-	-	-	-	-	44.678	-	(483.979)	-	(483.979)
As of 1 January 2017 (Restated)	**342.000**	**108.056**	**(585.998)**	**(81.306)**	**-**	**695.363**	**5.232**	**(16.687)**	**119.807**	**275.050**	**385.373**	**1.246.890**	**199.418**	**1.446.308**
Transfer	-	-	44.560	-	-	-	-	-	4.690	(275.050)	225.800	-	-	-
Total comprehensive income	-	-	-	13.640	16.025	48.347	653.805	1.286	-	397.259	-	1.130.362	77.046	1.207.408
Transaction with non controlling interest	-	-	(18.248)	-	-	-	-	-	-	-	-	(18.248)	-	(18.248)
Dividend paid (*)	-	-	-	-	-	-	-	-	-	-	(64.000)	(64.000)	(7.917)	(71.917)
Gain on sale of tangible assets	-	-	-	-	-	-	-	-	-	-	(10)	(10)	(4)	(14)
As of 31 December 2017 (Previously reported)	**342.000**	**108.056**	**(559.686)**	**(67.666)**	**16.025**	**743.710**	**659.037**	**(15.401)**	**124.497**	**397.259**	**547.163**	**2.294.994**	**268.543**	**2.563.537**

(*) At the General Assembly Meeting for the year of 2016 held on 31 March 2017, it has been resolved to distribute TL 64.000 thousand as cash and fully funded by the profit for the year and started to be distributed as of April 12th 2017.

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

ÜLKER BİSKÜVİ SANAYİ A.Ş. AND ITS SUBSIDIARIES

CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS’ EQUITY FOR THE YEAR ENDED 31 DECEMBER 2018 AND 2017

(Amounts expressed in thousand Turkish Lira (TL) unless otherwise stated.)

				Accumulated Other Comprehensive Income To Be Reclassified Under Profit And Loss		Accumulated Other Comprehensive Income Not To Be Reclassified To Profit And Loss				Accumulated Profit				
	Share Capital	**Inflation Adjustments to Share Capital**	**Effect of Business Combinations Under Common Control**	**Currency Translation Adjustments**	**Cash Flow Hedges**	**Revaluation Plant, Property and Equipment**	**Actuarial Gains and (Losses) on Post-Employment Termination Benefit Obligation**	**Financial Assets Fair Value Through Other Comprehensive Income**	**Restricted Reserves Appropriated from Profits**	**Net Profit for the Period**	**Retained Earnings**	**Equity Attributable to Equity Holders of the Parent**	**Non-Controlling Interest**	**Total**
As of 1 January 2018 (Previously reported)	**342.000**	**108.056**	**(413.214)**	**(74.303)**	**16.025**	**659.037**	**(15.401)**	**743.710**	**124.497**	**383.153**	**553.800**	**2.427.360**	**268.543**	**2.695.903**
Restatement effect	-	-	-	-	-	-	-	-	-	-	(6.637)	(6.637)	-	(6.637)
Transactions under common control	-	-	(146.472)	6.637	-	-	-	-	-	14.106	-	(125.729)	-	(125.729)
Change in accounting policy (Note 2)												-		-
Adjustments related to TFRS9 (net)	-	-	-	-	-	-	-	-	-	-	(10.652)	(10.652)	(288)	(10.940)
As of 1 January 2018 (Restated)	**342.000**	**108.056**	**(559.686)**	**(67.666)**	**16.025**	**659.037**	**(15.401)**	**743.710**	**124.497**	**397.259**	**536.511**	**2.284.342**	**268.255**	**2.552.597**
Transfer	-	-	61.016	-	-	(21.143)	-	(24.078)	7.090	(397.259)	374.374	-	-	-
Total comprehensive income	-	-	-	(21.763)	36.456	9.885	(5.772)	380.310	-	700.779	-	1.099.895	129.117	1.229.012
Dividend paid (*)	-	-	-	-	-	-	-	-	-	-	(88.000)	(88.000)	(13.877)	(101.877)
As of 31 December 2018	**342.000**	**108.056**	**(498.670)**	**(89.429)**	**52.481**	**647.779**	**(21.173)**	**1.099.942**	**131.587**	**700.779**	**822.885**	**3.296.237**	**383.495**	**3.679.732**

(*) At the General Assembly Meeting for the year of 2017 held on 30 June 2018, it has been resolved to distribute TL 88.000 thousand as cash and fully funded by the profit for the year and started to be distributed as of December 18th 2018.

CONVENIENCE TRANSLATION INTO ENGLISH OF CONSOLIDATED 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 2018 AND 2017
(Amounts expressed in thousand Turkish Lira (TL) unless otherwise stated.)

	Notes	Audited Current Period 1 January- 31 December 2018	Restated (*) Audited Current Period 1 January- 31 December 2017
CASH FLOWS FROM OPERATING ACTIVITIES			
Net profit for the year		787.621	444.997
Adjustments to Reconcile Net Profit			
Adjustment for depreciation and amortization expenses			
Depreciation expenses of tangible assets	12-13	145.905	115.062
Amortization expenses of intangible assets	15	3.399	798
Adjustment for Impairment Loss (Reversal)			
Provision for doubtful receivables	8	4.512	990
Adjustment for impairment loss of other financial investments Loss/(gain) of financial investments		(83)	136
Adjustment for impairment loss of inventories	11	3.043	3.838
Adjustment for Provisions			
Adjustments for provisions related with employee benefits			
Provision for employment benefits	19	39.393	30.806
Provision for unused vacation	19	14.675	13.550
Provision for premium	19	24.158	16.949
Provision for lawsuits		(108)	651
Adjustments for other provisions			
Change in other provisions (net)		48.311	23.796
Adjustments for Dividend Income		(231)	(916)
Adjustments for Interest (Income)/Expenses			
Adjustments for Interest Income			
Discount Expense/(Income) (net)	28	7.863	(11.802)
Interest income	29	(190.732)	(125.519)
Adjustments for Interest Expense	31	330.265	222.971
Adjustment for Gains on Fair Values			
Fair Value Increase of Investment Properties	29	(4.844)	(1.630)
Adjustment for tax expenses	32	185.918	78.755
Adjustments for Losses (Gains) on Disposals of Non-Current Assets			
Adjustments for Tangible Gains on Disposals of Tangible Assets	29	1.577	393
Adjustments for Losses (Gains) on Disposals of Other Adjustments for which Cash Effects are Investing of Financing Cash Flow			
Change in foreign currency of financial liabilities (net)	30-31	1.129.076	442.141
Change in foreign currency from investing activities (net)	29	(1.492.753)	(447.243)
Commission expenses and finance service income (net)		43.664	6.534
Income from derivative instruments (net)	30-31	(1.901)	(4.810)
Other adjustments to reconcile profit (loss)			
Rent income	29	(8.576)	(7.948)
Profit effect of transactions under common control		-	(18.248)
Net operating cash flows provided before changes in working capital		**1.070.152**	**784.251**

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

CONVENIENCE TRANSLATION INTO ENGLISH OF CONSOLIDATED 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 2018 AND 2017
(Amounts expressed in thousand Turkish Lira (TL) unless otherwise stated.)

	Notes	Audited Current Period 1 January- 31 December 2018	Restated (*) Audited Current Period 1 January- 31 December 2017
Changes in Working Capital			
Increase in trade receivables increase		(17.834)	(66.505)
(Increase)/Decrease in trade receivables from related parties		(1.029.696)	56.637
Decrease/(Increase) in inventories		26.665	(182.015)
Decrease/(Increase) in other receivables and other current assets		63.864	(25.004)
(Decrease)/Increase in trade payables		(88.681)	272.227
Increase in trade payables to related parties		166.843	10.658
Increase/(Decrease) in other payables and liabilities		11.766	(3.744)
Net cash generated from operations		**203.079**	**846.505**
Payments Related with Provisions for Employee Benefits			
Employment termination benefit paid	19	(24.098)	(20.962)
Unused vacation paid	19	(12.383)	(9.438)
Performance premium paid	19	(21.705)	(15.778)
Lawsuits provision paid	17	(194)	(138)
Taxes paid		(141.359)	(50.800)
Collections from doubtful trade receivables	8	38	2
Net cash generated from operating activities		**3.378**	**749.391**
CASH FLOWS FROM INVESTING ACTIVITIES			
Proceeds from sales of tangible and intangible assets		40.142	7.929
Purchase of property, plant and equipment	13	(225.281)	(326.139)
Purchase of intangible assets	15	(6.862)	(1.327)
Changes in non-trade receivables from related parties		(199)	5.417
Dividend received		231	916
Interest received		190.732	125.519
Given other advances and receivables		-	(47.469)
Repayments from given other advances and payables		52.001	-
Rent income		8.576	7.948
Acquisition of additional shares from subsidiaries		40.747	-
Net cash (used)/generated from investing activities		**100.087**	**(227.206)**
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from borrowings	7	389.808	3.599.630
Repayments of borrowings	7	(861.537)	(2.783.124)
Outflow of cash from payment of other financial liabilities			
Change in leasing liabilities		-	(72)
Cash inflow from derivative instruments		1.901	4.810
Dividends paid		(101.877)	(71.917)
Commission paid		(43.664)	(6.534)
Interest paid		(337.130)	(173.430)
Change in non-trade payables to related parties		(239.632)	(637.265)
Net cash used in financing activities		**(1.192.131)**	**(67.902)**
NET CHANGE IN CASH AND CASH EQUIVALENTS		**(1.088.666)**	**454.283**
THE EFFECT OF FOREIGN EXCHANGE RATE CHANGE ON CASH AND CASH EQUIVALENTS		**1.277.562**	**447.243**
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR	5	**3.189.865**	**2.288.339**
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	5	**3.378.761**	**3.189.865**

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

(Amounts expressed in thousand Turkish Lira (TL) unless otherwise stated.)

1. ORGANIZATION AND OPERATIONS OF THE GROUP

Ülker Bisküvi Sanayi A.Ş. (“the Company”) and its subsidiaries (all together “the Group”), comprises of the parent Ülker Bisküvi Sanayi A.Ş. (“the Company”) and fifteen subsidiaries in which the Company owns the majority share of the capital or which are controlled by the Company (2017: Sixteen)

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

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

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

As of 31 December 2018, the total number of people employed by the Group is 9.029, which contains 1.180 employees who worked as subcontractors (31 December 2017: 9.531, subcontractor: 1.186).

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 2018 and 31 December 2017, the names and percentages of the shareholders holding more than 5% of the Company’s share capital are as follows:

		31 December2018		**31 December 2017**
Name of the Shareholders	**Share**	**Percentage**	**Share**	**Percentage**
pladis Foods Limited	174.420	%51,00	174.420	%51,00
Ülker Family Members	25.580	%7,48	25.580	%7,48
Other	142.000	%41,52	142.000	%41,52
	342.000	**%100,00**	**342.000**	**%100,00**

(Amounts expressed in thousand Turkish Lira (TL) unless otherwise stated.)

1. ORGANIZATION AND OPERATIONS OF THE GROUP (cont'd)

As of 31 December 2018 and 2017, the details of the subsidiaries under consolidation in terms of direct and effective share of ownership and principal business activities (The rate in ownership of the entities which acquired with transaction under common control in 2018 has been shown in 2017 as well) are as follows:

	31 December 2018		31 December 2017		
Subsidiaries	**Ratio of Direct Ownership**	**Ratio of Effective Ownership**	**Ratio of Direct Ownership**	**Ratio of Effective Ownership**	**Nature of Operation**
Biskot Bisküvi Gıda Sanayi ve Ticaret A.Ş.	%73,9	%73,9	%73,9	%73,9	Manufacturing
Ülker Çikolata Sanayi A.Ş.	%91,7	%91,7	%91,7	%91,7	Manufacturing
Atlas Gıda Pazarlama Sanayi ve Ticaret A.Ş.	%100,0	%100,0	%100,0	%100,0	Trading
Reform Gıda Paz. San. ve Tic. A.Ş.	%100,0	%100,0	%100,0	%100,0	Trading
İstanbul Gıda Dış Ticaret A.Ş.	%100,0	%100,0	%100,0	%100,0	Export
UI Egypt B.V.	%51,0	%51,0	%51,0	%51,0	Investing
Hi-Food for Advanced Food Industries	-	%51,4	-	%51,4	Manufacturing
Sabourne Investments Ltd	%100,0	%100,0	%100,0	%100,0	Investing
Food Manufacturers' Company	-	%55,0	-	%55,0	Manufacturing/ Sales
Food Manufacturers' Company for Distribution(*)	-	-	-	%52,3	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

(*) Food Manufacturers' Company for distribution, a subsidiary of the Company has been legally merged with Food Manufacturers' Company as of 31 December 2018.

(**) The Company purchased 100% shares of International Biscuits Company which 100% shares owned by UB Group Limited who is Yıldız Holding's 100% subsidiary, as of 23 May 2018 with USD 40 million. As a result of this transaction, the Company has gained controlling power of Saudi Arabia originated International Biscuits Company.

Dividend Paid:

The Company has paid a dividend amount of TL 88.000 thousand (2017: TL 64.000 thousand) in the current period. Dividend per share is TL 0,26 (2017: TL 0,19).

Approval of Financial Statements:

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

2. BASIS OF PRESENTATION OF FINANCIAL STATEMENTS

2.1 Basis of the Presentation:

Principles for Preparation of Financial Statements and Significant Accounting Policies

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

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

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 2018, rates declared by Central Bank of Republic of Turkey are;
1 Euro = TL 6,0280, 1 USD = TL 5,2609, 1 EGP = TL 0,2943, 1 SAR = TL 1,4024, 1 KZT = TL 0,0138,
1 AED = TL 1,4336 (31 December 2017: 1 Euro = TL 4,5155, 1 USD = TL 3,7719, 1 EGP = TL 0,2123,
1 SAR = TL 1,0058, 1 KZT = TL 0,0113, 1 AED = TL 1,0278)

For the period between 1 January 2018 and 31 December 2018, average rates declared by Central Bank of Republic of Turkey are;

1 Euro = TL 5,6789, 1 USD = TL 4,8301, 1 EGP = TL 0,2711, 1 SAR = TL 1,2878, 1 KZT = TL 0,0139,
1 AED = TL 1,3162 (1 January – 31 December 2017: 1 Euro = TL 4,1159, 1 USD = TL 3,64451 EGP = TL 0,2045,
1 SAR = TL 0,9718, 1 KZT = TL 0,0112, 1 AED = 0,9931 TL).

2. BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (cont'd)

2.1 Basis of the presentation (cont'd)

Consolidation

(a) Subsidaries

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.

(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 Changes in the Accounting Policies:

Comparative Information and Restatement of Prior Period Consolidated Financial Statements

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

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

(Amounts expressed in thousand Turkish Lira (TL) unless otherwise stated.)

2. BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (cont'd)

2.2 Changes in the Accounting Policies (cont'd)

Cost of customer activities amounting to TL 59.433 thousand which had been classified under marketing expenses account in the consolidated statement of financial position as of 31 December 2017 has been reclassified deductively under revenue account. These reclassifications performed in order to conform to changes in presentation in the current period consolidated financial statements are not material to the consolidated financial statements.

Transition to TFRS 9 "Financial instruments"

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

As of 1 January 2018 (first application date of TFRS 9), the classification of financial assets is determined considering the entity's business model for managing the financial assets. Group management classifies its financial assets measured at fair value through other comprehensive income. As of 31 December 2017, cross currency fixed interest rate swap are characterized for hedge accounting within the scope of TFRS 9. The hedging strategy and documentation of the Group are applicable with TFRS 9, therefore the Group evaluate to recognise hedging accounting similar with prior period.

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

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

(Amounts expressed in thousand Turkish Lira (TL) unless otherwise stated.)

2. BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (cont'd)

2.2 Changes in the Accounting Policies (cont'd)

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

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

Changes related to to "Accounting for business combinations under common control"

As per the principle related to "Accounting for business combinations under common control" the Public Oversight Accounting and Auditing Standards Authority issued in the Official Gazette dated 21 July 2013, business combinations under common control shall be accounted through restating previous period's financial statements via the pooling of interest method. The Group management restated only its consolidated balance sheet as at 31 December 2016 and 2017 the consolidated statements of comprehensive income, consolidated statement of changes in shareholder's equity and cash flows for the year then ended at 31 December 2017 for the transactions made under common control (details explained in Note 1).

Effect of the restatements are shown below:

	Reported Previous Period 31 December 2017	**Effects of Restatement with Eliminations**	**Restated Previous Period 31 December 2017**
Current Assets	**4.796.550**	**34.158**	**4.830.708**
Cash and Cash Equivalents	3.181.120	8.745	3.189.865
Financial Investments	619	-	619
Trade Receivables	772.500	4.422	776.922
Other Receivables	24.101	141	24.242
Inventories	55.912	-	55.912
Prepaid Expenses	564.685	18.896	583.581
Current Income Tax Assets	137.066	1.907	138.973
Other Current Assets	60.547	47	60.594
Non-Current Assets	**3.529.902**	**110.736**	**3.640.638**
Financial Investments	981.132	-	981.132
Other Receivables	183	-	183
Investment Properties	16.192	-	16.192
Tangible Assets	2.028.532	70.248	2.098.780
Intangible Assets	396.252	40.134	436.386
Prepaid Expenses	61.275	354	61.629
Deferred Tax Assets	46.336	-	46.336
TOTAL ASSETS	**8.326.452**	**144.894**	**8.471.346**

(Amounts expressed in thousand Turkish Lira (TL) unless otherwise stated.)

2. BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (cont'd)

2.2 Changes in the Accounting Policies (cont'd)

	Reported Previous Period 31 December 2017	Effects of Restatement with Eliminations	Restated Previous Period 31 December 2017
Current Liabilities	**1.999.151**	**212.313**	**2.211.464**
Short Term Financial Liabilities	433.371	-	433.371
Short Term Portion of Long Term Financial Liabilities	450.952	6.404	457.356
Trade Payables	938.721	6.605	945.326
Employee Benefit Related Liabilities	27.674	903	28.577
Other Payables	8.218	192.930	201.148
Deferred Revenue	18.710	-	18.710
Current Income Tax Liabilities	18.729	2.748	21.477
Short Term Provisions	87.604	2.723	90.327
Other Current Liabilities	15.172	-	15.172
Non-Current Liabilities	**3.631.398**	**64.947**	**3.696.345**
Long Term Financial Liabilities	3.407.606	12.070	3.419.676
Other Payables	-	47.749	47.749
Long Term Provisions	81.387	1.571	82.958
Deferred Tax Liabilities	142.405	3.557	145.962
SHAREHOLDERS' EQUITY	**2.695.903**	**(132.366)**	**2.563.537**
Equity attributable to Equity Holder's of the Parent	**2.427.360**	**(132.366)**	**2.294.994**
Share Capital	342.000	-	342.000
Inflation Adjustments to Share Capital	108.056	-	108.056
Effect of Business Combinations Under Common Control	(413.214)	(146.472)	(559.686)
Other Comprehensive Income/Expense not to be Reclassified to Profit and Loss			
- Revaluation Plant, Property and Equipment	659.037	-	659.037
- Actuarial Loss on Post Employment Termination Benefit Obligation	(15.401)	-	(15.401)
Other Comprehensive Income/Expense to be Reclassified to Profit and Loss			
- Currency Translation Adjusment	(74.303)	6.637	(67.666)
- Cash Flow Hedges	16.025	-	16.025
- Financial Assets Fair Value Through Other Comprehensive Income	743.710	-	743.710
Restricted Reserves Appropriated from Profits	124.497	-	124.497
Retained Earnings	553.800	(6.637)	547.163
Net Profit for the Period	383.153	14.106	397.259
Non-Controlling Interest	**268.543**	**-**	**268.543**
TOTAL LIABILITIES AND EQUITY	**8.326.452**	**144.894**	**8.471.346**

(Amounts expressed in thousand Turkish Lira (TL) unless otherwise stated.)

2. BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (cont'd)

2.2 Changes in the Accounting Policies (cont'd)

	Reported Previous Period 31 December 2016	Effects of Restatement with Eliminations	Restated Previous Period 31 December 2016
Current Assets	**3.501.796**	**160.762**	**3.662.558**
Cash and Cash Equivalents	2.169.913	118.426	2.288.339
Financial Investments	755	-	755
Trade Receivables	772.946	(9.680)	763.266
Other Receivables	21.686	4.875	26.561
Inventories	361.942	44.332	406.274
Prepaid Expenses	115.374	2.487	117.861
Current Income Tax Assets	11.064	-	11.064
Other Current Assets	48.116	322	48.438
Non-Current Assets	**2.024.393**	**478.719**	**2.503.112**
Financial Investments	928.800	-	928.800
Trade Receivables	65	(65)	-
Other Receivables	185	86	271
Investment Properties	14.588	-	14.588
Tangible Assets	1.032.163	86.602	1.118.765
Intangible Assets	1.574	381.638	383.212
Prepaid Expenses	14.160	-	14.160
Deferred Tax Assets	32.858	10.458	43.316
TOTAL ASSETS	**5.526.189**	**639.481**	**6.165.670**

(Amounts expressed in thousand Turkish Lira (TL) unless otherwise stated.)

2. BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (cont'd)

2.2 Changes in the Accounting Policies (cont'd)

	Reported Previous Period 31 December 2016	**Effects of Restatement with Eliminations**	**Restated Previous Period 31 December 2016**
Current Liabilities	**3.169.042**	**208.494**	**3.377.536**
Short Term Financial Liabilities	544.792	(1)	544.791
Short Term Portion of Long Term Financial Liabilities	1.815.280	6.357	1.821.637
Trade Payables	637.981	31.518	669.499
Employee Benefit Related Liabilities			
Other Payables	30.594	1.082	31.676
Deferred Revenue	8.431	190.907	199.338
Current Income Tax Liabilities	48.439	(28.392)	20.047
Short Term Provisions	14.819	443	15.262
Other Current Liabilities	56.416	4.084	60.500
Current Liabilities	12.290	2.496	14.786
Non-Current Liabilities	**502.551**	**839.275**	**1.341.826**
Long Term Financial Liabilities	384.844	201.654	586.498
Other Payables	-	633.397	633.397
Long Term Provisions	72.357	1.716	74.073
Deferred Tax Liabilities	45.350	2.508	47.858
SHAREHOLDERS' EQUITY	**1.854.596**	**(408.288)**	**1.446.308**
Equity attributable to Equity Holder's of the Parent	**1.649.206**	**(402.316)**	**1.246.890**
Share Capital	342.000	-	342.000
Inflation Adjustments to Share Capital	108.056	-	108.056
Effect of Business Combinations Under Common Control	(141.863)	(444.135)	(585.998)
Other Comprehensive Income/Expense not to be Reclassified to Profit and Loss			
- Revaluation Plant, Property and Equipment	5.232	-	5.232
- Actuarial loss on post employment termination benefit obligation	(16.687)	-	(16.687)
Other Comprehensive Income/Expense to be Reclassified to Profit and Loss			
- Currency Translation Adjusment	3.216	(84.522)	(81.306)
- Financial assets revaluation fund	695.363	-	695.363
Restricted Reserves Appropriated from Profits	119.807	-	119.807
Retained Earnings	303.710	81.663	385.373
Net Profit for the Period	230.372	44.678	275.050
Non-Controlling Interest	**205.390**	**(5.972)**	**199.418**
TOTAL LIABILITIES AND EQUITY	**5.526.189**	**639.481**	**6.165.670**

(Amounts expressed in thousand Turkish Lira (TL) unless otherwise stated.)

2. BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (cont'd)

2.2 Changes in the Accounting Policies (cont'd)

1 January-31 December 2017 Profit or Loss	**Reported Previous Period 1 January-31 December 2017**	**Effects of Restatement with Eliminations**	**Effects of Classifications from TFRS 15**	**Restated Previous Period 1 January-31 December 2017**
Revenue	4.811.032	74.049	(59.433)	4.825.648
Cost of Sales (-)	(3.534.097)	(39.580)	-	(3.573.677)
GROSS PROFIT FROM OPERATIONS	**1.276.935**	**34.469**	**(59.433)**	**1.251.971**
General Administrative Expenses	(136.351)	(6.216)	-	(142.567)
Marketing, Sales and Distribution	(530.991)	(6.589)	59.433	(478.147)
Research Expenses	(13.525)	-	-	(13.525)
Other Operating Income	58.621	152	-	58.773
Other Operating Expenses	(60.087)	(106)	-	(60.193)
OPERATING PROFIT FROM MAIN OPERATION	**594.602**	**21.710**	**-**	**616.312**
Income from Investment Activities	680.495	-	-	680.495
Expenses from Investment Activities	(97.632)	-	-	(97.632)
OPERATING PROFIT BEFORE FINANCIAL INCOME AND EXPENSES	**1.177.465**	**21.710**	**-**	**1.199.175**
Financial Income	27.859	-	-	27.859
Financial Expenses	(699.172)	(4.110)	-	(703.282)
PROFIT BEFORE TAX	**506.152**	**17.600**	**-**	**523.752**
Tax Expense	**(75.261)**	**(3.494)**	**-**	**(78.755)**
Tax on Income	(65.424)	(2.655)	-	(68.079)
Deferred Tax Income	(9.837)	(839)	-	(10.676)
PROFIT FOR THE YEAR	**430.891**	**14.106**	**-**	**444.997**
Other Comprehensive Income:				
Items not to be Reclassified Under Profit and Loss	**675.967**	**-**		**675.967**
Actuarial Gain/(Loss) on Post-Employment Termination Benefit Obligation,	1.805	**-**	**-**	**1.805**
Revaluation of Plant, Property and Equipment	752.597	**-**	**-**	**752.597**
Actuarial Gain/(Loss) on Post-Employment Termination Benefit Obligation, Deferred Tax Effect	(361)	-	-	(361)
Revaluation of Plant, Property and Equipment, Deferred Tax Effect	(78.074)	-	-	(78.074)
Items to be Reclassified to Profit or Loss	**80.203**	**6.241**	**-**	**86.444**
Currency Translation Adjustments	14.463	6.242	-	20.705
Other Comprehensive Income Related With Fair Value Revaluation	52.332	(1)	-	52.331
Cash Flow Hedges	20.031	**-**	**-**	**20.031**
Other Comprehensive Income Related With Fair Value Revaluation, Deferred Tax Effect	(2.617)	**-**	**-**	**(2.617)**
Cash Flow Hedges, Deferred Tax Effect	(4.006)	**-**	**-**	**(4.006)**
OTHER COMPREHENSIVE INCOME	**756.170**	**6.241**	**-**	**762.411**
TOTAL COMPREHENSIVE INCOME	**1.187.061**	**20.347**	**-**	**1.207.408**

2. BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (cont'd)

2.3 Adoption of New and Revised International Financial Reporting Standards:

The Group has applied the standards which are relevant to its operations from the standards, amendments and interpretaitions applicable from 1 January 2018.

a) Standards, amendments and interpretations applicable as at 31 December 2018:

- **TFRS 9, 'Financial instruments';** effective from annual periods beginning on or after 1 January 2018.

- **TFRS 15, 'Revenue from contracts with customers';** effective from annual periods beginning on or after 1 January 2018.

- **Amendment to TFRS 15, 'Revenue from contracts with customers'**, effective from annual periods beginning on or after 1 January 2018.

- **Amendments to TFRS 4, 'Insurance contracts'** regarding the implementation of TFRS 9, 'Financial Instruments'; effective from annual periods beginning on or after 1 January 2018.

- **Amendment to TMS 40, 'Investment property'** relating to transfers of investment property; effective from annual periods beginning on or after 1 January 2018.

- **Amendments to TFRS 2, 'Share based payments'** effective from annual periods beginning on or after 1 January 2018.

- **Annual improvements 2014-2016;** effective from annual periods beginning on or after 1 January 2018. These amendments impact 2 standards:

  - TFRS 1, 'First time adoption of TFRS', regarding the deletion of short-term exemptions for first-time adopters regarding TFRS 7, TMS 19 and TFRS 10,
  - TMS 28, 'Investments in associates and joint venture' regarding measuring an associate or joint venture at fair value.

- **TFRS 22, 'Foreign currency transactions and advance consideration';** effective from annual periods beginning on or after 1 January 2018.

b) Standards, amendments and interpretations that are issued but not effective as at 31 December 2018:

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

- **Amendment to TMS 28, 'Investments in associates and joint venture';** effective from annual periods beginning on or after 1 January 2019.

- **TFRS 16, 'Leases';** effective from annual periods beginning on or after 1 January 2019.

2. BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (cont'd)

2.3 Adoption of New and Revised International Financial Reporting Standards (cont'd)

- **TFRS 23, 'Uncertainty over income tax treatments';** effective from annual periods beginning on or after 1 January 2019.

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

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

  - TFRS 3, 'Business combinations', – a company remeasures its previously held interest in a joint operation when it obtains control of the business.
  - TFRS 11, 'Joint arrangements', – a company does not remeasure its previously held interest in a joint operation when it obtains joint control of the business.
  - TMS 12, 'Income taxes' – a company accounts for all income tax consequences of dividend payments in the same way.
  - TMS 23, 'Borrowing costs' – a company treats as part of general borrowings any borrowing originally made to develop an asset when the asset is ready for its intended use or sale.

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

  - use updated assumptions to determine current service cost and net interest for the reminder of the period after a plan amendment, curtailment or settlement; and
  - recognise in profit or loss as part of past service cost, or a gain or loss on settlement, any reduction in a surplus, even if that surplus was not previously recognised because of the impact of the asset ceiling.

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

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

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

- The Group has finalised study over impact of TFRS 16 "Leases" and concluded that there is no material impact on consolidated financial statements.

2. BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (cont'd)

2.4 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":

(a) Identification of customer contracts
(b) Identification of performance obligations
(c) Determination of transaction price in the contract
(d) Allocation of price to performance obligations
(e) 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.

2. BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (cont'd)

2.4 Summary of Significant Accounting Policies (cont'd)

Inventories

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

Tangible Assets

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

All other tangible assets are recognized at the value after accumulated depreciation and impairment are deducted from cost values.

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

Depreciation is recognized so as to write off the cost or valuation of assets, other than freehold land and properties under construction, less their residual value over their useful lives, using the straight-line method. The estimated useful lives, residual values and depreciation method are reviewed at the end of each reporting period with the effect of any changes in estimate accounted for on a prospective basis.

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.

2. BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (cont'd)

2.4 Summary of Significant Accounting Policies (cont'd)

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) 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.

Business Combinations

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

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

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

2. BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (cont'd)

2.4 Summary of Significant Accounting Policies (cont'd)

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

Transactions with non-controlling interests

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

Investment Properties

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

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

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.

When the use of a property changes such that it is reclassified as property, plant and equipment, its fair value at the date of reclassification becomes its cost for subsequent accounting. If owner occupied property becomes an investment property, 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.

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.

2. BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (cont'd)

2.4 Summary of Significant Accounting Policies (cont'd)

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.

Impairment of Assets:

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

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

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

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

2. BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (cont'd)

2.4 Summary of Significant Accounting Policies (cont'd)

Borrowing Costs

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

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

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

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

Financial assets

Classification and measurement

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

(a) Financial assets carried at amortized cost

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

Impairment

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

2. BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (cont'd)

2.4 Summary of Significant Accounting Policies (cont'd)

(b) Financial assets carried at fair value

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

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

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

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

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

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.

2. BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (cont'd)

2.4 Summary of Significant Accounting Policies (cont'd)

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.

Foreign Currency Transactions:

In preparing the consolidated financial statements of the Group, transactions in currencies other than TL (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.

2. BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (cont'd)

2.4 Summary of Significant Accounting Policies (cont'd)

Dividend and interest income

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

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

Earnings Per Share:

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

Events After the Reporting Period

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

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

Provisions, Contingent Assets and Contingent Liabilities:

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

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

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

Related Party Disclosures:

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

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

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

2. BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (cont'd)

2.4 Summary of Significant Accounting Policies (cont'd)

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

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

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

Government Grants and Incentives:

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

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

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

Current and Deferred Income Tax

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

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

Current tax

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

2. BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (cont'd)

2.4 Summary of Significant Accounting Policies (cont'd)

Deferred tax

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

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

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

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

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.

2. BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (cont'd)

2.4 Summary of Significant Accounting Policies (cont'd)

Statement of Cash Flows

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

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

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

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

Share Capital and Dividends

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

Shareholders' Equity

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

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

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.

2. BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (cont'd)

2.4 Summary of Significant Accounting Policies (cont'd)

The fair values of various derivative financial instruments used for hedging purposes are disclosed in Note 10. Movements in the hedging reserve in shareholders' equity are shown in Note 36. The full fair value of a hedging derivative is classified as a non-current asset or liability when the remaining maturity of the hedged item is more than 12 months; it is classified as a current asset or liability when the remaining maturity of the hedged item is less than 12 months. Trading derivatives are classified as a current asset or liability.

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

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

Goodwill

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 acqired business from its ultimate shareholder as under common control and accounted its book values as accounted at ultimate shareholder level including goodwill (Note 14).

2.5 Critical Accounting Estimates, Assumptions and Judgements:

In the process of applying the entity's accounting policies, which are described in note 2.4, 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 12,5% discount rate and 3% long term growth rate. A change in discount rate by 1% effects amount of goodwill by TL 17,525 thousand (2017 : TL 4.504 thousand).

The Group acquired business from its ultimate shareholder as under common control and accounted its book values as accounted at ultimate shareholder level including brand (Note 15). Relief from royalty method used to identify brand is applied with 2,6% royalty rate and 1,6% long term growth rate. A change in royalty rate by 1% does not effect impairment on amount of brand.

2. BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (cont'd)

2.5 Critical Accounting Estimates, Assumptions and Judgements (cont'd)

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 2018, the Group has accounted for deferred tax assets by TL 37.596 thousand (2017: TL 51.039 thousand, 2016: TL 44.286 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 2018, the Company has accounted for deferred income tax assets amounting to TL 66.494 thousand from the carry forward tax losses amounting to TL 13.299 thousand in the consolidated financial statements.

Fair values of derivative instruments and other financial instruments

The Group determines the fair values of its financial instruments without an active market using various market information for similar transaction, similar instruments with fair values and discounted cash flow analysis with an independent third party valuation company Akis Bağımsız Denetim ve SMMM A.Ş which has licence. 5 years discounted cash flow analysis is applied with 9,4% (2017: 8,1) discount rate and 1,8% (2017: 1,9) long term growth rate for G-New and 9,7% (2017: 9,5%) discount rate and 1,8% (2017: 1,9%) long term growth rate for Godiva Belgium which are Group's financial investments.

A change in discount rate by 0,3% effects the fair value of G-New and Godiva Belgium amounting to TL 20.532 thousand (2017: TL 10.190 thousand).

Goodwill

The Group acqired business from its ultimate shareholder as under common control and accounted its book values as accounted at ultimate shareholder level including goodwill (Note 14). Discounted cash flow used to identify goodwill is applied with 13,0% discount rate and 3,1% long term growth rate. A change in discount rate by 1% effects amount of goodwill.

2. BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (cont'd)

2.6 Summary of Financial Information Related to Subsidiaries (cont'd)

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 2018 and 2017.

Biskot Bisküvi Gıda Sanayi ve Ticaret A.Ş.

	2018	2017
Total assets	977.813	812.245
Total liabilities	567.787	460.918
Total shareholder's equity	410.026	351.327
Accumulated funds on non-controlling interests	106.926	91.613
Revenue	1.168.929	860.800
Net profit for the year	72.949	51.064
Cash flow (used in)/generated from operating activities	(56.996)	133.797
Cash flow used in investment activities	(14.724)	(66.938)
Cash flow used in financing activities	(44.704)	(23.755)

Food Manufacturers' Company (*)

(*) Amounts below expressed in thousands of Turkish Lira (TL).

	2018	2017
Total assets	655.672	387.521
Total liabilities	280.264	168.271
Total shareholders'equity	375.408	219.249
Accumulated funds on non-controlling interests	168.993	98.662
Revenue	788.091	503.626
Net profit for the year	75.412	39.382
Cash flow generated from operating activities	89.605	40.999
Cash flow used in investment activities	(49.307)	(16.187)
Cash flow used in financing activities	(1.399)	(9.350)

(Amounts expressed in thousand Turkish Lira (TL) unless otherwise stated.)

3. BUSINESS COMBINATIONS

The Company purchased 100% shares of International Biscuits Company from UB Group Limited which is 100% owned by Yıldız Holding A.Ş. as of 23 May 2018 with an amount of USD 40 thousand. Since the acquisition is from UB Group Limited which is 100% owned by Yıldız Holding A.Ş., who is the ultimate shareholder of the Company; the transaction is considered as "Transactions Under Common Control" and accounted in the shareholder's equity. The net asset acquired and the effects of transaction in equity are presented as follows:

Net Assets within the Scope of Consolidation	**31 December 2017 Asset/(Liability)**
Current Assets	
Cash and cash equivalents	8.745
Trade receivables	29.509
Other receivables	218
Other current assets	20.850
Non-Current Assets	
Tangible and intangible assets (net) (*)	110.386
Other non-current assets	350
Current Liabilities	
Financial liabilities	(6.404)
Trade payable	(31.770)
Other current liabilities	(16.180)
Non-Current Liabilities	
Financial liabilities	(12.070)
Other non-current liabilities	(52.877)
Net Assets added into the scope of consolidation	**50.757**
Total share of the Group ownership	%100
The portion of the net assets to the Group	50.757
Cash paid for the acquisition	(183.124)
Net Equity Impact from the Acquisition of Subsidiary	**(132.367)**

(*) The amount consist of book values at Yıldız Holding's financial statements related with the acquisition of United Biscuits LTD.

(Amounts expressed in thousand Turkish Lira (TL) unless otherwise stated.)

3. BUSINESS COMBINATIONS (cont'd)

The Company purchased 100% shares of UI Mena B.V from Maia International B.V which is 100% owned by Yıldız Holding A.Ş. as of 20 December 2017 with an amount of EUR 134 thousand. Since the acquisition is from Maia International B.V which is 100% owned by Yıldız Holding A.Ş., who is the ultimate shareholder of the Company; the transaction is considered as "Transactions Under Common Control" and accounted in the shareholder's equity. The net asset acquired and the effects of transaction in equity are presented as follows:

	31 December 2017
Net Assets within the Scope of Consolidation	**Asset/(Liability)**
Current Assets	
Cash and cash equivalents	12.905
Trade receivables	67.844
Other receivables	2.960
Other current assets	2.128
Non-Current Assets	
Tangible and intangible assets (net) (*)	394.149
Current Liabilities	
Financial liabilities	(10.678)
Other current liabilities	(25.369)
Non-Current Liabilities	
Financial liabilities	(8.025)
Other non-current liabilities	(615.692)
Net Assets added into the scope of consolidation	**(179.778)**
Total share of the Group ownership	%100
The portion of the net assets to the Group	(179.778)
Cash paid for the acquisition	(607)
Net Equity Impact from the Acquisition of Subsidiary	**(180.385)**

(*) The amount consist of book values at Yıldız Holding's financial statements related with the acquisition of United Biscuits LTD.

(Amounts expressed in thousand Turkish Lira (TL) unless otherwise stated.)

3. BUSINESS COMBINATIONS (cont'd)

The Company purchased 100% shares of Hamle Company Ltd LLP from Maia International B.V which is 100% owned by Yıldız Holding A.Ş. as of 31 March 2017 with an amount of USD 3 million. Since the acquisition is from Maia International B.V which is 100% owned by Yıldız Holding A.Ş., who is the major shareholder of the Company; the transaction is considered as "Transactions Under Common Control" and accounted in the shareholder's equity. The net asset acquired and the effects of transaction in equity are presented as follows:

Net Assets within the Scope of Consolidation	**31 December 2016 Asset/(Liability)**
Current Assets	
Cash and cash equivalents	98.691
Trade receivables	7.107
Other receivables	33
Other current assets	30.990
Non-Current Assets	
Tangible and intangible assets (net)	18.644
Other non-current assets	10.457
Current Liabilities	
Financial liabilities	(295)
Trade payables	(24.648)
Other current liabilities	(3.187)
Non-Current Liabilities	
Financial liabilities	(184.764)
Net Assets added into the scope of consolidation	**(46.972)**
Capital Increase	13.772
Total share of the Group ownership	%100
The portion of the net assets to the Group	(33.200)
Cash paid for the acquisition	(10.856)
Net Equity Impact from the Acquisition of Subsidiary	**(44.056)**

4. SEGMENTAL INFORMATION

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

(Amounts expressed in thousand Turkish Lira (TL) unless otherwise stated.)

4. SEGMENTAL INFORMATION (cont'd)

The Group, follows its operations with domestic (local operations of Turkish companies in Turkey) and international basis in accordance with TFRS 8. The information for 1 January - 31 December 2017 and 1 January - 31 December 2018.

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

	Domestic	Foreign	1 January-31 December 2017
Revenue	3.173.193	1.652.455	4.825.648
Gross Profit	667.648	584.323	1.251.971
Operating Profit (*)	363.006	254.726	617.732
EBITDA (**)	429.643	303.949	733.592
EBITDA/Revenue	13,5%	18,4%	15,2%
Investment Expense	247.431	80.035	327.466

(*) 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.

5. CASH AND CASH EQUIVALENTS

	31 December 2018	31 December 2017	31 December 2016
Cash on hand	421	822	1.712
Demand deposits	714.195	73.925	55.389
Time deposits (*)	2.666.312	3.115.118	2.231.238
Impairement Provision	(2.167)	-	-
	3.378.761	**3.189.865**	**2.288.339**

(*) As of 31 December 2018, all of time deposits is overnight (31 December 2017: TL 3.114.121 thousand and 31 December 2016: TL 2.230.822 thousand).

(Amounts expressed in thousand Turkish Lira (TL) unless otherwise stated.)

5. CASH AND CASH EQUIVALENTS (cont'd)

Details of time deposits are shown below:

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

Currency Type	Annual Weighted Average Effective Interest Rate (%)	Maturity	31 December 2017
TL	13,27%	January 2018	428.778
EUR	2,02%	January 2018	2.072.346
USD	3,71%	January 2018	608.364
GBP	0,25%	January 2018	2.134
EGP	15,00%	January 2018	997
KZT	9,00%	January 2018	2.499
			3.115.118

Currency Type	Annual Weighted Average Effective Interest Rate (%)	Maturity	31 December 2016
TL	10,62%	January 2017	374.320
EUR	1,50%	January 2017	672.616
USD	2,49%	January 2017	1.102.819
KZT	10,50%	January 2017	81.483
			2.231.238

(Amounts expressed in thousand Turkish Lira (TL) unless otherwise stated.)

6. FINANCIAL INVESTMENTS

Short Term Financial Investments:	**31 December 2018**	**31 December 2017**	**31 December 2016**
Available for sale financial assets	702	619	755
	702	**619**	**755**

Long Term Financial Investments:	**31 December 2018**	**31 December 2017**	**31 December 2016**
Available for sales financial assets	1.340.221	981.132	928.800
	1.340.221	**981.132**	**928.800**

Long Term Available for Sale Financial	**31 December 2018**	**31 December 2017**	**31 December 2016**
G New, Inc	105.612	113.184	187.228
Godiva Belgium BVBA	1.234.409	821.099	712.011
BİM Birleşik Mağazalar A.Ş.	-	46.649	29.361
Other	200	200	200
	1.340.221	**981.132**	**928.800**

Available for sale financial assets are presented at their fair values. The after tax difference belonging to equity holder of TL 1.099.942 thousand as of 31 December 2018 (31 December 2017: TL 743.710 thousand) in the fair values of such assets has directly been presented in other comprehensive income under equity.

7. FINANCIAL LIABILITIES

	31 December 2018	**31 December 2017**	**31 December 2016**
Short Term Liabilities	85.519	433.371	544.791
Short Term Portion of Long Term Liabilities	369.129	457.356	1.821.637
Long Term Liabilities	4.791.105	3.419.676	586.498
	5.245.753	**4.310.403**	**2.952.926**

Short Term Liabilities	**31 December 2018**	**31 December 2017**	**31 December 2016**
Bank Loans	66.064	403.277	514.162
Non-Trade Payables to Related Parties (Note 34)	19.455	30.094	30.629
	85.519	**433.371**	**544.791**

Short Term Portion of Long Term Liabilities	**31 December 2018**	**31 December 2017**	**31 December 2016**
Bank Loans	369.129	457.356	1.821.631
Financial Lease Payables	-	-	6
	369.129	**457.356**	**1.821.637**

Long Term Liabilities	**31 December 2018**	**31 December 2017**	**31 December 2016**
Bank Loans	4.791.105	3.419.676	586.432
Financial Lease Payables	-	-	66
	4.791.105	**3.419.676**	**586.498**

(Amounts expressed in thousand Turkish Lira (TL) unless otherwise stated.)

7. FINANCIAL LIABILITIES (cont'd)

The syndication loans have received as of 20 April 2017 and 27 November 2017. Details of Group's syndication loans are as follows:

Syndication loan consists of two credit trenches which are USD 136.000.000 and EUR 225.144.922. 14 international banks joined to the syndication. Effective interest rate for both credit trenches are Euribor + 3% for EUR , Libor+ 3.1% for USD and the maturity date is April 2020. Principal payments of the loans are repaid at maturity with semi-annual interest payments

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

The covenants which belong to syndication loan are as follows:

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

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

Borrowings:

31 December 2018

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

31 December 2017

Currency Type	Maturity	Effective Weighted Average Interest Rate (%)	Short Term	Long Term
TL	February 2018- January 2021	12,42%	368.681	8.000
EUR	May 2018- November 2020	3,32%	294.206	2.308.404
USD	January 2018-November 2020	4,64%	215.285	891.588
EGP	March 2018-September 2019	20,75%	2.612	1.147
KZT	January 2018-December 2023	8,50%	3.539	198.467
SAR	January 2018-July 2020	4,16%	6.404	12.070
			890.727	**3.419.676**

(Amounts expressed in thousand Turkish Lira (TL) unless otherwise stated.)

7. FINANCIAL LIABILITIES (cont'd)

31 December 2016

Currency Type	Maturity	Effective Weighted Average Interest Rate (%)	Short Term	Long Term
TL	January 2017 - January 2021	Spot-10,59%	14.384	199.500
EUR	January 2017 - December 2023	2,75%	809.483	268.746
USD	June 2017- June 2020	3,90%	1.522.762	7.978
EGP	January 2017 - September 2019	17,00%	4.267	1.593
KZT	April 2017-December 2023	9,50%	289	91.727
SAR	January 2017- July 2020	3,29%	15.243	16.954
			2.366.428	**586.498**

The maturity detail of the bank loans is as follows:

	31 December 2018	31 December 2017	31 December 2016
to be paid within 1 year	454.648	890.727	2.366.422
to be paid within 1-2 years	4.336.860	60.075	510.947
to be paid within 2-3 years	145.670	3.236.741	32.255
to be paid within 3-4 years	145.332	37.803	43.230
to be paid within 4-5 years	102.776	37.803	-
Above 5 years	60.467	47.254	-
	5.245.753	**4.310.403**	**2.952.854**

The movements of the financial liabilities as of 31 December 2018 and 2017 are as follows:

	2018	2017
1- January	**4.310.403**	**2.952.926**
Addition	389.808	3.599.630
Repayments	(861.537)	(2.783.124)
Foreign exchange difference	1.331.433	492.655
Interest accrual differences	1.071	22.761
Currency translation differences	74.575	25.555
31 December	**5.245.753**	**4.310.403**

(Amounts expressed in thousand Turkish Lira (TL) unless otherwise stated.)

8. TRADE RECEIVABLES AND PAYABLES

	31 December 2018	31 December 2017	31 December 2016
Short Term Due from Related Parties			
Due from related parties (Note 34)	1.564.689	534.993	587.415
	1.564.689	**534.993**	**587.415**
Other Trade Receivables			
Trade receivables	352.982	249.715	182.068
Notes receivables	766	426	1.043
Provision for doubtful receivables (-)	(19.351)	(8.212)	(7.260)
	334.397	**241.929**	**175.851**
Total Short Term Trade Receivables	**1.899.086**	**776.922**	**763.266**

The movement of the allowance for doubtful receivables as of 31 December 2018 and 2017 is as follows:

	2018	2017
In accordance with TAS 39 as of 1 January	(8.212)	(7.260)
Accounting policy change for TFRS 9	(3.633)	-
Restated as of 1 January	(11.845)	(7.260)
Current year expense	(5.712)	(2.745)
Canceled Provision	1.200	1.755
Currency translation differences	(3.032)	36
Collection	38	2
Closing Balance	**(19.351)**	**(8.212)**

	31 December 2018	31 December 2017	31 December 2016
Short Term Trade Payables			
Due to related parties (Note 34)	520.308	353.465	341.189
Trade payables	593.789	591.861	328.310
	1.114.097	**945.326**	**669.499**

9. OTHER RECEIVABLES AND PAYABLES

	31 December 2018	31 December 2017	31 December 2016
Other Receivables			
Due from related parties (Note 34)	627	428	5.845
Short term other receivables	38.554	23.814	20.716
	39.181	**24.242**	**26.561**

(Amounts expressed in thousand Turkish Lira (TL) unless otherwise stated.)

9. OTHER RECEIVABLES AND PAYABLES (cont'd)

	31 December 2018	31 December 2017	31 December 2016
Other Short Term Receivables			
VAT receivables	19.339	16.834	11.969
Deposits and guarantees given	13.440	1.172	502
Receivables from personnel	2.020	1.695	1.369
Other	3.755	4.113	6.876
	38.554	**23.814**	**20.716**

	31 December 2018	31 December 2017	31 December 2016
Other Long Term Receivables			
Deposits and guarantees given	234	183	271
	234	**183**	**271**

	31 December 2018	31 December 2017	31 December 2016
Other Payables			
Due to related parties (Note 34)	1.177	193.060	192.333
Other short term payables	5.631	8.088	7.005
	6.808	**201.148**	**199.338**

	31 December 2018	31 December 2017	31 December 2016
Other Short Term Payables			
Deposits and guarantees received	3.214	3.791	2.870
Other short term payables	2.417	4.297	4.135
	5.631	**8.088**	**7.005**

10. DERIVATIVE INSTRUMENTS

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

Derivative instruments as of 31 December 2018 and 2017 are as follows:

	31.12.2018		31.12.2017	
	Contract Amount	Fair Value	Contract Amount	Fair Value
Derivative instruments held for hedge				
Cross Currency Fixed Interest Rate Swap	528.132	323.087	528.132	55.912
Total Assets	**528.132**	**323.087**	**528.132**	**55.912**

(Amounts expressed in thousand Turkish Lira (TL) unless otherwise stated.)

11. INVENTORIES

Details of inventory are as follows;

	31 December 2018	31 December 2017	31 December 2016
Raw materials	229.264	295.515	204.061
Work in progress	16.907	14.184	10.533
Finished goods	265.841	210.272	164.101
Trade goods	59.854	32.374	8.181
Other inventories	44.517	41.298	29.801
Allowance for impairment on inventory(-)	(11.829)	(10.062)	(10.403)
	604.554	**583.581**	**406.274**

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

The movement of allowance for impairment on inventory for the years ended on 31 December 2018 and 2017 are below:

	1 January-31 December 2018	1 January-31 December 2017
Opening balance	(10.062)	(10.403)
Charge for the year	(3.043)	(3.838)
Used allowance	1.582	5.049
Currency translation Differences	(306)	(870)
Closing balance	**(11.829)**	**(10.062)**

12. INVESTMENT PROPERTIES

	1 January-31 December 2018	1 January-31 December 2017
Opening balance	16.192	14.588
Increase in fair value	4.844	1.630
Charge for the year	-	(26)
Closing balance	**21.036**	**16.192**

The fair value of the Group's investment properties at 31 December 2018 and 2017 has been calculated on the basis of a valuation carried out at that date by 31 December 2018 and 31 December 2017 , by independent valuers not related to the Group. EVA Gayrimenkul Değerleme 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 992 thousand (31 December 2017: TL 953 thousand) within the current period. Direct operating expenses arising from the investment properties in the current period amounting to TL 74 thousand (31 December 2017: TL 88 thousand)

(Amounts expressed in thousand Turkish Lira (TL) unless otherwise stated.)

13. TANGIBLE ASSETS

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

Cost	**1 January 2018**	**Addition**	**Disposal**	**Transfers (Note 15)**	**Revaluation Increase**	**Currency Translation Differences**	**31 December 2018**
Land	731.003	-	(24.220)	-	-	7.967	714.750
Buildings	753.909	6.007	(151.408)	27.548	21.475	40.772	698.303
Machinery, plant and equipment	1.566.324	27.040	(10.067)	298.715	-	156.555	2.038.567
Vehicles	10.788	197	(1.248)	-	-	1.960	11.697
Furniture and fixture	79.632	4.065	(224)	5.449	-	6.888	95.810
Leasehold improvements	37.361	312	-	3.587	-	66	41.326
Other tangible assets	556	21	-	-	-	221	798
Construction in progress	189.917	187.639	(5.262)	(337.487)	-	9.663	44.470
	3.369.490	**225.281**	**(192.429)**	**(2.188)**	**21.475**	**224.092**	**3.645.721**

Accumulated Depreciation	**1 January 2018**	**Charge for the Period**	**Disposal**	**Transfers (Note 15)**	**Revaluation Increase**	**Currency Translation Differences**	**31 December 2018**
Buildings	(440.108)	(20.378)	142.637	-	(10.798)	(17.415)	(346.062)
Machinery, plant and equipment	(750.456)	(113.529)	6.924	-	-	(68.547)	(925.608)
Vehicles	(5.281)	(1.463)	1.002	-	-	(1.312)	(7.054)
Furniture and fixture	(58.599)	(6.926)	147	-	-	(4.771)	(70.149)
Leasehold improvements	(15.981)	(3.554)	-	-	-	(10)	(19.545)
Other tangible assets	(285)	(55)	-	-	-	(597)	(937)
	(1.270.710)	**(145.905)**	**150.710**	**-**	**(10.798)**	**(92.652)**	**(1.369.355)**
Net Book Value	**2.098.780**						**2.276.366**

If the Group was accounting land and buildings at historical cost, net book value of land would be TL 120.874 thousand and TL 201.769 thousand for buildings.
From depreciation and amortization expenses, TL 137.383 thousand (2017: TL104.900 thousand) is included in cost of goods sold, TL 445 thousand (2017: TL 367 thousand) is included in research and development expenses, TL 2.561 thousand (2017: TL 2.119 thousand) is included in marketing and selling expenses, TL 8.915 thousand (2017: TL 8.474 thousand) is included in general and administrative expenses. There are not any fixed assets acquired through financial leasing in the current period. There is not any mortgage or collateral on tangible assets in the current period. In 2018, the Group has capitalized TL 532 thousand interest and TL 7.068 thousand foreign exchange losses with regards to borrowings and accounted for such borrowing costs under tangible assets. (31 December 2017: TL 6.475 thousand interest, TL 5.755 thousand foreign exchange difference).

(Amounts expressed in thousand Turkish Lira (TL) unless otherwise stated.)

13. TANGIBLE ASSETS (cont'd)

Movement of tangible assets between 1 January 2017 and 31 December 2017 is as follows:

Cost	**1 January 2017**	**Addition**	**Disposal**	**Transfers (Note 15)**	**Revaluation Increase**	**Currency Translation Differences**	**31 December 2017**
Land	129.067	6.121	(35)	-	594.920	930	731.003
Buildings	275.548	5.787	(194)	11.161	455.261	6.346	753.909
Machinery, plant and equipments	1.319.327	41.415	(41.312)	224.710	-	22.184	1.566.324
Vehicles	9.774	1.294	(665)	-	-	385	10.788
Furniture and fixtures	68.459	5.508	(609)	3.281	-	2.993	79.632
Leasehold improvements	25.775	6.627	(1.404)	6.363	-	-	37.361
Other tangible assets	4.413	556	(4.731)	-	-	318	556
Constructions in progress	168.355	258.831	(336)	(245.531)	-	8.598	189.917
	2.000.718	**326.139**	**(49.286)**	**(16)**	**1.050.181**	**41.754**	**3.369.490**

Accumulated Depreciation	**1 January 2017**	**Charge for the Period**	**Disposal**	**Transfers (Note 15)**	**Revaluation Increase**	**Currency Translation Differences**	**31 December 2017**
Buildings	(126.469)	(13.554)	116	-	(297.584)	(2.617)	(440.108)
Machinery, plant and equipment	(682.947)	(91.069)	34.868	-	-	(11.308)	(750.456)
Vehicles	(4.395)	(1.230)	588	-	-	(244)	(5.281)
Furniture and fixture	(49.680)	(6.440)	354	-	-	(2.833)	(58.599)
Leasehold improvements	(14.049)	(2.722)	790	-	-	-	(15.981)
Other tangible assets	(4.413)	(21)	4.465	-	-	(316)	(285)
	(881.953)	**(115.036)**	**41.181**	**-**	**(297.584)**	**(17.318)**	**(1.270.710)**
Net Book Value	**1.118.765**						**2.098.780**

There are not any fixed assets acquired through financial leasing as of 31 December 2017. There is not any mortgage or collateral on tangible assets in the current period.

(Amounts expressed in thousand Turkish Lira (TL) unless otherwise stated.)

13. TANGIBLE ASSETS (cont'd)

The estimated useful lives of tangible assets are as follow:

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

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

14. GOODWILL

	31 December 2018	**31 December 2017**
1 January	253.507	215.513
Currency translation adjustments	78.468	37.994
Disposals	-	-
Closing Balance	**331.975**	**253.507**

Goodwill details are as follow:

Company	**31 December 2018**	**31 December 2017**	**31 December 2016**
UI Mena B.V.	319.335	243.854	207.307
IBC	12.640	9.653	8.206
	331.975	**253.507**	**215.513**

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

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

(Amounts expressed in thousand Turkish Lira (TL) unless otherwise stated.)

15. INTANGIBLE ASSETS

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

Cost	1 January 2018	Addition	Disposal	Transfers (Note 13)	Currency Translation Differences	31 December 2018
Rights (*)	185.326	6.782	-	2.137	69.485	263.730
Other intangible assets	3.120	80	-	51	-	3.251
	188.446	**6.862**	**-**	**2.188**	**69.485**	**266.981**

Accumulated Amortization	1 January 2018	Charge for the Period	Disposal	Transfers (Note 13)	Currency Translation Differences	31 December 2018
Rights	(2.608)	(3.059)	-	-	(715)	(6.382)
Other intangible assets	(2.959)	(340)	-	-	458	(2.841)
	(5.567)	**(3.399)**	**-**	**-**	**(257)**	**(9.223)**
Net Book Value	**182.879**					**257.758**

Movements of intangible assets between 1 January 2017 - 31 December 2017 are as follows:

Cost	1 January 2017	Addition	Disposal	Transfers (Note 13)	Currency Translation Differences	31 December 2017
Rights (*)	168.785	1.251	-	-	15.290	185.326
Development costs	675	-	(675)	-	-	-
Other intangible assets	3.031	76	(3)	16	-	3.120
	172.491	**1.327**	**(678)**	**16**	**15.290**	**188.446**

Accumulated Amortization	1 January 2017	Charge for the Period	Disposal	Transfers (Note 13)	Currency Translation Differences	31 December 2017
Rights	(2.330)	(298)	-	-	20	(2.608)
Development costs	(357)	(101)	458	-	-	-
Other intangible assets	(2.105)	(399)	3	-	(458)	(2.959)
	(4.792)	**(798)**	**461**	**-**	**(438)**	**(5.567)**
Net Book Value	**167.699**					**182.879**

(*) As of 31 December 2018 Rights contain reacquired rights related with Saudi distribution agreements of Groups products in Saudi Arabia amounting to TL 209.321 thousand (31 December 2017: TL 150.076 thousand). The remaining amount TL 39.917 thousand (31 December 2017: TL 30.482 thousand) contains the right of Rana brand. Reacquired rights are not subject to depreciation and has indefinite useful life. Impairment test is applied every year of when there is any indicator that impairment may ocur.

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

	Useful Life
Rights	2 years - Unlimited life
Development costs	5 years
Other intangible assets	2 – 12 years
Brand	Unlimited life

(Amounts expressed in thousand Turkish Lira (TL) unless otherwise stated.)

16. 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 formal journal, 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. Biskot Bisküvi Gıda Sanayi ve Ticaret A.Ş. has obtained four investment incentives with regards to product diversifications investments by TL 210.800.770 thousand in Karaman plant. The Group has utilized TL 62.801 thousand (2017: TL 31.355 thousand) portion of such incentives and accounted for defferred tax assets for the remaining portion of these earned incentives by TL 37.596 thousand (2017: TL 51.039 thousand) (Note 32).

The Group has received government incentives amounting TL 40.655 thousand in current year (2017: TL 33.042 thousand). In 2018, TL 7.890 thousand stems from employment grants, TL 1.389 thousand stems from agricultural products exports incentives, TL 26.220 thousand stems from investment incentives, TL 4.432 thousand stems from research and development grants and TL 724 thousand stems from other grants (2017: TL 8.956 thousand stems from employment grants, TL 8.832 thousand steps from agricultural products export incentives, TL 5.825 thousand stems from investment incentive, TL 6.823 thousand stems from other grants).

17. OTHER PROVISIONS, CONTINGENT ASSETS AND LIABILITIES

Short Term Debt Provisions	**31 December 2018**	**31 December 2017**	**31 December 2016**
Provisions for lawsuits	5.758	6.060	5.547
Provision for marketing activities	70.944	27.800	10.454
Other	14.266	16.407	9.957
	90.968	**50.267**	**25.958**

Movement for lawsuit provisions for December 2018 and 2017 is as follows:

	31 December 2018	**31 December 2017**
Opening balance	6.060	5.547
Charge for the period	399	1.038
Terminated provisions	(507)	(387)
Payment/relinquishment (-)	(194)	(138)
	5.758	**6.060**

A significant portion of the lawsuit provisions as of 31 December 2018 and 2017 is related to legal filings made by the personnel.

(Amounts expressed in thousand Turkish Lira (TL) unless otherwise stated.)

17. OTHER PROVISIONS, CONTINGENT ASSETS AND LIABILITIES (cont'd)

a) Guarantees Given

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

	31 December 2018			31 December 2017		
	TL	USD	EUR	TL	USD	EUR
A) CPM's given in the name of own legal personality (*)	374.039	57.302	-	185.146	1.187	-
B) CPM's given on behalf of the fully consolidated companies	226	-	87.922	1.326	-	37.922
C) CPM's given on behalf of third parties for ordinary course of business (**)	-	-	96.294	-	-	115.000
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	**374.265**	**57.302**	**184.216**	**186.472**	**1.187**	**152.922**

(*) Non-cash risk amounting to TL 55,3 million and USD 14,8 million.
(**) Includes the surety given for the group's raw material supplier in relation to the raw material purchases to be made on behalf of the group.
(***) The ratio of other collaterals, pledges and mortgages given by the group to the group's parent company's equities is 0% as of 31 December 2018 (31 December 2017: 0%).

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

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

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

(Amounts expressed in thousand Turkish Lira (TL) unless otherwise stated.)

17. OTHER PROVISIONS, CONTINGENT ASSETS AND LIABILITIES (cont'd)

b) Lawsuits Filed by and Against to the Group

ba) As of 31 December 2018;

Lawsuits filed by the Group:

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

(*) Main part of tax litigations consist of litigations related to VAT receivables.

Lawsuits filed against to the Group:

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

The provision of TL 5.758 thousand as of 31 December 2018 has been accounted for various court cases filed against the Group (31 December 2017: TL 6.060 thousand, 31 December 2016: TL 5.547 thousand).

bb) As of 31 December 2017;

Lawsuits filed by the Group:

	TL	EUR
Compensation litigations	-	103
Tax litigations (*)	3.029	-
Action of debts	519	-
Criminal cases	3	-
	3.551	**103**

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

Lawsuits filed against to the Group:

	TL	USD
Action of debts	572	-
Foreclosure litigations	1.858	-
Compensation litigations	3.648	400
	6.078	**400**

(Amounts expressed in thousand Turkish Lira (TL) unless otherwise stated.)

17. OTHER PROVISIONS, CONTINGENT ASSETS AND LIABILITIES (cont'd)

b) Lawsuits Filed by and Against to the Group (cont'd)

bc) As of 31 December 2016;

Lawsuits filed by the Group:

	TL	USD	EUR
Compensation litigations	170	-	103
Foreclosure litigations	696	-	-
Tax litigations (*)	8.665	-	-
Action of debts	145	3.405	-
Compensation litigations	3	-	-
	9.679	**3.405**	**103**

(*) Main part of tax litigations consist of litigations related to VAT receivables.

Lawsuits filed against to the Group:

	TL	USD
Action of debts	511	-
Foreclosure litigations	1.783	-
Compensation litigations	3.185	400
	5.479	**400**

Operational Leasing Agreements

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

The Group's rental income from its operational leasing agreements for tangible assets and investment properties leased and common area usage collectional collected from suppliers and customers are TL 9.065 thousand (2017: TL 6.815 thousand). In the current year operational expenses related fix assets are TL 3.071 thousand (2017: TL 321 thousand). Due to non-cancellable rent agreements, the Group's rental revenue to be received in the future periods is TL 10.658 thousand (2017: TL 8.405 thousand) and are all to be realized in a one year period. Due to non-cancellable rent agreements, the Group's rent payments to be incurred in the future periods is TL 3.694 thousand (2017: TL 342 thousand) and are all payable in a one year period.

18. COMMITMENTS AND OBLIGATIONS

The Group's export commitments amount to USD 207.833 thousand as of 31 December 2018 (2017: 192.719 thousand USD). The average period of export commitments are 2 years. If the export commitments will not be fulfiled, the Group will loss the tax advantage. Export commitments in 2018 have been mostly realized and it is expected to fulfil rest of commitments in 2019 (2017: all commitments have been realized completely).

(Amounts expressed in thousand Turkish Lira (TL) unless otherwise stated.)

19. PROVISION FOR EMPLOYEE BENEFITS

Short Term Liabilities for Employee Benefits	**31 December 2018**	**31 December 2017**	**31 December 2016**
Unused vacation accrual	28.633	22.614	17.931
Performance premium accrual	22.668	17.446	15.834
Provisions for wages and salaries	-	-	777
	51.301	**40.060**	**34.542**

Movement of Unused Vacation Provision	**31 December 2018**	**31 December 2017**
Opening balance	22.614	17.931
Decrease in period	(12.383)	(9.438)
Increase in period	14.675	13.550
Currency translation differences	3.727	571
Closing balance	**28.633**	**22.614**

Movement of Performance Premium Provision	**31 December 2018**	**31 December 2017**
Opening balance	17.446	15.834
Cash payments in period	(21.705)	(15.778)
Increase in period	24.158	16.949
Currency translation differences	2.769	441
Closing balance	**22.668**	**17.446**

Long Term Liabilities for Employee Benefits	**31 December 2018**	**31 December 2017**	**31 December 2016**
Provision for employee termination benefits	115.344	82.958	74.073
	115.344	**82.958**	**74.073**

Under Turkish Labor Law, the Company is required to pay employment termination benefits to each entitled employee. Also, employees are entitled to be paid their retirement pay provisions who retired by gaining right to receive retirement pay provisions according to of the prevailing 506 numbered Social Insurance Law's Article 60, as amended by 6 March 1981 dated, 2422 numbered and 25 August 1999 dated, 4447 numbered laws. Some transition provisions related to the pre-retirement service term was excluded from the law since the related law was changed as of 23 May 2002. The amount payable consists of one month's salary limited to a maximum TL 6.017,60 for each period of service as of 31 December 2018 (2017: 4.732,48 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.

(Amounts expressed in thousand Turkish Lira (TL) unless otherwise stated.)

19. PROVISION FOR EMPLOYEE BENEFITS (cont'd)

The principal assumption is that the maximum liability for each year of service will increase parallel with inflation. Thus, the discount rate applied represents the expected real rate after adjusting for the anticipated effects of future inflation. Consequently, in the accompanying financial statements as at 31 December 2018, the provision has been calculated by estimating the present value of the future probable obligation of the Group arising from the retirement of the employees. The provisions at the respective balance sheet dates have been calculated assuming an annual inflation rate of 9,69% and a interest rate of 14,81%, resulting in a real discount rate of approximately 4,67% (2017: 4,50%). The Group assessed the probability of paying the termination benefits for employees who have completed 15 years and 3600 days with social security Premium payment as 100% if such employees started working prior to 8 September 1999 based on Law numbered 4447. The maximum liability is revised semi annually. The basis considered in calculating the provisions is the amount of maximum liability of TL 6.017,60 which became effective as of 1 January 2018. As of 2018 year end, the probability of resignation of employees is 5,3% (2017: 5,5%).

Movement of provision for employee termination benefits is as below:

	31 December 2018	31 December 2017
Opening balance	82.958	74.073
Services cost	28.422	22.219
Interest cost	10.971	8.587
Actuarial loss / (gain)	9.539	(1.805)
Currency translation differences	7.552	846
Cash payments during year	(24.098)	(20.962)
Closing balance	**115.344**	**82.958**

20. PREPAID EXPENSES

Short Term Prepaid Expenses	31 December 2018	31 December 2017	31 December 2016
Advances given to related parties (Not 34)	36.368	97.094	78.047
Advances given to third parties	26.382	35.370	30.889
Prepaid expenses	13.308	6.509	8.925
	76.058	**138.973**	**117.861**

Long Term Prepaid Expenses	31 December 2018	31 December 2017	31 December 2016
Advances given to third parties	9.625	61.607	14.132
Prepaid expenses	3	22	28
	9.628	**61.629**	**14.160**

21. EMPLOYEE BENEFITS RELATED LIABILITIES

	31 December 2018	31 December 2017	31 December 2016
Payables to personnel	22.116	18.508	16.343
Social security premiums payable	11.216	10.069	15.333
	33.332	**28.577**	**31.676**

(Amounts expressed in thousand Turkish Lira (TL) unless otherwise stated.)

22. OTHER ASSET AND LIABILITIES

Other Current Asset	**31 December 2018**	**31 December 2017**	**31 December 2016**
VAT carried forward	52.544	60.196	48.137
Other	959	398	301
	53.503	**60.594**	**48.438**

Other Current Liabilities	**31 December 2018**	**31 December 2017**	**31 December 2016**
Taxes and fund payable	40.810	14.546	14.414
Other liabilities	336	626	372
	41.146	**15.172**	**14.786**

23. DEFERRED REVENUE

Deferred revenue	**31 December 2018**	**31 December 2017**	**31 December 2016**
Advances received	37.117	17.958	19.099
Short term deferred revenue	234	752	948
	37.351	**18.710**	**20.047**

24. SHAREHOLDERS' EQUITY

a) Capital Structure

The composition of the Company's issued and paid-in share capital as of 31 December 2018 and 2017 is as follows:

		31 December 2018		**31 December 2018**
Shareholders	**Amount**	**Share**	**Amount**	**Share**
pladis Foods Limited	174.420	51,00%	174.420	51,00%
Ülker Family	25.580	7,48%	25.580	7,48%
Other	142.000	41,52%	142.000	41,52%
	342.000	**100**%	**342.000**	**100**%

b) Revaluation Funds

Financial Asset Revaluation 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 to retained earnings.

As of 31 December 2018 the Group has financial asset valuation fund after tax of TL 1.099.942 thousand (2017: TL 743.710 thousand).

24. SHAREHOLDERS' EQUITY (cont'd)

b) Revaluation Funds (cont'd)

Investment Property Revaluation 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 4.844 thousand in 2018 and TL 1.630 thousand in 2017 have been accounted under the income statement (Note 29).

Land and Buildings Revaluation Fund:

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

The Group revalued its land and buildings. As a result, revaluation fund after tax, accounted is amounting to TL 647.779 thousand as of 31 December 2018. (31 December 2017 : TL 659.037 thousand).

c) 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.

(Amounts expressed in thousand Turkish Lira (TL) unless otherwise stated.)

24. SHAREHOLDERS' EQUITY (cont'd)

In accordance, 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. Adjustment differences (e.g. inflation adjustment differences) arising from the application of the Decree should be associated with:

- "Capital adjustment 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.

Adjustment restatement differences can only be included in capital.

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 in 2013, 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.

Resources Available for Profit Distribution:

The Group has fund amounting to TL 1.100.394 thousand (2017: TL 932.924 thousand) that can be utilized for profit distribution.

d) Retained Earnings

Details of retained earnings are as follows:

	31 December 2018	31 December 2017
Retained earnings	380.160	180.618
Extraordinary reserves	436.816	358.390
Inflation restatement differences of shareholders' equity accounts other than capital and legal reserves	(18.214)	(18.214)
Other reserves	24.123	26.369
	822.885	**547.163**

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

The amount of non-controlling interest as of 31 December 2018 is equal to TL 383.495 thousand (2017: TL 268.543 thousand). The minority share of TL 86.842 thousand on operating results for the current year has been presented separately from the profit for the same period in these consolidated statements of income. (2017: TL 47.738 thousand).

(Amounts expressed in thousand Turkish Lira (TL) unless otherwise stated.)

25. REVENUE AND COST OF SALES

a) Revenue

The detail of operating income is as follows:

	2018	2017
Domestic sales (*)	6.575.955	5.282.980
Export sales	1.301.496	1.024.195
Sales returns and discounts	(1.921.943)	(1.481.527)
Sales Income (net)	**5.955.508**	**4.825.648**

(*) Includes domestic sales of Turkish and foreign subsidiaries.

b) Cost of Sales

	2018	2017
Raw materials	(3.321.557)	(2.726.557)
Personnel expenses	(461.464)	(411.705)
Production overheads	(337.054)	(248.898)
Depreciation and amortization expenses	(137.383)	(104.900)
Change in work-in-progress inventories	1.946	3.540
Change in finished goods inventories	43.904	48.534
Cost of goods sold	**(4.211.608)**	**(3.439.986)**
Cost of trade goods sold	(183.615)	(133.691)
Cost of sales	**(4.395.223)**	**(3.573.677)**

26. RESEARCH EXPENSES, MARKETING EXPENSES, GENERAL ADMINISTRATIVE EXPENSES

	2018	2017
General administrative expenses	(159.664)	(142.567)
Marketing expenses	(598.206)	(478.147)
Research and development expenses	(12.551)	(13.525)
	(770.421)	**(634.239)**

(Amounts expressed in thousand Turkish Lira (TL) unless otherwise stated.)

27. EXPENSES BY NATURE

The detail of operating expenses is as follow:

	2018	2017
General Administrative Expenses		
Personnel expenses	(75.374)	(69.580)
Operating expenses (*)	(37.436)	(34.717)
Consultancy expenses	(15.401)	(6.030)
Depreciation and amortization expenses	(8.915)	(8.474)
Other	(22.538)	(23.766)
	(159.664)	**(142.567)**
Marketing Expenses		
Marketing operating expenses	(444.162)	(363.573)
Personnel expenses	(106.966)	(81.215)
Rent expenses	(11.636)	(8.265)
Depreciation and amortization expenses	(2.561)	(2.119)
Other	(32.881)	(22.975)
	(598.206)	**(478.147)**
Research Expenses		
Personnel expenses	(8.274)	(7.383)
Materials used	(1.081)	(1.957)
Depreciation and amortization expenses	(445)	(367)
Other	(2.751)	(3.818)
	(12.551)	**(13.525)**

(*) The operating expenses of the Group mainly comprise management support, information technology and administration expenses that are charged by Yıldız Holding.

28. OTHER OPERATING INCOME AND EXPENSES

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

	2018	2017
Foreign exchange gains	87.007	31.076
Provisions no longer required	9.217	991
Rediscount income	3.123	11.573
Services income	2.618	1.941
Other income	12.592	13.192
	114.557	**58.773**

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

	2018	2017
Foreign exchange loss	(62.533)	(23.611)
Donation expense	(21.769)	(16.770)
Rediscount expense	(19.981)	(5.642)
Provision expenses	(8.009)	(5.344)
Other expenses	(13.045)	(8.826)
	(125.337)	**(60.193)**

(Amounts expressed in thousand Turkish Lira (TL) unless otherwise stated.)

29. INCOME AND EXPENSES FROM INVESTMENT ACTIVITIES

a) The detail of investment income is as follow:

	2018	2017
Foreign exchange gains	1.503.693	543.947
Interest income	190.732	125.519
Rent income	8.576	7.948
Fair value increase in investment property (Note 12)	4.844	1.630
Income on sales of tangible assets	1.082	535
Dividend income	231	916
	1.709.158	**680.495**

b) The detail of investment expenses is as follow:

	2018	2017
Foreign exchange losses	(10.940)	(96.704)
Loss on sales of tangible assets	(2.659)	(928)
	(13.599)	**(97.632)**

30. FINANCIAL INCOME

	2018	2017
Foreign exchange gain	1.282.094	19.038
Income from derivative instruments	1.901	6.909
Other	1.306	1.912
	1.285.301	**27.859**

31. FINANCIAL EXPENSES

	2018	2017
Foreign exchange losses from financing	(2.411.170)	(461.179)
Interest expenses	(330.265)	(222.971)
Loss from derivative instruments	-	(2.099)
Other	(44.970)	(17.033)
	(2.786.405)	**(703.282)**

32. 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.

(Amounts expressed in thousand Turkish Lira (TL) unless otherwise stated.)

32. TAX ASSET AND LIABILITIES (cont'd)

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

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

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

The rate applied in the calculation of deferred tax assets and liabilities for entities in Turkey is 22% (2017: 20%, 2019: 22%, 2020: 22%), for entities in Saudi Arabia and Kazakhstan is 20% (2017: 20%), for entities in Egypt 22,5% (2017: 22,5%), and for entity in Kyrgyzstan 10% (2017: 10%), for entity in the United Arab Emirates is zero (2017: Zero).

Deferred tax bases:

	31 December 2018	**31 December 2017**	**31 December 2016**	**31 December 2018**	**31 December 2017**	**31 December 2016**
Indexation and useful life differences of tangible and intangible assets	-	-	-	1.099.723	985.873	209.965
Investment properties valuation differences	-	-	-	19.785	16.300	13.036
Marketable securities valuation differences	-	-	-	1.157.372	785.074	732.878
Derivative instruments	-	-	-	323.087	55.912	-
Profit margin elimination on inventories	(6.515)	(1.970)	(3.532)	-	-	-
Discount of trade receivables / payables (net)	-	-	-	5.804	13.895	1.319
Allowance of employee termination benefits	(87.259)	(70.497)	(64.159)	-	-	-
Provision of doubtful receivables	(8.463)	(1.116)	(1.324)	-	-	-
Previous year losses	(66.494)	(54.288)	(51.251)	-	-	-
Provision for lawsuits	(5.758)	(6.060)	(5.547)	-	-	-
Impairment on inventories	(11.670)	(10.062)	(7.019)	-	-	-
Performance premium provision	-	(2.345)	-	-	-	-
Provision for unused vacation	(15.340)	(13.507)	(11.883)	-	-	-
Other	(26.697)	(20.321)	(13.013)	16.721	27.468	4.105
	(228.196)	**(180.166)**	**(157.728)**	**2.622.492**	**1.884.522**	**961.303**

(Amounts expressed in thousand Turkish Lira (TL) unless otherwise stated.)

32. TAX ASSET AND LIABILITIES (cont'd)

Deferred tax assets / liabilities:

	31 December 2018	31 December 2017	31 December 2016	31 December 2018	31 December 2017	31 December 2016
Indexation and useful life differences of tangible and intangible asets	-	-	-	146.846	126.359	41.993
Investment properties valuation differences	-	-	-	1.979	1.630	652
Marketable securities valuation differences	-	-	-	57.869	39.254	36.644
Derivative instruments	-	-	-	71.079	11.182	-
Profit elimination on inventories	(1.433)	(394)	(706)	-	-	-
Discount of trade receivables / payables (net)	-	-	-	1.277	2.779	264
Allowance of employee termination benefits	(17.452)	(14.099)	(12.832)	-	-	-
Provision of doubtful receivables	(1.862)	(223)	(265)	-	-	-
Previous year losses	(13.299)	(10.858)	(10.250)	-	-	-
Provision for lawsuits	(1.267)	(1.212)	(1.109)	-	-	-
Impairment on inventories	(2.567)	(2.012)	(1.404)	-	-	-
Performance premium provision	-	(469)	-	-	-	-
Investment incentive	(37.596)	(51.039)	(44.286)	-	-	-
Provision for unused vacation	(3.375)	(2.701)	(2.377)	-	-	-
Other	(5.875)	(4.065)	(2.603)	3.679	5.494	821
	(84.726)	**(87.072)**	**(75.832)**	**282.729**	**186.698**	**80.374**

Movement of Deferred Tax Liabilities:

	2018	2017
1 January - reported	**99.626**	**4.542**
TFRS 9 implementation tax effect	(3.088)	-
1 January - restated	**96.538**	**4.542**
Taxes netted from funds recognised under equity	30.868	85.058
Currency translation fifferences	2.876	(650)
Deferred tax expense	67.721	10.676
	198.003	**99.626**

As of 31 December 2018, the Group calculated deferred tax assets of TL 66.494 thousand for deductible financial losses in the consolidated financial statements for the current year (31 December 2017: TL 54.288 thousand). The maturities of these losses are as follows:

	31 December 2018	31 December 2017	31 December 2016
2017	-	-	832
2025	66.494	54.288	50.419
Total	**66.494**	**54.288**	**51.251**

32. TAX ASSET AND LIABILITIES (cont'd)

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 effective tax rate in 31 December 2018 is 22% (2017: 20%).

In Turkey, advance tax returns are filed on a quarterly basis. The advance corporate income tax rate is 22% in 2018 (2017: 20%).

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.

Until December 2018, Hi Food for Advanced Food Industries, the Group's subsidiary, is exempt from corporate tax earnings gained from operating activities due to tax incentives made within the scope of foreign trade legislation.

The corporate tax in Egypt where Ulker for Trading and Marketing, a subsidiary of the Group is 22,5% (2017: 22,5%).
The corporate tax rate in Saudi Arabia where Food Manufacturers' Company and International Biscuits Company, subsidiaries of the Group is 20% (2017: 20%).

The corporate tax in Kazakhstan where Hamle Company Ltd LLP, a subsidiary of the Group is 20% (2017: 20%).

The corporate tax in Kyrgyzstan where Ülker Star LLC, a subsidiary of the Group is 10% (2017: 10%).

In UAE where Amir Global Trading FZE, a subsidiary of the Group is exempt from corporate tax earnings (2017: 0 %).

Income withholding tax

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

(Amounts expressed in thousand Turkish Lira (TL) unless otherwise stated.)

32. TAX ASSET AND LIABILITIES (cont'd)

Provision for taxation as of 31 December 2018 and 2017 is as follows:

	31 December 2018	31 December 2017
Total corporate tax provision	(118.197)	(68.079)
Prepaid taxes and funds	102.983	46.602
Taxation in the balance sheet	**(15.214)**	**(21.477)**

	2018	2017
Current year corporate tax expense	118.197	68.079
Deferred tax income	67.721	10.676
Tax Expense in the income statement	**185.918**	**78.755**

The reconciliation of provision for taxation as of 31 December 2018 and 2017 are as follows:

	2018	2017
Reconciliation of taxation:		
Profit before taxation and non-controlling interest	973.539	523.752
Effective tax rate	22%	20%
Calculated tax	214.179	104.750
Tax effects of:		
- Non-deductible expenses	7.260	4.000
- Other non-taxable income	(17.395)	(5.005)
-Investment incentive	(12.086)	(14.672)
- Carry forward tax loss which were not subject to deferred tax	3.585	(1.096)
- Tax rate difference	(9.221)	(8.806)
- Other	(404)	(416)
Taxation in the income statement	**185.918**	**78.755**

33. EARNINGS PER SHARE

A summary of the Group's weighted average number of shares outstanding as of 31 December 2018 and 2016 and computation of earnings per share set out here as follows:

	2018	2017
Weighted average number of common stock outstanding	34.200.000	34.200.000
Net profit	700.779	397.259
Basic Earnings per Share	**2,05**	**1,16**

(Amounts expressed in thousand Turkish Lira (TL) unless otherwise stated.)

34. BALANCES AND TRANSACTIONS WITH RELATED PARTIES

a) The detail of receivables from related parties is as follows:

	31 December 2018	31 December 2017	31 December 2016
Trade receivables	1.564.689	534.993	587.415
Non-trade receivables	627	428	5.845
	1.565.316	**535.421**	**593.260**

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

	31 December 2018		31 December 2017		31 December 2016	
	Trade	**Non-Trade**	**Trade**	**Non-Trade**	**Trade**	**Non-Trade**
Principle Shareholder						
Yıldız Holding A.Ş.	-	-	-	-	327	2.917
Other Companies Controlled by the Principle Shareholder						
Horizon Hızlı Tük. Ür. Paz. Sat. ve Tic. A.Ş.	764.899	-	165.982	-	286.184	-
Pasifik Tük. Ürün. Satış ve Ticaret A.Ş.	472.546	-	221.851	-	209.964	-
Yeni Teközel Markalı Ürünler Dağıtım Hizmetleri A.Ş.	107.634	-	-	-	-	-
Eksper Tüketim Mad. Sat. ve Paz. A.Ş.	54.316	-	27.862	-	19.055	-
United Biscuits (UK) Ltd.	38.137	-	53.996	-	12.315	942
Teközel Gıda T. Sağ. Mrk. Hiz. San. Tic. A.Ş.	4.522	-	38.642	-	46.952	-
Misbis Gıda San. Tic. A.Ş.	-	-	-	-	1.991	1.619
Other	122.635	627	26.660	428	10.627	367
	1.564.689	**627**	**534.993**	**428**	**587.415**	**5.845**

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.

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

	31 December 2018	31 December 2017	31 December 2016
Önem Gıda San. ve Tic. A.Ş.	36.368	97.094	78.047
	36.368	**97.094**	**78.047**

c) The detail of payables to related parties is as follows:

	31 December 2018	31 December 2017	31 December 2016
Trade payables	520.308	353.465	341.189
Non-trade payables	1.177	240.809	825.730
	521.485	**594.274**	**1.166.919**

(Amounts expressed in thousand Turkish Lira (TL) unless otherwise stated.)

34. BALANCES AND TRANSACTIONS WITH RELATED PARTIES (cont'd)

The detail of payables to related parties is as follows:

	31 December 2018		31 December 2017		31 December 2016	
	Trade	**Non-Trade**	**Trade**	**Non-Trade**	**Trade**	**Non-Trade**
Principle Shareholder						
Yıldız Holding A.Ş.	61.240	-	18.797	-	12.886	-
Other Companies Controlled by the Principle Shareholder						
Önem Gıda San. ve Tic. A.Ş.	244.060	-	214.662	-	226.852	-
Besler Gıda ve Kimya San. ve Tic. A.Ş.	65.178	-	58.383	-	56.675	-
United Biscuits (UK) Ltd.	42.619	922	12.174	240.680	-	799.842
Adapazarı Şeker Fabrikası A.Ş.	38.251	-	-	-	-	-
Marsa Yağ San. ve Tic. A.Ş.	25.298	-	20.017	-	15.411	-
CCC Gıda San. ve Tic. A.Ş.	14.660	-	14.022	-	10.409	-
Other	29.002	255	15.410	129	18.956	25.888
	520.308	**1.177**	**353.465**	**240.809**	**341.189**	**825.730**

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

	31 December 2018	31 December 2017	31 December 2016
Yıldız Holding A.Ş.	19.455	30.094	30.629
	19.455	**30.094**	**30.629**

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

	2018		2017	
	Purchases	**Sales**	**Purchases**	**Sales**
Other Companies Controlled by the Principle Shareholder				
Önem Gıda San. ve Tic. A.Ş.	1.103.034	412	1.218.298	-
Besler Gıda ve Kimya San. ve Tic. A.Ş.	245.588	2.370	219.385	13
United Biscuits (UK) Ltd.	79.876	95.254	60.070	71.535
Marsa Yağ San. ve Tic. A.Ş.	76.057	-	59.996	100
Pendik Nişasta San. A.Ş.	49.475	-	51.864	-
CCC Gıda San. ve Tic. A.Ş.	27.459	1.023	29.352	320
Horizon Hızlı Tük. Ür. Paz. Sat. ve Tic. A.Ş.	2.217	2.351.287	2.756	1.962.176
Teközel Gıda Tem. Sağ. Mark. Hizm. A.Ş.	226	37.019	17	109.132
Pasifik Tüketim Ürünleri Satış ve Tic. A.Ş.	-	1.059.082	221	1.019.176
Yeni Teközel Markalı Ürünler Dağıtım Hizmetleri A.Ş.	-	151.301	-	-
Other	97.909	285.553	17.871	136.163
	1.681.841	**3.983.301**	**1.659.830**	**3.298.615**

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

(Amounts expressed in thousand Turkish Lira (TL) unless otherwise stated.)

34. BALANCES AND TRANSACTIONS WITH RELATED PARTIES (cont'd)

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

For the twelve month period ended 31 December 2018:

	Rent Income/(Expense)	**Service Income/(Expense)**	**Interest and Foreign Exchange Income/(Expense)**
Principle Shareholder			
Yıldız Holding A.Ş.	(703)	(154.944)	368.198
Other Companies Controlled by the Principle Shareholder			
Besler Gıda ve Kimya San. Ve Tic. A.Ş.	-	3	(1.916)
Hüner Pazarlama San. ve Tic. A.Ş.	-	68	-
Horizon Hızlı Tük. Ür. Paz. Sat. ve Tic. A.Ş.	15	(19.495)	41.916
Önem Gıda San. ve Tic. A.Ş.	2.727	(33.433)	4.658
Pasifik Tüketim Ürünleri Satış ve Tic. A.Ş.	104	(19.688)	17.160
İzsal Gayrimenkul Geliştirme A.Ş.	(1.778)	(1.738)	-
United Biscuits (UK) Ltd.	-	(5.125)	1.256
CCC Gıda San. ve Tic. A.Ş.	(124)	(54)	(8.650)
Other	666	(1.174)	16.739
	907	**(235.580)**	**439.361**

For the twelve month period ended 31 December 2017:

	Rent Income/ (Expense)	**Service Income/ (Expense)**	**Interest and Foreign Exchange Income/(Expense)**
Principle Shareholder			
Yıldız Holding A.Ş.	(57)	(132.844)	438.546
Other Companies Controlled by the Principle Shareholder			
Önem Gıda San. ve Tic. A.Ş.	2.075	(34.364)	2.616
Pasifik Tüketim Ürünleri Satış ve Tic. A.Ş.	153	(13.811)	-
Horizon Hızlı Tük. Ür. Paz. Sat. ve Tic. A.Ş.	16	(11.820)	(549)
United Biscuits (UK) Ltd.	19	(4.186)	(350)
İzsal Gayrimenkul Geliştirme A.Ş.	(1.408)	(987)	-
Hüner Pazarlama San. ve Tic. A.Ş.	225	(35)	-
Marsa Yağ San. ve Tic. A.Ş.	8	(26)	(119)
CCC Gıda San. ve Tic. A.Ş.	-	258	-
Besler Gıda ve Kimya San. ve Tic. A.Ş.	-	291	(42)
Other	(141)	(1.799)	9.448
	890	**(199.323)**	**449.550**

(Amounts expressed in thousand Turkish Lira (TL) unless otherwise stated.)

34. BALANCES AND TRANSACTIONS WITH RELATED PARTIES (cont'd)

f) Benefits provided to members of BOD and key management personnel:

	31 December 2018	31 December 2017
Fees and other short term benefits	26.221	20.404
	26.221	**20.404**

35. NATURE AND LEVEL OF RISKS DERIVED FROM FINANCIAL INSTRUMENT

Additional Information on Financial Instruments

(a) 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 7, cash and cash equivalents disclosed in Note 5 and equity attributable to equity holders of the parent, comprising issued capital, reserves and retained earnings as disclosed in Note 24.
.
The management of the Group considers the cost of capital and the risks associated with each class of capital. The management of the Group aims to balance its overall capital structure through the payment of dividends, new share issues and the issue of new debt or the redemption of existing debt.

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

Net liability / Total capital ratio as of 31 December 2018 and 2017 are as follows:

	31 December 2018	31 December 2017
Total financial liabilities	5.246.303	4.550.784
Negative: cash & cash equivalent	(3.378.761)	(3.189.865)
Negative: financial derivatives instruments	(323.087)	(55.912)
Net liabilities	1.544.455	1.305.007
Total shareholders' equity	3.679.732	2.563.537
Total capital	5.224.187	3.868.544
Net liabilities/total capital ratio	30%	34%

b) Financial Risk Factors

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

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

(Amounts expressed in thousand Turkish Lira (TL) unless otherwise stated.)

35. NATURE AND LEVEL OF RISKS DERIVED FROM FINANCIAL INSTRUMENTS (cont'd)

(b) -1 Credit Risk Management

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

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

(Amounts expressed in thousand Turkish Lira (TL) unless otherwise stated.)

35. NATURE AND LEVEL OF RISKS DERIVED FROM FINANCIAL INSTRUMENTS (cont'd)

(b) -1 Credit Risk Management

Credit Risk of Financial Instruments	**Receivables**					
	Trade Receivables		**Other Receivables**			
2017	**Related Party**	**Third Party**	**Related Party**	**Third Party**	**Deposit in Bank**	**Derivative Instruments**
Maximum net credit risk as of balance sheet date (*)	534.993	241.929	428	23.997	3.189.043	55.912
- The part of maximum risk under guarantee with collateral etc (**)	-	1.454	-	-	-	-
A. Net book value of financial assets that are neither past due nor impaired	502.156	232.674	428	23.997	3.189.043	55.912
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	32.837	9.255	-	-	-	-
- The part under guarantee with collateral etc	-	-	-	-	-	-
D. Net book value of impaired assets	-	-	-	-	-	-
- Past due (gross carrying amount)	-	8.212	-	-	-	-
- Impairment (-)	-	(8.212)	-	-	-	-
- The part of net value under guarantee with collateral etc	-	-	-	-	-	-
- Not past due (gross carrying amount)	-	-	-	-	-	-
- Impairment (-)	-	-	-	-	-	-
- The part of net value under guarantee with collateral etc	-	-	-	-	-	-
E. Off-balance sheet items with credit risk	-	-	-	-	-	-

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

(Amounts expressed in thousand Turkish Lira (TL) unless otherwise stated.)

35. NATURE AND LEVEL OF RISKS DERIVED FROM FINANCIAL INSTRUMENTS (cont'd)

Credit Risk of Financial Instruments	**Receivables**					
	Trade Receivables		**Other Receivables**			
2016	**Related Party**	**Third Party**	**Related Party**	**Third Party**	**Deposit in Bank**	**Derivative Instruments**
Maximum net credit risk as of balance sheet date (*)	587.415	175.851	5.845	20.987	2.286.627	-
- The part of maximum risk under guarantee with collateral etc (**)	-	113.253	-	-	-	-
A. Net book value of financial assets that are neither past due nor impaired	578.461	167.154	5.845	20.987	2.286.627	-
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	8.954	8.649	-	-	-	-
- The part under guarantee with collateral etc	-	109	-	-	-	-
D. Net book value of impaired assets	-	48	-	-	-	-
- Past due (gross carrying amount)	-	7.308	-	-	-	-
- Impairment (-)	-	(7.260)	-	-	-	-
- The part of net value under guarantee with collateral etc	-	48	-	-	-	-
- Not past due (gross carrying amount)	-	-	-	-	-	-
- Impairment (-)	-	-	-	-	-	-
- The part of net value under guarantee with collateral etc	-	-	-	-	-	-
E. Off-balance sheet items with credit risk	-	-	-	-	-	-

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

(Amounts expressed in thousand Turkish Lira (TL) unless otherwise stated.)

35. NATURE AND LEVEL OF RISKS DERIVED FROM FINANCIAL INSTRUMENTS (cont'd)

Aging of overdue receivables as of 31 December 2018, 2017 and 2016 is as follows:

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

	Receivables		
31 December 2017	**Trade Receivables**	**Other Receivables**	**Total Receivables**
Overdue between 1-30 days	24.286	-	24.286
Overdue between 1-3 months	8.412	-	8.412
Overdue between 3-12 months	8.344	-	8.344
Overdue between 1-5 years	1.050	-	1.050
Overdue more than 5 years	-	-	-
Total overdue receivables	**42.092**	**-**	**42.092**
The portion of under guarantee with collateral etc	**-**	**-**	**-**

	Receivables		
31 December 2016	**Trade Receivables**	**Other Receivables**	**Total Receivables**
Overdue between 1-30 days	8.445	-	8.445
Overdue between 1-3 months	1.109	-	1.109
Overdue between 3-12 months	5.993	-	5.993
Overdue between 1-5 years	2.056	-	2.056
Overdue more than 5 years	-	-	-
Total overdue receivables	**17.603**	**-**	**17.603**
The portion of under guarantee with collateral etc	**157**		**157**

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

	2018	**2017**	**2016**
	Fair Value	**Fair Value**	**Fair Value**
Guarantees Received	7.876	-	109
	7.876	-	109

(Amounts expressed in thousand Turkish Lira (TL) unless otherwise stated.)

35. NATURE AND LEVEL OF RISKS DERIVED FROM FINANCIAL INSTRUMENTS (cont'd)

Collaterals held for the trade receivables that are past due and impaired as of balance sheet date are as follows:

	2018	2017	2016
	Fair Value	Fair Value	Fair Value
Guarantees Received	-	-	48
	-	**-**	**48**

When one part of the financial instrument does not fulfill its obligations, that results in a financial loss risk to the Group and that risk is defined as credit risk. Group's credit risk is basically related to its trade receivables. The balance shown in the balance sheet is the net amount that is obtained when doubtful receivables are written off according to the Group management's previous experiences and current economic conditions. Group's non-trade receivables from related parties are mostly due to Yıldız Holding A.Ş.

(b) -2 Liquidity risk management

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

Liquidity risk charts

The following table presents payments of the Group's cash outflows for it's on-balance sheet financial liabilities according to remaining maturities as at 31 December 2018, 2017, 2016. 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 2018	**Carrying value**	**Total cash outflow according to contract (I +II+ III+IV)**	**Less than 3 months (I)**	**3-12 months (II)**	**1-5 years (III)**	**More than 5 years (IV)**
Non-derivative financial liabilities						
Bank borrowing	5.245.753	5.538.813	66.943	390.869	5.081.001	-
Financial lease liabilities	-	-	-	-	-	-
Trade payables	1.114.097	1.119.695	1.093.161	26.534	-	-
Other payables	6.808	6.808	6.808	-	-	-
Total liabilities	**6.366.658**	**6.665.316**	**1.166.912**	**417.403**	**5.081.001**	**-**
Derivative instruments (net)	**323.087**	**206.921**	**-**	**(37.638)**	**244.559**	**-**
Cash inflow regarding derivative instruments	811.248	853.155	-	41.656	811.499	-
Cash outflow regarding derivative instruments	(488.161)	(646.234)	-	(79.294)	(566.940)	-

The expected maturities are same as the maturities per contracts.

(Amounts expressed in thousand Turkish Lira (TL) unless otherwise stated.)

35. NATURE AND LEVEL OF RISKS DERIVED FROM FINANCIAL INSTRUMENTS (cont'd)

Contractual maturity analysis 2017	**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	4.310.403	4.751.139	187.817	714.637	3.801.431	47.254
Financial lease liabilities	-	-	-	-	-	-
Trade payables	945.326	952.057	881.901	62.131	8.025	-
Other payables	248.897	248.897	156.359	44.789	47.749	-
Total liabilities	**5.504.626**	**5.952.093**	**1.226.077**	**821.557**	**3.857.205**	**47.254**
Derivative instruments (net)	**55.912**	**(91.980)**	**-**	**(54.868)**	**(37.112)**	**-**
Cash inflow regarding derivative instruments	621.013	633.285	-	24.162	609.123	-
Cash outflow regarding derivative instruments	(565.101)	(725.265)	-	(79.030)	(646.235)	-

The expected maturities are same as the maturities per contracts.

Contractual maturity analysis 2016	**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	2.952.854	2.998.625	124.280	2.298.413	390.871	185.061
Financial lease liabilities	72	74	6	-	68	-
Trade payables	669.499	675.903	627.527	48.376	-	-
Other payables	832.735	832.735	8.431	190.907	633.397	-
Total liabilities	**4.455.160**	**4.507.337**	**760.244**	**2.537.696**	**1.024.336**	**185.061**
Derivative instruments (net)	**-**	**-**	**-**	**-**	**-**	**-**
Cash inflow regarding derivative instruments	-	-	-	-	-	-
Cash outflow regarding derivative instruments	-	-	-	-	-	-

35. NATURE AND LEVEL OF RISKS DERIVED FROM FINANCIAL INSTRUMENTS (cont'd)

(b)-3 Market Risk Management

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

Market risk management is also measured based on sensitivity analysis.

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

Foreign currency risk management

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

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

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

(Amounts expressed in thousand Turkish Lira (TL) unless otherwise stated.)

35. NATURE AND LEVEL OF RISKS DERIVED FROM FINANCIAL INSTRUMENTS (cont'd)

Foreign Currency Risk Management *(cont'd)*

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

	31 December 2018					
	TL	**USD**	**EUR**	**GBP**	**CHF**	**DKK**
1. Trade Receivables	229.628	27.963	13.209	435	-	-
2a. Monetary Financial Assets	4.006.762	760.408	897	139	-	-
2b. Non-Monetary Financial Assets	-	-	-	-	-	-
3. Other	7.016	729	520	7	-	-
4. CURRENT ASSETS	4.243.406	789.100	14.626	581	-	-
5. Trade Receivables	-	-	-	-	-	-
6a. Monetary Financial Assets	-	-	-	-	-	-
6b. Non-Monetary Financial Assets	-	-	-	-	-	-
7. Other	8.050	26	1.305	7	-	-
8. NON-CURRENT ASSETS	**8.050**	**26**	**1.305**	**7**	**-**	**-**
9. TOTAL ASSETS	**4.251.456**	**789.126**	**15.931**	**588**	**-**	**-**
10. Trade Payables	140.448	17.050	7.741	571	54	-
11. Financial Liabilities	412.958	22.516	48.856	-	-	-
12a. Other Monetary Financial Liabilities	687	87	38	-	-	-
12b. Other Non-monetary Financial Liabilities	32.469	5.534	370	169	-	-
13. CURRENT LIABILITIES	**586.562**	**45.187**	**57.005**	**740**	**54**	**-**
14. Trade Payables	-	-	-	-	-	-
15. Financial Liabilities	4.540.820	235.344	547.893	-	-	-
16a. Other Monetary Financial Liabilities	-	-	-	-	-	-
16b. Other Non-monetary Financial Liabilities	-	-	-	-	-	-
17. NON-CURRENT LIABILITIES	**4.540.820**	**235.344**	**547.893**	**-**	**-**	**-**
18. TOTAL LIABILITIES	**5.127.382**	**280.531**	**604.898**	**740**	**54**	**-**
19. Net Assets of Off Statement of Financial Position (19a-19b)	**791.104**	**116.000**	**30.000**	**-**	**-**	**-**
19a. Net Assets of Off Statement of Financial Position	-	-	-	-	-	-
19b. Net Liabilities of Off Statement of Financial Position	(791.104)	(116.000)	(30.000)	-	-	-
20. Net Foreign Currency Asset / (Liability) Position (9-18+19)	**(84.822)**	**624.595**	**(558.967)**	**(152)**	**(54)**	**-**
21. Monetary Items Net Foreign Currency Asset / (Liability) Position (1+2a+5+6a-10-11-12a-14-15-16a)	**(858.523)**	**513.374**	**(590.422)**	**3**	**(54)**	**-**
22. Total Fair Value of Financial Instruments Used to Hedge the Foreign Currency Position	323.087	46.390	13.111	-	-	-
23. Total value of Hedged Foreign Currency Assets	-	-	-	-	-	-
24. Total value of Hedged Foreign Currency Liabilities	-	-	-	-	-	-

(Amounts expressed in thousand Turkish Lira (TL) unless otherwise stated.)

35. NATURE AND LEVEL OF RISKS DERIVED FROM FINANCIAL INSTRUMENTS (cont'd)

Foreign Currency Risk Management *(cont'd)*

	31 December 2017					
	TL	**USD**	**EUR**	**GBP**	**CHF**	**DKK**
1. Trade Receivables	132.011	21.554	10.381	755	-	-
2a. Monetary Financial Assets	3.310.275	326.807	459.479	542	13	17
2b. Non-Monetary Financial Assets	-	-	-	-	-	-
3. Other	6.490	1.078	530	6	-	-
4. CURRENT ASSETS	**3.448.776**	**349.439**	**470.390**	**1.303**	**13**	**17**
5. Trade Receivables	-	-	-	-	-	-
6a. Monetary Financial Assets	98	26	-	-	-	-
6b. Non-Monetary Financial Assets	-	-	-	-	-	-
7. Other	70.374	1.060	14.665	5	34	-
8. NON-CURRENT ASSETS	**70.472**	**1.086**	**14.665**	**5**	**34**	**-**
9. TOTAL ASSETS	**3.519.248**	**350.525**	**485.055**	**1.308**	**47**	**17**
10. Trade Payables	109.811	17.879	8.808	455	75	-
11. Financial Liabilities	509.492	57.076	65.155	-	-	-
12a. Other Monetary Financial Liabilities	10.142	-	2.246	-	-	-
12b. Other Non-monetary Financial Liabilities	14.076	2.691	218	579	-	-
13. CURRENT LIABILITIES	**643.521**	**77.646**	**76.427**	**1.034**	**75**	**-**
14. Trade Payables	-	-	-	-	-	-
15. Financial Liabilities	3.199.995	236.377	511.218	-	-	-
16a. Other Monetary Financial Liabilities	-	-	-	-	-	-
16b. Other Non-monetary Financial Liabilities	-	-	-	-	-	-
17. NON-CURRENT LIABILITIES	**3.199.995**	**236.377**	**511.218**	**-**	**-**	**-**
18. TOTAL LIABILITIES	**3.843.516**	**314.023**	**587.645**	**1.034**	**75**	**-**
19. Net Assets of Off Statement of Financial Position (19a-19b)	**573.005**	**116.000**	**30.000**	**-**	**-**	**-**
19a. Net Assets of Off Statement of Financial Position	-	-	-	-	-	-
19b. Net Liabilities of Off Statement of Financial Position	(573.005)	(116.000)	(30.000)	-	-	-
20. Net Foreign Currency Asset / (Liability) Position (9-18+19)	**248.737**	**152.502**	**(72.590)**	**274**	**(28)**	**17**
21. Monetary Items Net Foreign Currency Asset / (Liability) Position (1+2a+5+6a-10-11-12a-14-15-16a)	**(387.056)**	**37.055**	**(117.567)**	**842**	**(62)**	**17**
22. Total Fair Value of Financial Instruments Used to Hedge the Foreign Currency Position	55.912	9.052	4.821	-	-	-
23. Total value of Hedged Foreign Currency Assets	-	-	-	-	-	-
24. Total value of Hedged Foreign Currency Liabilities	-	-	-	-	-	-

(Amounts expressed in thousand Turkish Lira (TL) unless otherwise stated.)

35. NATURE AND LEVEL OF RISKS DERIVED FROM FINANCIAL INSTRUMENTS (cont'd)

Foreign Currency Risk Management *(cont'd)*

	31 December 2016					
	TL	**USD**	**EUR**	**GBP**	**CHF**	**DKK**
1. Trade Receivable	131.483	22.826	12.915	750	-	-
2a. Monetary Financial Assets	2.370.946	474.047	188.978	344	29	14
2b. Non-Monetary Financial Assets	-	-	-	-	-	-
3. Other	3.297	610	309	-	-	-
4. CURRENT ASSETS	**2.505.726**	**497.483**	**202.202**	**1.094**	**29**	**14**
5. Trade Receivable	-	-	-	-	-	-
6a. Monetary Financial Assets	-	-	-	-	-	-
6b. Non-Monetary Financial Assets	-	-	-	-	-	-
7. Other	11.365	1.113	1.984	5	19	-
8. NON-CURRENT ASSETS	**11.365**	**1.113**	**1.984**	**5**	**19**	**-**
9. TOTAL ASSETS	**2.517.091**	**498.596**	**204.187**	**1.099**	**48**	**14**
10. Trade Payables	127.316	25.048	10.228	272	14	-
11. Financial Liabilities	2.332.245	432.701	218.195	-	-	-
12a. Other Monetary Financial Liabilities	33.175	756	7.372	733	-	-
12b. Other Non-Monetary Financial Liabilities	16.036	3.730	782	2	-	-
13. CURRENT LIABILITIES	**2.508.772**	**462.235**	**236.577**	**1.007**	**14**	**-**
14. Trade Payables	-	-	-	-	-	-
15. Financial Liabilities	276.724	2.267	72.440	-	-	-
16a. Other Monetary Financial Liabilities	559.605	159.015	-	-	-	-
16b. Other Non-Monetary Financial Liabilities	-	-	-	-	-	-
17. NON-CURRENT LIABILITIES	**836.329**	**161.282**	**72.440**	**-**	**-**	**-**
18. TOTAL LIABILITIES	**3.345.101**	**623.517**	**309.017**	**1.007**	**14**	**-**
19. Net Assets of Off Statement of Financial Position (19a-19b)	**-**	**-**	**-**	**-**	**-**	**-**
19a. Net Assets of Off Statement of Financial Position	-	-	-	-	-	-
19b. Net Liaibilities of Off Statement Financial Position	-	-	-	-	-	-
20. Net Foreign Currency Asset / (Liability) Position (9-18+19)	**(828.010)**	**(124.921)**	**(104.830)**	**92**	**34**	**14**
21. Monetary Items Net Foreign Currency Asset / (Liability) Position (1+2a+5+6a-10-11-12a-14-15-16a)	**(826.636)**	**(122.914)**	**(106.342)**	**89**	**15**	**14**
22. Total Fair Value of Financial Instruments Used to Hedge the Foreign Currency Position	-	-	-	-	-	-
23. Total value of Hedged Foreign CurrencyAssets	-	-	-	-	-	-
24. Total value of Hedged Foreign Currency Liabilities	-	-	-	-	-	-

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

	1 January – 31 December2018	**1 January – 31 December 2017**
Total exports	1.301.496	1.024.195
Total imports	337.083	351.784

(Amounts expressed in thousand Turkish Lira (TL) unless otherwise stated.)

35. NATURE AND LEVEL OF RISKS DERIVED FROM FINANCIAL INSTRUMENTS (cont'd)

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 2018		**31 December 2017**	
	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	331.107	(331.107)	6.940	(6.940)
2- Part of hedged from US Dollar risk (-)				
3- US Dollar net effect (1 +2)	**331.107**	**(331.107)**	**6.940**	**(6.940)**
In case of %10 appreciation of EUR against EUR				
4 -Euro net asset / liability	(337.822)	337.822	8.191	(8.191)
5 - Part of hedged from Euro risk (-)				
6- Euro net effect (4+5)	**(337.822)**	**337.822**	**8.191**	**(8.191)**
Total (3 + 6)	**(6.715)**	**6.715**	**15.131**	**(15.131)**

(b) -3.2 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:

(Amounts expressed in thousand Turkish Lira (TL) unless otherwise stated.)

35. NATURE AND LEVEL OF RISKS DERIVED FROM FINANCIAL INSTRUMENTS (cont'd)

Net income of the Group would have been decreased by TL 1.498 thousand (Net profit in 2017 would have been decreased by TL 2.427 thousand). This is mainly attributable to the Group's exposure to interest rates on its variable rate borrowings.
In case of 1% decrease in Libor/Euribor interest rate, the net profit of the Group for the current period would have increased by TL 1.498 thousand (Net profit in 2017 would have been increased by TL 2.431 thousand)

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

Fixed interest rate financial instruments		**31 December 2018**	**31 December 2017**	**31 December 2016**
Financial Assets	Cash and Cash Equivalents	2.666.312	3.115.118	2.231.238
	Non-trade receivables from related parties	-	-	-
	Other Receivables	38.788	23.997	20.987
Financial Liabilities	Borrowings	809.967	1.029.236	1.362.668
	Loan Payables due to Related Parties	-	-	-
	Other payables to Related Parties	-	-	-
	Financial lease payables	-	-	72
	Other Payables	5.631	8.088	7.005
Floating interest rate financial instruments				
Financial Assets	Non-trade receivables from related parties	627	428	5.845
	Other Receivables	-	-	-
Financial Liabilities	Borrowings	4.416.331	3.251.073	1.559.557
	Loan Payables due to Related Parties	19.455	30.094	30.629
	Loan Payables due to Third Parties	1.177	240.809	825.730

(b) -3.3 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.

(b) -3.4 Equity investments price sensitivity

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

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

As of 31 December 2018, as long as the equity investment are classified as available for sale and not disposed of or they are not impaired the net profit/loss will not be affected.

(Amounts expressed in thousand Turkish Lira (TL) unless otherwise stated.)

36. FINANCIAL INSTRUMENTS

The management of Groups considers that the carrying values of the financial assets reflect their fair values.

Fair Value of Financial Assets

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

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

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

		Fair value hierarchy as of reporting date		
Financial assets	**31 December 2018**	**Level 1 TL**	**Level 2 TL**	**Level 3 TL**
Financial assets at fair value through profit and loss				
- Shares	702	702	-	-
Financial assets at fair value through comprehensive income statement				
- Shares	1.340.021	-	1.340.021	-
- Derivative instruments	323.087	-	323.087	-
- Land and Buildings	1.066.991	-	1.066.991	-
Total	**2.730.801**	**702**	**2.730.099**	**-**

(Amounts expressed in thousand Turkish Lira (TL) unless otherwise stated.)

36. FINANCIAL INSTRUMENTS (cont'd)

		Fair value hierarchy as of reporting date		
Financial assets	**31 December 2017**	**Level 1 TL**	**Level 2 TL**	**Level 3 TL**
Financial assets at fair value through finansal profit and loss				
- Shares	619	619	-	-
Financial assets at fair value through comprehensive income statement				
- Shares	980.932	46.649	934.283	-
- Derivatives Instruments	55.912	-	55.912	-
- Land and Buildings	1.044.804	-	1.044.804	-
Total	**2.082.267**	**47.268**	**2.034.999**	**-**

		Fair value hierarchy as of reporting date		
Financial liabilities	**31 December 2016**	**Level 1 TL**	**Level 2 TL**	**Level 3 TL**
Financial assets at fair value through comprehensive income statement				
- Shares	755	755	-	-
Financial assets at fair value through comprehensive income statement				
- Shares	928.600	29.361	899.239	-
- Land and Buildings	-	-	-	-
Total	**929.355**	**30.116**	**899.239**	**-**

37. EVENTS AFTER THE BALANCE SHEET DATE

Godiva Belgium of which 19,23% shares owned by Ülker, signed an engagement letter with MBK Partners in the matter of sales of the operations in Japan, Korea, Australia and New Zealand along with indefinite right of usage of Godiva brand within the aforementioned territory, and dispose of the factory located in Belgium including its machineries and equipment.

ÜLKER