



From happy moments to sustainable success

Annual Report 2022

ÜLKER

Table of Contents

00 Ülker Bisküvi in 2022

From the Management

00 Message from the Chairman of the Board

00 Message from the CEO

About Ülker Bisküvi

00 About pladis

00 Key Financial and Operational Indicators

00 Sales Volume and Revenue Growth

00 Capital Structure

00 Ülker Bisküvi Production Facilities

00 Our Strategies

00 Investor Relations

Activities in 2022

00 Current Economic Outlook, Global and Turkish Food Industries

00 Marketing

00 Production and Capacity

00 Operational Excellence

00 Quality Assurance

00 Investments

00 Subsidiaries and Financial Investments

00 Sustainability

00 Human Resources

00 Research, Development and Innovation

00 Social Responsibility

Corporate Governance and Risk Management

00 Corporate Governance Principles Compliance Report

00 Declaration of Compliance to Sustainability Principles

00 Sustainability Principles Compliance Framework

00 Risk Management

00 Other Issues Regarding Company Operations

00 Statement of Responsibility Regarding the Annual Report

00 Subsidiary Company Report Results

00 Independent Audit Report

Financial Information

00 Consolidated Financial Statements and Independent Audit Report
for the Accounting Period January 1 - December 31, 2022





Constant taste Happiness for generations

With the pride of being born in these lands and as a brand that adapts to the development of the society where we are rooted, we represent tradition and the future together. From the day we were founded, we have accompanied happy moments; we have earned a place in the hearts of communities as a trustworthy and caring brand that is part of the family.

In line with our “**Make happy, be happy**” approach, we consider sustainability integral to our business.

We strive to develop and grow together with our stakeholders throughout the entire value chain. Always looking for the best and the newest, we fulfil the promise of quality production for consumers and we assume leadership in the sector with an innovation-oriented approach.

A photograph of two young men playing in the rain. The man on the left is wearing a blue t-shirt and a dark blue puffer vest, with his arms outstretched. The man on the right is wearing a plaid shirt and is laughing with his head tilted back. They are both holding small yellow objects, possibly candy or small toys, in their hands. The background is a lush green tree, and the rain is visible as white streaks throughout the scene.

A happier world **with fertile soil**

While ensuring continuity of production through the resources offered to us by nature, we are aware that these resources must be utilized efficiently. In this direction, we define our relationship with the environment as a “contribution to a happier and more livable world”. We combat the effects of the climate crisis with carbon-neutral practices, sustainable raw material supply, water, energy and waste management, and zero waste efforts.





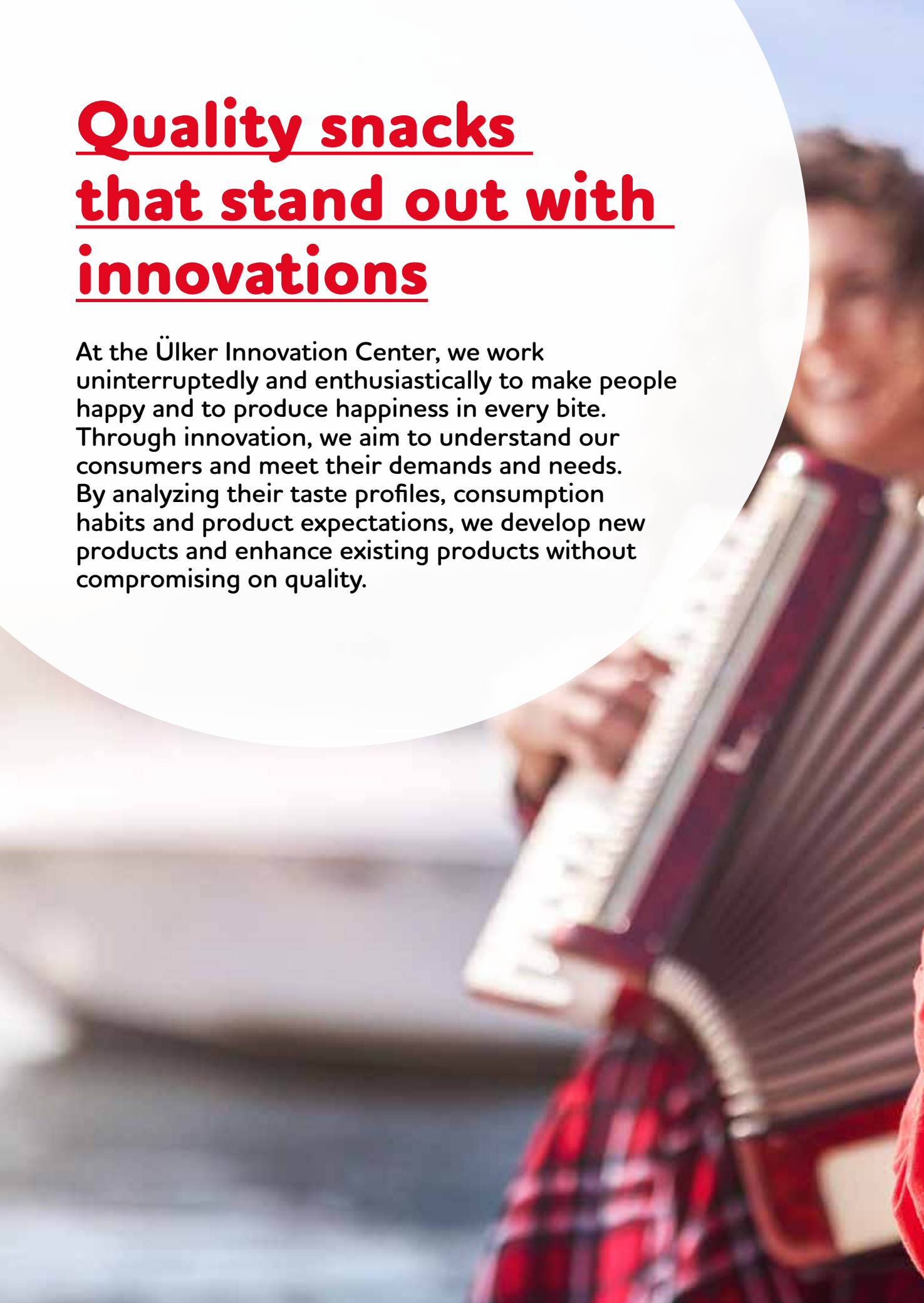


Highly efficient values with local gains

With our transformative power in the sector, we address the entire value chain in our targets. In our production processes, we carry out activities for the benefit of all our stakeholders. As a result of our activities supporting the responsible and sustainable production of raw materials, we continue to benefit our value chain by providing Turkey with Aliğa Biscuit Wheat, which is local, national, resistant to climate change, highly efficient and high quality.

Quality snacks that stand out with innovations

At the Ülker Innovation Center, we work uninterruptedly and enthusiastically to make people happy and to produce happiness in every bite. Through innovation, we aim to understand our consumers and meet their demands and needs. By analyzing their taste profiles, consumption habits and product expectations, we develop new products and enhance existing products without compromising on quality.









Digitalizing steps by adapting to the era

Our digitalization journey continues as we move our R&D activities into a digital environment. We keep our experience, technical know-how and literature studies in the digital environment, ensuring easy access for our R&D teams. We also conduct numerous activities in the digital environment, including raw material and final product approval processes and the management of R&D laboratory trials. To increase the effectiveness of our efforts, we provide training to R&D employees within the scope of the R&D Academy.



We closely follow our consumers' expectations

We consistently strive to adopt optimal lifestyle habits in society by closely following changes in consumers' expectations and eating habits. We reduce sugar, fat and salt ratios, increase nutrient-rich, high-fiber ingredients, and diversify products that promote portion control. We are taking firm steps towards our goal of reducing the amount of fat, salt and sugar used in all product categories.





A woman with long dark hair and sunglasses on her head is smiling in a park setting with lush green trees in the background. In the foreground, a hand in a black sleeve holds a black leather handbag. A large white circular graphic is overlaid on the bottom right of the image, containing the main text.

Balanced working environment with equal opportunities

We strive to provide the same happiness among our employees that we desire for society. We conduct activities to promote equality of social opportunity and raise awareness. We offer our employees a working environment where they feel healthy and safe, and in which human rights are respected and equal opportunities and diversity are supported. We grow stronger together with our colleagues by promoting their happiness and satisfaction.

Ülker Bisküvi in 2022

January



- Ülker became the only Turkish food company to be included in the S&P Global ESG 2021 Index, which evaluates the sustainability performance of companies from around the world.

February

S&P Global

- For the second time Ülker was included in S&P Global's "Corporate Sustainability Assessment" list, which measures the performance of companies from all over the world, and again became the only Turkish company in the food products category.

March



- Ece Çikolata, the leading product of Ülker's gift chocolates portfolio, reached its consumers with personalized Ülker Ece boxes thanks to a campaign organized.

August



- Ülker Children's Workshop on Sustainability was organized.

September



- Ülker Chocolate Wafer, one of the iconic flavors of Ülker and the crispiest wafer in Turkey, gave the message "You can't find anyone who does not like Ülker Chocolate Wafer" to its fans with the new commercial film.

October



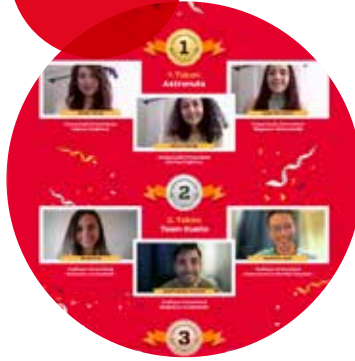
- Aliğa Biscuit Wheat met Ülker products.
- Ülker Bisküvi won the Sustainable Business Awards with its "Beyond Cocoa" project.

April



- Ülker's new snack brand "Kanky" took its place on the shelves.
- The "Ülker Danke Magma" legend is back.
- Ülker welcomed Eid al-Fitr with 50 different products.

May



- 4,320 students competed for Ülker Çökonat in bizz@kampüs, a competition of innovative marketing ideas for Ülker's most popular brands.

July



- Ülker reached homes with 53 different products on Feast of Sacrifice.

November



- Traditional Make Happy Be Happy Day was celebrated.

December



- Ülker and Yıldız Technical University signed an R&D cooperation agreement.

Message from the Chairman of the Board

Ülker Bisküvi continued to contribute to our country with ever-increasing production, exports, employment and investments.

Dear Stakeholders,

We left behind a year in which economic uncertainties and geopolitical risks heightened throughout the world. The year 2022 will be remembered as one in which these risks adversely affected global supply chains and energy supplies, and many regions of the world struggled with the threat of economic stagnation.

Ülker Bisküvi continued to contribute to Turkey. Even during the periods of uncertainty, the Company steadily increased its production, exports, employment and investments, while maintaining its financial strength through a comprehensive risk management and preparedness structure.

While its facilities in Turkey continue to serve as the production and export base of the snacks business, the Company's global branded products, produced in factories located in Gebze, Topkapı, Silivri, Karaman and Ankara, were delivered to consumers all over the world. Ülker Bisküvi further improved its strong position in markets such as Saudi Arabia, Egypt and Kazakhstan, in the Middle East, North Africa and Central Asia regions, respectively.

In line with growth targets, innovative projects were carried out under the headings of R&D, innovation and digitalization. Placing sustainability efforts at the center of its business, Ülker Bisküvi left behind a successful year in this arena as well. Determining a sustainability road map in line with the United Nations Sustainable Development model, projects were launched to achieve long-term goals. An important step was taken in the Aliğa Biscuit Wheat project, which also plays an important role in terms of the continuity of sustainable raw material supply, and in 2022, Ülker products containing flour from Aliğa Biscuit Wheat hit the shelves.

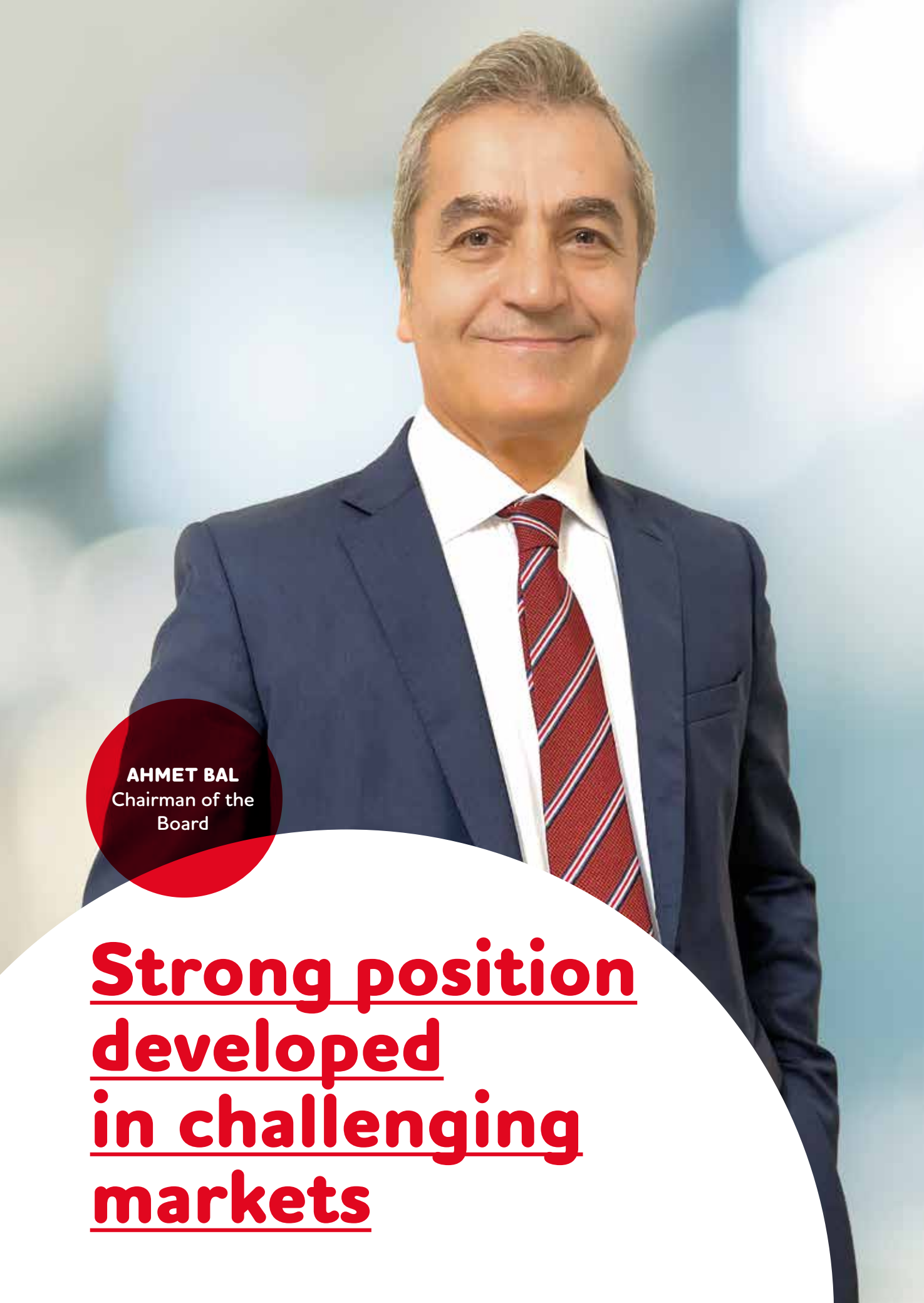
With the strength derived from its leadership and brands, Ülker Bisküvi is working steadfastly to achieve even greater goals in this 100th anniversary of the Republic of Turkey. I would like to extend my sincere thanks to my fellow executives and colleagues, who have wholeheartedly supported Ülker Bisküvi on its growth journey.

AHMET BAL
CHAIRMAN OF THE BOARD



Innovative projects continued

In line with growth targets, innovative projects were conducted under the headings of R&D, innovation and digitalization.

A portrait of Ahmet Bal, a middle-aged man with grey hair, wearing a dark blue suit, white shirt, and a red tie with diagonal stripes. He is smiling slightly and looking towards the camera. The background is a blurred office setting with blue and white tones.

AHMET BAL
Chairman of the
Board

**Strong position
developed
in challenging
markets**

Message from the CEO

As Ülker Bisküvi, our Company grew and contributed to Turkey's sustainable development vision, reinforced by the strength of our agile management approach.

Dear Stakeholders,

Although we welcomed 2022 with relatively optimistic expectations due to positive developments with regard to the pandemic, the year delivered new and unexpected challenges to the world. Problems, especially in the supply chain, negatively impacted many sectors worldwide. On the other hand, we saw radical measures taken in national economies to combat global inflation.

As Ülker Bisküvi, we grew our Company and contributed to Turkey's sustainable development vision, reinforced by the strength of our agile management approach. In 2022, we continued to represent Turkey in different countries around the world, fortified by the strong bond that the Ülker brand has established with its consumers and our promise of happiness to the whole world in every bite. We delivered our products, which have been consumed with great appreciation in Turkey and abroad for years, to millions of people. With the advantage of our widespread distribution network, we swiftly met our consumers' product demands and enriched our portfolio with new flavors via our innovations.

Our turnover reached TL 28 billion

We focus on the consumer at every step. We strive to constantly improve our production, supply and logistics infrastructure, and consistently expand our investments in R&D, innovation, digitalization and sustainability. The success we achieved under these headings had a positive impact on the Company's growth figures. Last year, our turnover reached TL 28.2 billion and our consolidated EBITDA margin was 19.4%. Turkey operations accounted for 62% of our turnover, while export and international operations accounted for 38% of our turnover. The share of international operational profitability in total operational profitability was 41%. Our market leadership in the biscuit category in Saudi

Arabia and Egypt continues. We are also ranked third in the chocolate category in Kazakhstan. In Turkey, we maintain strong leadership in the total snacks category, with a 35% share.

Turkey is the center of export and production

We continue to improve our product diversity in the snacks industry with innovative offerings and our Bakery Products and Chocolate R&D Centers continued to generate creative and attractive options. By utilizing the advantage provided by our expanding R&D investments, we presented new, trend-creating brands aligned with the preferences of our consumers. In 2022, we launched 83 new products in different categories for the domestic and international markets. We introduced 67 new products to consumers in the domestic market with launches such as Hanimeller Turkish Shortbread, White Chocolate Halley, Dido Latte, Çokonat Spreadable Chocolate, Çizi Çıtır, and a new line of Kanky branded children's products. In the R&D field, we signed a cooperation agreement with the Technology Transfer Office (TTO) of Yıldız Technical University and the Food Engineering Department. We became a platinum member of the Food Innovation Platform of Turkey (TÜGİP), established by TÜBİTAK MAM within the scope of the INNOFOOD project funded by the European Union and the Ministry of Industry and Technology of the Republic of Turkey. With this membership, we will participate in the TÜBİTAK research ecosystem and accelerate resulting R&D and innovation studies in conjunction with academia.

The highly advanced efficiency and production capabilities of our factories also provide us with a significant competitive advantage in the global sense. In addition to our Ülker-branded products, we also produce global snack brands such as Godiva, McVitie's and Flipz in Turkey and offer them to consumers across the world. In the snack business, we export to more than 100 countries, including the United States, England, China, Kenya, Australia, Madagascar, the Netherlands and Ghana.



METE BUYURGAN
CEO

**Maintaining a
strong position
in a challenging
period**

Message from the CEO

Ülker products obtained from Aliğa Biscuit Wheat, which plays an important role in the continuity of sustainable raw material supply, hit the shelves.

Our sustainability journey continues without interruption

Since the day we were founded, the Company has worked in line with a waste-free model. In 2022, we instituted extremely successful practices and improvements, from water and energy savings to sustainable raw material procurement, and from human resources to production quality. Since 2014, we have been growing without increasing our carbon emissions. We purchase raw materials, ingredients and services from local suppliers at the maximum level, thus both supporting local development and reducing logistics-related carbon emissions. Water efficiency, prevention of food waste, and sustainable raw material supply are key priorities for the Company in determining our sustainability projects. We continue efforts to gradually reduce water and energy consumption per unit of production every year, and aim to ensure that, by 2025, all plastic materials deployed at Ülker will be recyclable, reusable or compostable.

We became the main sponsor of SKD Turkey's Water Risks Project, which aims to analyze the impact of climate change on water resources and develop efficient irrigation strategies in agriculture. The project we lead will make a significant contribution to sustainability in agriculture and efficient use of water resources.



Main sponsor of the Water Risks Project

We became the main sponsor of SKD Turkey's Water Risks Project, which aims to analyze the impact of climate change on water resources and develop efficient irrigation strategies in agriculture.

In 2022, we continued to expand our Ülker Güzel Ülkem Ormanı (My Beautiful Country Forest) with saplings that we planted. We again supported the Geleceğe Nefes (Breath for the Future) sapling planting campaign, launched by the Ministry of Agriculture and Forestry in 2019, and planted 11 thousand saplings on November 11, National Afforestation Day. Our total number of saplings reached 101,500. We donated 50 thousand saplings to replace trees lost in the 2021 forest fires, and 5 thousand saplings towards forests across seven regions of Turkey on the occasion of the TEMA Foundation's 30th anniversary – 55 thousand saplings in total. More saplings will be planted in 2023.

We continued to rank high in the S&P Global ESG 2022 Index

In 2022, our steps regarding sustainability continued to be recognized on independent national and international platforms. Since 2015, we have been included in the Borsa Istanbul Sustainability Index. Through our sustainability efforts, we became the only Turkish food company to be evaluated in the ESG 2022 Index (Environmental, Social & Governance) prepared by the international rating agency S&P Global, which rates more than 10 thousand companies worldwide. Our score placed us in the top 4% of the 353 food-product companies evaluated worldwide. In 2022, we were pleased to raise our score in the Index, becoming one of the three highest scoring companies in the list from Turkey from different sectors. In 2022, we represented Turkey in five categories as the only Turkish company that made it to the finals of the Sustainability Leaders Awards. And, in 2023, we were also finalists in the Water, Waste and Resource Management category. At the Sustainable Business Awards 2022, we were deemed worthy of an award in the Collaboration - NGO category with the Beyond Cocoa project. Ülker's Sustainability Report was ranked among the best examples for the third time in SKD Turkey's Reporting Matters study. The Climate Disclosure Project (CDP), an international environmental reporting platform,

announced the results of the 2022 Climate Change and Water Security assessment. We were pleased to raise our score in this assessment by two notches to B.

We used Aliğa Biscuit Wheat in our products for the first time

Wheat, which forms the backbone of Ülker's raw material supply, is of strategic importance for us. In 2022, we took an exciting step in the Aliğa Biscuit Wheat project, which we launched in 2007 in partnership with Bahri Dağdaş International Agricultural Research Institute in order to develop wheat suitable for sustainable raw material supply and biscuit flour production. Products made with flour containing Aliğa Biscuit Wheat, which is cultivated on 80 thousand decares of land in the Ankara, Konya, Çankırı, Kırıkkale, Kırşehir, Yozgat, Kayseri, Eskişehir, Tekirdağ and Çorum provinces, hit the shelves for the first time. Additionally, we continued seed dissemination activities, as well as work on the Biscuit Wheat Development Program, with Bahri Dağdaş International Agricultural Research Institute, to obtain new biscuit wheat varieties.

Digitalization continues to be a priority

We are undertaking innovative projects in digitalization. We closely follow technology, especially IoT and Industry 4.0. At the IDC Turkey Future Enterprise Awards 2022, we were awarded first prize in the "Future of Connectivity" category with our 4.0 Transformation in Production project. We study the changing era, strengthen our waste-free company model and use IoT (Internet of Things) technology to ensure excellence in our processes. We closely monitor supply chain processes from end to end, as well as consumer behavior and trends. We continue to work on efficiency via digitalization projects. Digitalization is one of our priorities, and we continue activities in this field to further establish it in all our business processes, from production to HR, performance management, sales and supplier management, and, indeed, throughout our entire ecosystem.

Our achievements were crowned with awards

The services and projects we implemented for our consumers, customers and stakeholders were also recognized by national and international organizations. The Ülker Chocolate Wafer Extra campaign won the Bronze Effie at Effie Turkey 2022. The Dido Trio, Altınbaşak Blackseed & Quinoa, Ülker Chocolate White and Dankek Tart Cake products were ranked among the best innovations at the 2022 NielsenIQ BASES Top Breakthrough Innovation Awards. We were awarded the Top Employers Certificate from the world's leading employer brand certification program. We won the Industry Achievement Award at the International Congress of Functional Foods, Nutraceuticals, Natural Health Products and Dietary Supplements.



19.4%
Consolidated EBITDA
Margin

Ülker will continue to grow in the 100th anniversary of our Republic

We will continue to provide added value to our employees, consumers and stakeholders by maintaining our growth performance in 2023, the year in which we celebrate the 100th anniversary of Republic of Turkey. We will accelerate our digital transformation, sustainability and innovation efforts. We will endeavor to gain strength in global competition, maintain our strong position in our current markets and further strengthen our leadership. I would like to extend my gratitude to all our stakeholders, colleagues and consumers, whose support we have always felt behind us in our journey to add value to the Ülker brand.

Respectfully yours,

Mete Buyurgan
CEO

About pladis

pladis acts with the promise of happiness in every bite for its consumers, with a rich product range that meets different consumer expectations and needs in different geographies of the world.

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

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

pladis acts on its promise to bring happiness with every bite in various parts of the world, offering a broad range of products to address different consumer expectations and needs. With 25 factories in 11 countries, more than 16 thousand employees and a total of more than 300 years of expertise of its brands, pladis is a responsible food company, happily working to deliver the highest quality products to a potential 4 billion people worldwide.



Key Financial and Operational Indicators

Ülker is the market leader in the biscuit category in Saudi Arabia and Egypt, and ranks third in the chocolate category in Kazakhstan.

Condensed Balance Sheet (TL million)	2021	2022
Current Assets	18,765	25,174
Fixed Assets	7,479	12,685
Short-Term Liabilities	6,134	16,887
Long-Term Liabilities	15,796	13,289
Equity	4,314	7,682
Condensed Income Statement (TL million)	2021	2022
Revenues	12,537	28,197
Gross Profit	3,612	8,409
Operating Profit	2,430	5,859
Profit/Loss for the Period (Equity Holders of the Parent)	(464)	(353)
Ratios	2021	2022
Gross Profit Margin (%)	28.8	29.8
EBITDA Margin (%)	18.6	19.4
Net Profit/Loss Margin (Equity Holders of the Parent) (%)	-3.7	-1.3
Earnings per Share (1TL Nominal) (%)	-1.36	-1.03



Revenue (TL Million)

2021 12,537

2022 28,197

Operating Profit (TL Million)

2021 2,430

2022 5,859

EBITDA Margin (%)

2021 18.6

2022 19.4

Shareholders' Equity (TL Million)

2021 4,314

2022 7,682

Gross Profit (TL Million)

2021 3,612

2022 8,409

Gross Profit Margin (%)

2021 28.8

2022 29.8

Sales Volume and Revenue Growth

In the total snacks category, Ülker continues to be the sector leader with a 35% share of turnover.

Sales Volume by Category (Thousand Tons)

2021	Biscuit 322	Chocolate 217	Cake 44
2022	Biscuit 323	Chocolate 222	Cake 50

Net Sales by Category (TL Million)

2021	Biscuit 5,324	Chocolate 6,028	Cake 770
2022	Biscuit 12,123	Chocolate 12,895	Cake 1,988

Capital Structure

Ülker, by far the leading brand in the Turkey's snacks market, carries the strength of its deep-rooted past confidently into the future with the contribution of its main shareholder, pladis Foods Limited and Yıldız Holding.

Condensed Balance Sheet (TL million)		2021		2022	
Name of the Shareholder	Amount of Shares (x000)	Share Ratio	Amount of Shares (x000)	Share Ratio	
pladis Foods Limited	174,420	51.00%	174,420	51.00%	
Yıldız Holding A.Ş. and Ülker Family Members	25,580	7.48%	25,580	7.48%	
Other	142,000	41.52%	142,000	41.52%	
Total	342,000	100.00%	342,000	100.00%	



Ülker Bisküvi Production Facilities

Ülker Bisküvi, which started its operations in a small workshop in Eminönü, Istanbul with 6–7 boilers, a small oven and three people, has become a global power with 13* factories in 4 countries.

Silivri, Istanbul Factory

Chocolate and chocolate covered biscuit

Established: 1995

Capacity: 26,433 tons/year

Topkapı, Istanbul Factory**

Chocolate, chocolate dough, cocoa powder, chocolate chips, chocolate flakes, and couverture chocolate

Established: 1991

Capacity: 345 thousand tons/year

Ankara Factory**

Biscuit, flour

Established: 1969

Capacity: 389,876 tons/year

Karaman Factory**

Flour, biscuit, cake, cracker and chocolate

Established: 1986

Capacity: 275,912 tons/year

Gebze, Kocaeli Factory

Biscuit, chocolate and cake

Established: 1997

Capacity: 203,130 tons/year

Giresun Factory

Hazelnut, hazelnut purée

Established: 1995

Capacity: 2,568 tons/year

Egypt Factory (Hi-Food)

Biscuit

Acquired: 2016

Capacity: 41,451 tons/year

Kazakhstan Factory

Biscuit, chocolate and cake

Acquired: 1997

Capacity: 31,541 tons/year

Saudi Arabia Factory (FMC)

Biscuit, chocolate and cake

Acquired: 2016

Capacity: 45,500 tons/year

Saudi Arabia Factory (IBC)

Biscuit and chocolate

Acquired: 2018

Capacity: 24 thousand tons/year

* The number of factories includes the Önem Gıda factories based in Topkapı, İstanbul; Karaman and Ankara.

** Önem Gıda factories are present in the existing locations.

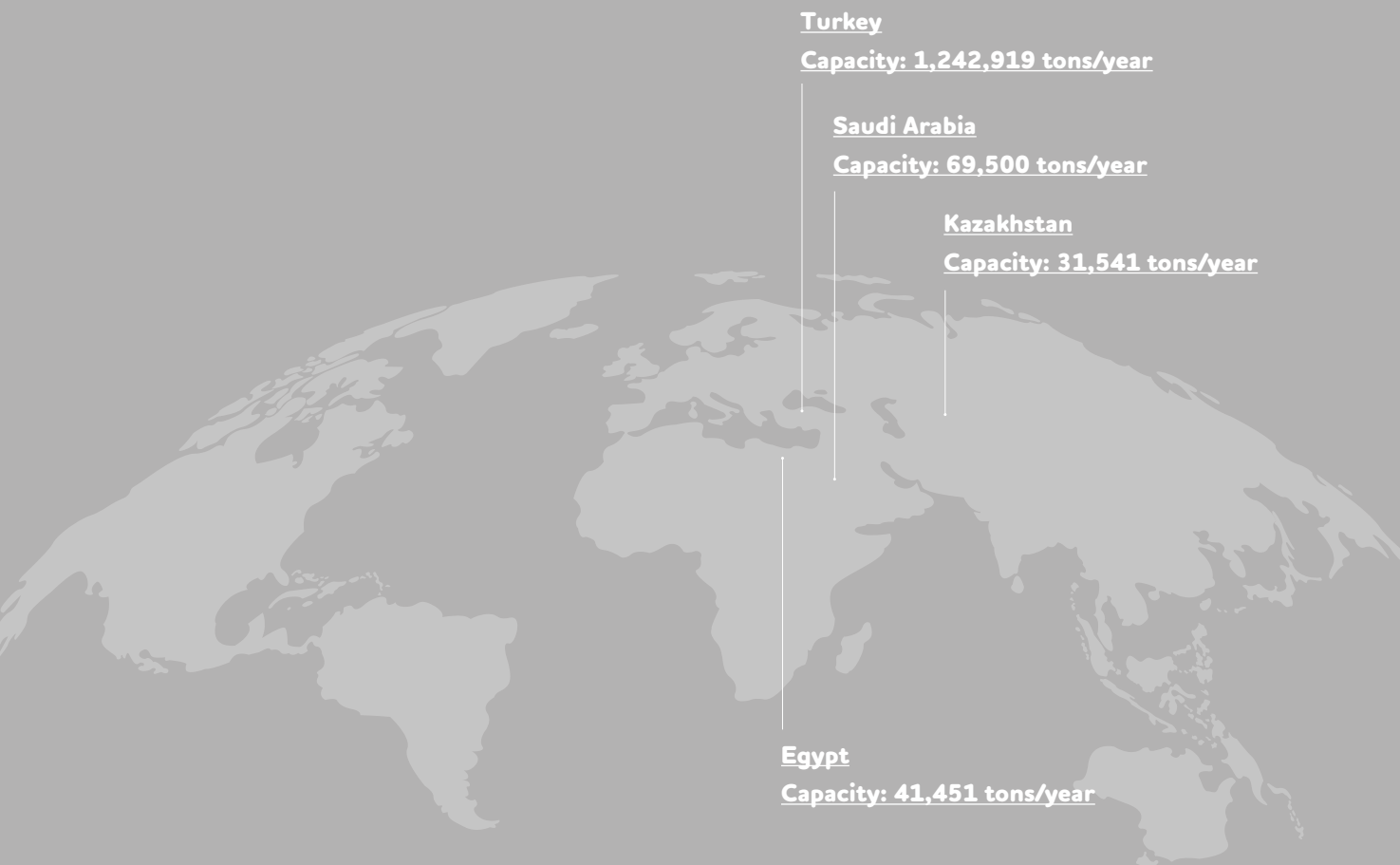
Ülker in Figures

More than 9 thousand employees

13 factories around the world

Exports to more than 100 countries

Market leader in Turkey with 35% market share



Our Strategies

Ülker, which derives its force from innovation, reinforces its market leadership with the products it offers to consumers, increases efficiency in production with its new generation digital technology, and takes firm steps towards its sustainability goals.

Productivity

- Becoming the most productive company in all segments of the industry,
- Reduce production costs without compromising quality within the scope of operational efficiency,
- Achieve higher efficiency and productivity in distribution channels and points of sale by cutting cost of sales,
- Increase production efficiency, improve planning, and forecast accuracy with new generation digitalized technology.

Brand Investments

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

Our Strategies

- Increase our operating profitability by achieving higher sales volumes and revenues in the biscuit, chocolate, and cake categories,
- Expand our business to become a strong regional player with our global, regional and local brands,
- Get positioned in the region as the main production base upon the acquisition of the Food Manufacturing Company in Saudi Arabia, UI MENA, and IBC and create synergy in the fast-growing Middle East market by enabling faster access,
- Get positioned in Egypt, where consumption grows rapidly, as the central and main production base for North Africa sales with Hi-Food and enhance our strength in the region with the production operations of McVitie's,
- Get a strategical position in Kazakhstan as the headquarters to access Central Asia, Russia, and China with the acquisition of Hamle and other investments and meet new consumers in regions where consumption increases rapidly,
- Increase the current brand awareness further in Turkey, North Africa, Central Asia, and the Middle East,
- Reach new consumers in a wider region, implement synergy activities both in the field and in production,
- Maintain corporate governance practices at the highest level,
- Achieve strong results that will satisfy all of our stakeholders.
- Conduct sustainability activities towards long-term objectives with a waste-free business model, under specific themes including the environment, value chain, innovation, employees, social responsibility, and leadership.



Investor Relations

Ülker Bisküvi Investor Relations aims to ensure that communication is effective, transparent, equal and timely, and processes are carried out in full compliance with the relevant legislation.

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

Verda Beste Taşar, who acts as the Director of Investor Relations and member of the Corporate Governance Committee pursuant to the provisions of the Communiqué on Corporate Governance no. II-12-1 of the Capital Markets Board, holds a Level 3 License in the field of Corporate Governance Rating and Capital Market Activities, while also working full time directly reporting to Deputy CFO. She periodically reports on studies regarding Investor Relations to the Board of Directors and the Corporate Governance Committee. In 2022, she presented reports to the Corporate Governance Committee and also to the Board of Directors on March 10, May 10, August 18, and November 8. During the period, she responded to the applications and questions made by the shareholders by phone, e-mail or one-on-one meetings without any discrimination and participated in five conferences.

Ülker Bisküvi held online meetings with investors and analysts in 2022. In 2022, Ülker Bisküvi held its meetings online due to the ongoing COVID-19 pandemic. 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://ulkerbiskuviyatirimciliskileri.com/default.aspx>

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

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

Tasks of the Unit are as follows:

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

Current Economic Outlook, Global and Turkish Food Industries

Many categories, including cakes, chocolate and chocolate covered products, and biscuits, in which Ülker participates, recorded growth at or even above the sector average.

The year 2022 started with the effects of the economic crisis, which became more pronounced as the pandemic subsided, causing this year to be economically troubled not only for developing countries but also for developed Western countries. The unfavorable geopolitical situation that started in the region in the second quarter increased risks to the global economy with its multidimensional impact on the economy. Rising energy prices, unfavorable financial conditions and supply chain disruptions led to a slowdown in economic activity in advanced economies. Weak external demand and supply constraints resulting from the recession caused by tighter financial conditions have led to a slowdown in activity in most emerging economies and uncertainty about the future of global trade.

With the addition of the worldwide climate crisis to the existing problems, the supply problems in raw material production made it difficult to access basic food and basic food inputs, and the frequent increases in prices and high inflation became chronic and made the lives of consumers even more difficult.

Our country has also begun to experience these problems as in the global scale.

It has become imperative for Turkish consumers to change their lifestyles and to use their budget better and more effectively.

As eating and drinking became much more expensive at outlets, consumers began to spend more of their leisure time at home and use the home more as a socializing space (as they did during the pandemic). In addition, public spaces such as parks, beaches and gardens have also become areas for socializing and spending time together with friends and family. Snacks and drinks bought from supermarkets were the most consumed products in these environments and locations. As in the rest of the world, despite high inflation rates in Turkey as well as in the rest of the world, the growth in the FMCG and food sectors stagnated, while snacks and beverages were the fastest growing sub-sectors, respectively.

Basic food, cleaning and personal care sectors did not grow in volume terms compared to the same period of the previous year (January-November), while snacks (8.3%) grew the most. Many categories, including cakes, chocolate and chocolate covered products, and biscuits, in which Ülker participates, recorded growth at or even above the sector average.

In biscuits, one of the largest categories in the snacks industry, Ülker maintained its market share and leadership with 40%. Ülker maintained its leadership in the chocolate category with a 39.6% market share, while gaining 0.8 percentage points of market share in the cake category to 20.8%. In the total snacks category, Ülker continues to be the leader with a 35% share of turnover.



In biscuits, one of the largest categories in the snacks industry, Ülker maintained its leadership with 40%.



Marketing

In brand health data, Ülker maintained its position as the first brand*** that comes to mind in Turkey and the most preferred brand by consumers in Turkish snacks industry.

Ülker, Turkey's leading food company, successfully implemented its approach that prioritises quality and its innovative and trend-oriented strategies last year.

In 2022, Ülker maintained its position as the consumer's favorite and closest brand, diversified its portfolio in main categories, constantly interacted with consumers through communication campaigns and achieved successful results.

2022, when the pandemic effects almost disappeared from our lives, was a difficult year in the shadow of economic volatility. Ülker Bisküvi maintained its strong leadership position. With 100% household penetration**, the Company entered 23 million homes*** and maintained its leadership in this area as well.

2022 was a year in which innovations continued unabated, and 67 new types of products were introduced to consumers. While the portfolio in the main categories was diversified, thanks to the innovation-oriented growth strategy, the expectations of consumers were more than met with launches and relaunches. New products launched during the year contributed 11% to growth.

In the chocolate category, Ülker continued to add flavour to consumers' lives with innovative products in 2022. Ülker Çikolata introduced a major innovation under the name Salted Caramel with both its square shaped product and its Napoliten brand. A great synergy was created by transferring the delicious caramelized biscuit flavor of McVitie's, the number one brand in the UK, to leading brands in the chocolate category, such as Ülker Chocolate and Ülker Chocolate Wafer.

In the cream category, McVitie's cream was launched, and the portfolio was further strengthened. In the covered products category, Metro Big 3, Turkey's first product with three-layer flavor technology, was launched, bringing a breath of fresh air to the Metro brand. The brand's popular new advertising campaigns, such as "Is There Anyone Who Doesn't Like Ülker Chocolate Wafer?" and "What Comes to Your Mind When You Think of Albeni?", were launched on TV screens and digital media.

2022 was a year in which Ülker's success was crowned not only with new product launches, but also with awards. Ülker won the Bronze Effie in the Sweet and Salty Snacks category at the Effie Turkey 2022, which recognizes the most effective and creative marketing communication efforts. In the 2022 NielsenIQ Bases Top Breakthrough Innovation Awards, Ülker was honored with the best innovation award for Ülker Chocolate Wafer. Ülker's new Albeni campaign ranked among the top 10 campaigns in the YouTube Ads Leaderboard Turkey in the third quarter of 2022.

Ülker had a very active and busy period in the biscuit category in 2022. Many iconic brands were supported with both new product launches and new communications.

The Ülker Biscuit category started the year with the launch of the new sandwich-form product Çiziviç Olive Oil & Thyme and the communication campaign of Çizi, the largest salty snack brand. With Çizi Çıtır, which was launched towards the end of the year, the brand portfolio and the range of consumption of Çizi were expanded, and consumers were introduced to two new flavors.



Best Innovation Award

In the 2022 NielsenIQ Bases Top Breakthrough Innovation awards, Ülker Chocolate Wafer received the best innovation award.



100%
**Household
Penetration**

Biskrem, another iconic brand, started the year with an orange flavor. Two years later, the Biskrem brand was presented to consumers with a new communication campaign.

In 2022, Halley made a name for itself with the launch of the White Chocolate Cake Flavored product and displayed a market share performance above the previous year.

Hanimeller portfolio is enriched with Turkish Shortbread. An intensive communication campaign was carried out in the second half of the year. Having been in our homes for many years, Pötibör, the accompaniment of tea times and indispensable for desserts, celebrated its 77th birthday in 2022. The campaign, specially prepared for the birthday, was broadcasted on TV, digital and outdoor channels, thus reminding once again that Ülker Pötibör is Turkey's favorite petit-beurre biscuit.

İkram, the brand of young people, has further strengthened its place in the hearts of young people with its new packaging, communication language and occasion-based digital communication. The other iconic brands, Pötibör and Saklıköy, launched mini products that accompany consumers' tea times and facilitate their use in dessert making.

McVitie's, the UK's number one biscuit, became a favorite in Turkey with the packaging revision made in the first half of the year and two new creamy

products with Caramel & Cinnamon and Milk & Cocoa. In the second half of the year, a commercial film was broadcasted on television and digital platforms to support brand recognition.

In the cake category, Dankek Tart Cake received the best innovation award at the 2022 Nielsen Bases Top Breakthrough Innovation Awards. In 2022, the most successful results in the cake category were achieved with the relaunch of the Dankek Magma brand. With the product, which hit the shelves at the end of February, high distribution rates were achieved especially in the traditional channel, and the total market share was increased thanks to Dankek Magma. The Dankek family has expanded with the Dankek Tartkek Orange flavor. Under the 8 Kek family, the 8 Kek Forest Fruit flavor was offered to consumers.

The new advertising campaign, "Ülker Makes My Inner Child Happy! ", in which consumers are invited to keep their inner child alive with the Ülker umbrella brand, continued to be broadcast on TV screens and digital channels in both halves of the year. Ülker Makes My Inner Child Happy! campaign was ranked in the YouTube Ads Leaderboard Top10. In brand health data, Ülker maintained its position as the first brand*** that comes to mind in Turkey and the most preferred brand by consumers in the Turkish snacks industry.

**Nielsen Retail 2022 YTD*

***Ipsos Household Penetration Survey 2022 YTD*

****Ipsos BHT Report 2022 YTD*

Production and Capacity

105 thousand tons of production was achieved at the Ankara Factory, which was established in 1969 on a closed area of 110 thousand m², and 117 thousand tons of production was achieved at the Gebze Factory, which was established in 1997 in the Gebze Organized Industrial Zone.

Biscuit

Established in 1969 on a 110 thousand m² closed area, the Ankara Factory produces biscuits, crackers and wafers. In 2022, 105 thousand tons of production was achieved with a capacity utilization rate of 72%.

Established in 1997 in the Gebze Organized Industrial Zone, the Gebze Factory operates on an area of 85,330 m², 80 thousand m² of which is covered. In 2022, 117 thousand tons of production was achieved with a capacity utilization rate of 58%.

It added 21 new types of products to its product portfolio.

Some of these are;

- Hanımeller Turkish Shortbread
- Çiziviç Olive Oil & Thyme
- Altınbaşak Rye Grissini
- Çizi Çıtır
- Ülker Badem Cracker
- Biskrem Orange
- Pötibör Mini Double Color
- McVitie's Caramel Cinnamon Cream Biscuit
- McVitie's Milk Cocoa Cream Sandwich Biscuit
- 9 Kat Tat Wafer Cubes

Main Brands

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

323
thousand
tons
Biscuit Sales



Production and Capacity

Ülker has reinforced its success in terms of quality with BRC's highest rating of “high level”.

Chocolate

Ülker Çikolata, an innovative and pioneering company in the Turkish chocolate market with its production and marketing capabilities, operates on an area of 84 thousand m², 67 thousand m² of which is covered.

It added 30 new types of products to its product portfolio. Some of these are;

- Metro Big 3
- Caramio Duo
- Laviva Lemon Cheesecake
- Ülker Chocolate McVitie's Caramelized Biscuit
- Napoliten Salted Caramel Milk Chocolate
- Dido Gold Latte Keyfi
- Ülker Chocolate Salted Caramel & Almond Milk Chocolate
- McVitie's Cream Chocolate

Main Brands

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

222
thousand
tons
Chocolate Sales



Production and Capacity

Ülker holds ISO 9002 certification, which sets the quality standard in production, and HACCP certification, which is the expression of quality and standard in food safety.

Cake

They are produced in Ülker's Gebze and Ankara factories with a wide and ever-growing portfolio of innovative, pioneering and delicious products in the portion, mini and family segments. In 2022, a total of 8 new products were added to the portfolio.

Some of these are;

- O'lala Bold Mini Bar cake
- Dankek Pöti Hazelnut & Cocoa
- Dankek Tart Cake orange
- 8 Kek Forest Fruit
- Dankek Baton Cake with Chocolate Sauce
- Dankek Magma

Main Brands

Dankek, Olala Gurme, Olala Sufle, Olala Waffle Kek, Olala Bar Kek, Dankek Çikolatalım, 8 Kek, Kekstra, Pöti, Albeni, Alpella, Dostino (PL), Dankek Çay Saati, Dankek Rulo Pasta, Kekstra Bar Kek, Kekstra Konfeti, Dankek Islak Kek, Dankek Pöti Muffin, Peki Muffin, Dankek Lokmalık çeşitleri, Halk-Alpella Kapkek, Olala Bold, Alpella Barkek.

50
thousand
tons
Cake Sales



Operational Excellence

Ülker has created its own “Operational Excellence Model,” inspired by internationally proven approaches including Lean Manufacturing, Total Productive Maintenance, Total Quality Management.

Placing operational excellence at the heart of its ways of doing business, Ülker strives to improve and digitize its processes. Walking towards sustainable and profitable growth, the Company observes the principles of zero accident, zero failure, and zero loss at all its plants.

Ülker has created its own “operational excellence model,” inspired by internationally proven approaches including Lean Manufacturing, Total Productive Maintenance, Total Quality Management. Called the Yıldız Path of Excellence (YMY), the program is based on the principle of “achieving sustainable results with happy and motivated teams that implement perfect systems.” Work follow-up is carried out through committees formed on a voluntary basis. Conducting studies in different fields, these committees are made up of employees from different functions and units, and each committee works in line with its own road map so that plants reach their core objectives. However, all the training, consultancy and coaching needs of the factory teams are met by the Operational Excellence (OM) Center Team, consisting of four people.

Ülker's Operational Excellence Committees still serve as platforms that involve all employees and encourage organizational and personal development from a cultural perspective. Aligning new recruits with operational excellence activities ensures sustainability in Company's operations.

Operational excellence studies at Ülker are basically advanced in three main focuses: “Zero Work Accidents,” “Zero Quality Problems” and “Zero Loss.” In this regard, the number of improvement studies grows each passing year. Value Stream Mapping activities help re-examine losses via new tools. New rooms of improvement are identified even in those processes with continuous improvement. A total of nearly 2 thousand improvements have been completed and reported to date.

In 2022, Ülker continued its journey of continuous improvement at full speed and carried out over 1,200 small technical improvements and 73 kaizen (Yıldız Development Teams) projects. Kaizen is a continuous improvement work carried out by multidisciplinary teams on a focussed subject using specific improvement methods. The equivalent of these efforts in the Ülker Operational Excellence system is YDT, or Yıldız Development Teams. In addition, seven end-to-end value stream mapping projects were completed, resulting in a total saving of TL 68 million. The projects were carried out under the headings of increasing production efficiency (reducing downtime, reducing production preparation and conversion times, increasing plant capacities, reducing speed losses and minor stoppages), reducing material losses such as raw materials, packaging, etc., optimizing control and cleaning times, reducing energy losses and pallet efficiency.



Continuous Improvement Journey

In 2022, Ülker continued its journey of continuous improvement and carried out over 1,200 small technical improvements and 73 kaizen (Yıldız Development Teams) projects.



IoT
(Internet of Things)
technology in action

Ülker compares its factories with each other in terms of the results they achieve and the systems they apply on the journey towards operational excellence, and rewards best practices to turn them into “standard practices”. In each phase of the four-phase model used in this classification study, the activities to be performed by the factories and the results to be achieved are specified. The level attained by the factory is determined via regular assessments and successful transitions to the next phase are recognized. Visits made between factories also help witness best practices first hand and disseminate them in a quick fashion. Learnings that emerge in this context are documented in handbooks to contribute to the corporate memory. Currently, two handbooks have been distributed to all teams: the “Operational Excellence Handbook,” describing the operational excellence model that has been implemented so far; and the “Maintenance Function Handbook,” covering Ülker standards of maintenance.

Ülker has placed digitalization at the heart of individual and organizational development activities with its practice named “Production School”. Meanwhile, it also continued with onsite evaluations of plants' and committees' works and communicated their strengths and areas for improvement in 2022. Best practices are shared at meetings organized in different plants throughout the year, and a communication environment is provided to enable employees to learn from each other. The “Digital Training Center”, designed in line with the requirements of the age, was implemented for the first time at the Ülker Chocolate Factory. For 2023, an expansion plan for the project is being developed.

Operational excellence is focused on digitalization, agile processes, “Value Stream Mapping”, “Supplier Development” efforts, the “Production School” project, the Integrated Production Model of the Future, and operational excellence on-site assessments. Activities in these focal areas are developed and monitored on an annual basis. The Future's Integrated Manufacturing Model is a multi-layered digital transformation project geared towards utilizing the latest technologies in the industry; instantaneous evaluation of production via IoT approach; paper-free reporting, and backing up of operators' autonomous management capabilities. Technical infrastructure efforts of the project launched at pilots have been rolled out across all plants.

Quality Assurance

“On-site Quality” activities continued in factories to ensure cultural transformation by raising employees' awareness of ownership of the production facility and the product and to move from a control system to a quality development culture.

In 2022, Ülker has aimed at disseminating quality assurance activities across each and every phase of the supply chain and bringing added-value works to the front. Among the quality activities carried out, there are many practices such as digitalization of Document Management and Trainings, development of competencies by organizing trainings from Quality Teams to Sales Teams for Excellence in End-to-End Quality, on-site quality project and supplier development studies.

Ülker runs physical, chemical, and microbiological analyses at labs to check the quality, food safety, and compliance with legal requirements of raw materials, packaging, semifinished and final products at its plants. To ensure alignment between laboratories and laborants, the staff attends “Inter Laboratory Comparison and Proficiency” programs, and their performance is tracked.

In an attempt to deliver on customer expectations, activities were specified and prioritized in light of the consumer feedback. For the purposes of boosting consumer satisfaction, works were planned so as to make a positive contribution to the corporate image, product quality, and efficiency of business processes.

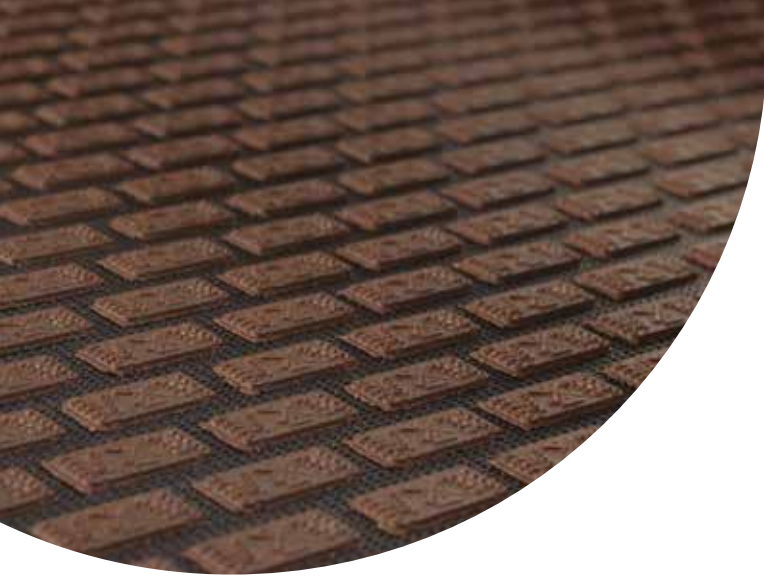
Within this framework, the main practices implemented in 2022 are as follows:

- **Clothes washing in in-plant facilities:** In all factories, employee clothes were started to be washed in in-plant facilities.
- **QDMS Document Management System:** We switched to QDMS (Quality Document Management System) as a document management system. Thus, the automation of the activities required by the Company's management system standards can be performed from a common area. By establishing the documentation infrastructure stipulated by these management system standards, all related activities are carried out and monitored.
- **Quality and Food Safety Internal Audit Model:** The monthly GMP (Good Manufacturing Practices) internal audit model in the factories has been revised to be standardized in all factories and to focus on field evaluations. Auditor trainings were provided, a standard checklist was created, audit plans were made and audits were started.
- **Online Quality Trainings:** Blue-collar Zero Error Quality and Food Safety trainings were prepared to be given online and made available to all employees in June.
- **Quality & Food Safety Training Program:** An annual training program consisting of 20 different trainings under the titles of International Food Safety and Quality Standards, Technical Expertise, System and Process Information, Raw Material/Product Based Trainings was prepared in order to increase the competence and knowledge levels of factory teams. Within this program, 23 different trainings were held by internal and external expert trainers with the participation of approximately 710 people. The trainings given in 2022 are as follows:



Quality & Food Safety Training Program

An annual training program consisting of 20 different trainings was prepared to increase the competence and knowledge levels of factory teams.



- ISO 17025 Laboratory Management Training
- HACCP Renewal Training
- Integrated Pest Management Training
- GMP Internal Audit Training (Good Manufacturing Practices)
- QDMS Installation Training (Quality Document Management System)
- Training of Trainers
- For Çayırova Warehouse Employees – Zero Error Training
- Food Defense Training
- CFSS Training
- Cocoa Training
- Flour Training
- Oil Training
- CCC (Customer Contact Center) Training
- Vidas Pathogen Analysis Training
- Sales Quality Training
- Labelling Regulation Training
- RSPO Training
- Social Compliance Training
- BRC V9 Transition Training

To ensure end-to-end product quality and safety, in addition to the Quality & Production teams, with the participation of the Quality Sales organization and a sales team of 104 people, information was given about the situations that should be considered during sales and distribution and that affect product quality. Afterward, mutual expectations were shared and actions to be taken were determined. With the Commercial Talent program, the newly recruited young talents of the sales team were introduced to the Zero Mistake culture in quality, and they were informed about the sensitivities specific to the products and the things to be considered to maintain product quality.

Ülker raised employee awareness for production plants and product ownership and continued the “On-Site” practices at the plants to guarantee cultural transformation. The goal here is to make sure the production is correct in the first trial, paving the way for a transition from quality control to quality development.

Guaranteeing quality at the spot, i.e., at the point of production, this approach helps the Company focus on preventive action in areas that may trigger problems without making retrospective corrections, and send error-free products to the customer.

In line with Quality and Food Safety requirements and international standards, Ülker extended the validity of the following certifications at all its plants:

- IFS Food
- BRCS
- ISO 22000
- ISO 9001
- HALAL Certification

In 2022, RPSO certification was obtained for all three factories.

Ülker conducts “Supplier Development Programs” on an annual basis to establish long-standing, mutual partnerships with suppliers aiming at a strategic partnership. For the purposes of development of its providers, visits are paid to suppliers, or on-site examinations are carried out to determine solutions and necessary actions together with the supplier.

To ensure that suppliers are audited and evaluated with the correct criteria within the framework of Ülker quality systems, the materials supplied and their production sites are examined and classified according to risk assessments. During the year, supplier and intermediary company audits are carried out as planned according to the degree of risk. Shipment of products from plants to warehouses in accordance with quality and food safety standards, as well as storage standards, procedures, inspection/monitoring methods, are taken into account in preparing question lists to monitor product warehouses and practices thereof. All product warehouses are audited during the year for the sound provision of feedback to warehouse officials, as well as for the development of quality and food safety standards. Within this framework, 58 supplier audits and 157 warehouse and distributor audits were conducted in 2022.

In 2022, multidisciplinary Supplier Development Teams were established for 32 suppliers under the leadership of quality and purchasing teams, supplier development and improvement activities were carried out, and supplier trainings were also continued. During the year, five different trainings were organized with more than 200 participants. Trainings given to suppliers are as follows:

- Allergen
- Pest Control
- Kaizen (Continuous Improvement)
- HACCP
- GMP (Good Manufacturing Practices)
- Maintenance plans and preventive maintenance

Investments

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

In 2022, Ülker Bisküvi further reinforced its robust market position with new capital investments that included new installations in the factories, capacity increases, modifications to production lines, product upgrades, and improvements in hygienic conditions and warehousing processes.

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

In 2022, Ülker carried out the following modernization activities with an investment worth some TL 771.4 million on a consolidated basis:

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

771.4
TL million
Total Investments

Subsidiaries and Financial Investments

With its subsidiaries and financial investments, Ülker Bisküvi successfully continues its production, sales, distribution, and export activities in Turkey and around the world.

Biskot Bisküvi Gıda

Biskot Bisküvi Gıda attained a larger production volume thanks to the merger of AGS-Anadolu Gıda San. ve Tic. A.Ş., a cakes producer, with Biskot Bisküvi Gıda San. ve Tic. A.Ş. at 2011 year-end. Biskot Bisküvi Gıda Sanayi ve Ticaret A.Ş.'s product portfolio consists of biscuit (petit-beurre biscuits, fingers), special biscuit, cream-filled biscuits, sandwich biscuits, crackers, wafers, chocolate wafers, rolled wafers, cake (muffin, baton), chocolate-covered cakes, chocolate-covered bar, chocolate-covered marshmallow, chocolate cream, chocolate eggs with toys, and giftable chocolates. Our major brands are Ülker, Alpella and Karsa. The Company, which also produces for PL (private label) brands, stands out with its unique products (dragee, cornet, drop, egg, etc.). Biskot Bisküvi Gıda continues its operations with 16 production facilities on a 42,500 m² of closed space, with the addition of a new building.

Ülker Çikolata

In 2011, Ülker acquired a majority stake in Ülker Çikolata Sanayi A.Ş., previously jointly held by Yıldız Holding. The company manufacturing under the categories of solid chocolate, chocolate covered products, cream chocolate, catering chocolate and powdered cocoa and is the market leader in the sector, continues its production activities in a total closed area of 84,537 m² in Istanbul Topkapı.

Önem Gıda

Established in 2003, Önem Gıda has been supplying chocolate dough and hazelnut since 2006, and flour since 2012 to Ülker. Önem Gıda taps into years of experience working with Ülker and produces premium quality chocolate dough, powder cocoa, cocoa oil, couverture, chocolate drops, and flakes, biscuit flour, packaged flour, hazelnut, and hazelnut puree. Önem Gıda produces chocolate dough at Topkapı, İstanbul; processes hazelnut in Giresun; and produces flour in Ankara and Karaman. A key player in the out-of-home industry for chocolate products and packaged flour, Önem Gıda undertakes all processes including the starting point, i.e., the processing of cocoa beans.

Godiva

With Godiva Belgium BVBA, in which Ülker Bisküvi has a 12.95% directly stake and G-New Inc, in which Ülker Bisküvi has a 18.35% stake, Godiva Chocolatier Inc. is the owner of the Godiva brand, the world's leading brand of premium chocolate and chocolate-coated products. In 2008, Yıldız Holding acquired Godiva Chocolatier Inc. for USD 850 million, the largest overseas acquisition by a Turkish company and created a true success story over the last 10 years. Silivri Factory has become the production hub for Godiva Masterpiece chocolate.

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

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

Food Manufacturers Company

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

Hamle Company Ltd. LLP

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

Amir Global Trading FZE

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

International Biscuits Company

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

Subsidiaries and Financial Investments

Subsidiaries	December 31, 2022		December 31, 2021		Main Field of Activity
	Direct Ownership Rate %	Indirect Ownership Rate %	Direct Ownership Rate %	Indirect Ownership Rate %	
Biskot Bisküvi Gıda Sanayi ve Ticaret A.Ş.	73,90%	73,90%	73,90%	73,90%	Production
Ülker Çikolata Sanayi A.Ş.	91,70%	91,70%	91,70%	91,70%	Production
Atlas Gıda Pazarlama Sanayi ve Ticaret A.Ş.	100,00%	100,00%	100,00%	100,00%	Trade
Reform Gıda Paz. San. ve Tic. A.Ş.	100,00%	100,00%	100,00%	100,00%	Trade
UI Egypt B.V.	51,00%	51,00%	51,00%	51,00%	Investment
Hi-Food for Advanced Food Industries	-	51,40%	-	51,40%	Production-Sales
Sabourne Investments Ltd.	100,00%	100,00%	100,00%	100,00%	Investment
Food Manufacturers' Company	-	55,00%	-	55,00%	Production-Sales
Hamle Company Ltd. LLP	100,00%	100,00%	100,00%	100,00%	Production-Sales
Ülker 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
Ülker for Trading and Marketing	-	99,8%	-	99,8%	Sales
International Biscuits Company	100,00%	100,00%	100,00%	100,00%	Production-Sales
Önem Gıda Sanayi ve Ticaret A.Ş.	100,00%	100,00%	100,00%	100,00%	Production-Sales



**A brand that
represents both
tradition and future**

Sustainability

Taking the United Nations' 2030 Sustainable Development Goals as a basis, Ülker has been regularly disclosing the actions it has taken in line with these goals in its Sustainability Reports since 2015.

Following a waste-free company model, Ülker Bisküvi considers it among its primary responsibilities to respond to the growing population and consumers with changing expectations and needs by using the world's limited resources consciously. As the pioneer of the industry, Ülker Bisküvi spearheads efforts to become an exemplary ambassador of sustainability. This is why it pursues strategies, policies, and objectives to manage risks that may arise from economic, environmental, and social factors. The Company monitors the alignment of these efforts with Corporate Governance Principles as well as with corporate decision-making and processes via the "Ülker Bisküvi Sustainability Platform". The Sustainability Platform is represented with ownership at the senior level including President, Vice President, and CEO, and fulfills tasks and responsibilities assigned to it via monitoring environmental, social, and governance-related developments that emerge in areas beyond its impact area.

In 2014, Ülker Bisküvi set long-term goals under the headings of environment, value chain, employees, innovation, leadership, and social responsibility, and continued to perform sustainability efforts in 2022. For its efforts to be traceable and auditable in line with a strategy, the Company acts on the basis of United Nations Sustainable Development Goals for 2030. The actions Ülker Bisküvi has taken towards its objectives are regularly reported to the public through Sustainability Reports since 2015.

Ülker Bisküvi established the following objectives for 2024:

- Growing without increased carbon emissions;
- Reducing water consumption by 30% per unit of production;
- Sending zero waste to sanitary landfills through 100% recycling;
- Boosting energy efficiency by 25%;
- Reducing logistics-related carbon emissions by 20%;
- Reducing lost time injuries to zero;
- Reducing the amount of fat, salt, and sugar in all product categories;
- Developing a sustainable packaging strategy and policy;
- Conducting efforts to eliminate packaging;
- Building and maintaining partnerships with leading organizations for future projects.

In the past few years, Ülker Bisküvi made significant progress toward each of its sustainability targets and will continue to generate value in the period to come. Accordingly, the Company:

- Has grown without any rise in its carbon emissions since 2014.
- Continues to disclose its climate change strategy and carbon emissions via the reports it submits as part of the Carbon Disclosure Project (CDP) started in 2016.
- Procures raw materials, materials, and services from local suppliers at the maximum level possible in order to support local development and reduce logistics-related carbon emissions.
- Monitors energy and water consumption instantly at all its plants via monitoring systems, and reduces energy consumption per unit of production on an incremental basis every year.
- Reached the goal of 30% water reduction per unit of production, which was set for 2024, in 2018, and reduced water consumption by 39.3% until the end of 2022.



96%
**Waste
Recycling
Ratio**

- Plays a key role in setting out the roadmap for sustainable packaging, materials used, supply terms and competencies, as well as the filling lines at plants and shipment conditions. Efforts to reduce plastics, the second most used material after paper, in packaging are ongoing.
- Aims to make all plastic materials used fully recyclable or biodegradable and compostable by 2025.
- Has achieved a 99% conversion rate of raw materials into finished products, producing at the targeted quality the first time, to prevent losses at source. Ülker is among the best in the food sector worldwide in this regard.
- Continuing to work towards achieving the zero waste goal, the Company maintained its development by reaching the goal with a waste recycling rate of 96% in 2022.

Ülker continues to instill environmental protection awareness in thousands of employees through Basic Environmental Trainings conducted in all its factories, while also providing periodic trainings on waste management, efficient use of water and energy, and climate change. It is planned to reach all employees by the end of 2023 with online Corporate Sustainability trainings.

In the light of global developments, Ülker undertakes strategic efforts to make a transition to “Phase 2” in sustainability efforts scheduled for 2030 and beyond. In 2023, all Ülker teams will continue to work in harmony with the activities linked with Paris Climate Agreement and EU Green Deal.

Sustainability

In 2021 and 2022, Ülker was included in the Corporate Sustainability Assessment prepared by the international rating agency S&P Global, which lists the companies with the best environmental, social and governance performances in their sectors.

Collaborations, Achievements, Awards

Recognized for its efforts at national and international platforms, Ülker Bisküvi is on Borsa Istanbul's Sustainability Index since 2015. Ülker also had its place in the Sustainability Yearbook 2021 and 2022 of global credit rating agency S&P Global that lists companies with the best environmental, social, and governance performance in their respective industries. In the list, which evaluated more than 7,500 companies in 61 sectors worldwide, Ülker Bisküvi was the first and only Turkish company among the global 20 companies in the food products category.

Ülker Bisküvi also made it to the finals in five categories at the Sustainability Leaders Awards in 2022. The Company made it to the finals in the categories of Raising Consumer Awareness and Communication, Employee Engagement and Cultural Transformation, Team of the Year, Waste and Resource Management, and Water Management, and became the only Turkish company to be a finalist in this award. In the 2023 Sustainability Leaders Awards, the Company reached the finals in the Water, Waste and Resource Management category.

Ülker won an award with its Water Management Model in the Water Management Category at the Sustainable Business Awards organized by the Sustainability Academy. In 2022, the company was awarded the first prize in the NGO Cooperation category with the "Beyond Cocoa" program, a sustainable cocoa supply project.

Managing the environmental impacts of its operations in line with the Environmental Management System established as per its Environmental Policy, Ülker holds ISO 14001, ISO 50001, ISO 9001, and ISO 22001 certificates at all its plants in Turkey. In 2019, Gebze Factory was granted a BREEAM Green Building certification at GOOD level, becoming the first building with this certification in its field.

Water Risks Project

Ülker is the main sponsor of the "Water Risks Project" of the Business Council for Sustainable Development (BCSD Turkey), which aims to analyze the impact of climate change on water resources and develop efficient irrigation strategies in agriculture.

It is believed that the project will make a significant contribution to sustainability in agriculture and efficient use of water resources, and useful data will be obtained. In 2022, within the scope of the project involving Ankara University Water Management Institute, a drip irrigation system was installed in Kırıkkale for wheat production in 40 decares, silage maize in 33 decares and grain maize in 18 decares. Product efficiency and water footprint analyses were prepared for wheat and maize by comparing the production with traditional irrigation in areas of the same size.

The report to be prepared following the completion of the first phase of the project will include data analysis on water efficiency, drought risks and the impacts of climate change. It will also be an important resource for sustainable agricultural practices in our country.



Main Sponsor of the Water Risks Project

Ülker is the main sponsor of SKD Turkey's Water Risks Project, which aims to analyze the impact of climate change on water resources and develop efficient irrigation strategies in agriculture.

A photograph showing three hands holding small green seedlings in soil. The hands are positioned in a way that they appear to be presenting the seedlings. The background is a blurred green field.

23%

**Double Decker
Truck Rate**

Sustainable Supply Chain

Ülker Bisküvi strives to have sustainable production across its entire value chain, supports stakeholders to thrive with them, guarantees the safety of the supply chain, and contributes to reduced environmental impact and enhanced social development across the entire supply chain. For end-to-end dissemination of quality culture across the supply chain, the Company delivers courses on quality management system requirements, pest control, and standards, which are open for all suppliers, in addition to its quality and food safety courses offered to sales and distribution teams in Turkey. In addition to quality and food safety audits, Social Compliance audits were also continued by improving supplier and warehouse audits. Thus, human rights, labor safety and environmental management standards of suppliers are closely monitored.

Ülker Bisküvi also raised vehicle occupancy rates to over 96% and multi-deck trucks to 23% as part of end-to-end excellence activities across the supply chain. By the end of the second quarter of 2022, the Company reduced 745 thousand km of distance due to logistics activities compared to the previous year.

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

Sustainability

Seed dissemination activities continued in the Aliğa Biscuit Wheat Project, and by October 2022, flour blended with Aliğa Biscuit Wheat was added into Ülker products and hit the shelves.

Aliğa Biscuit Wheat Project

Increasing people's ability or capacity to access food and ensuring food sustainability is perhaps more critical than ever under the current circumstances.

On the other hand, environmental and natural events, which have significantly increased in our country as well as in the rest of the world, have led to a stronger understanding of the importance of the topics of climate change and sustainability, which are already high on the agenda.

Therefore, it is of great importance to popularize sustainable agricultural practices that are resistant to climate change.

In our value chain, Ülker primarily focuses on agricultural practices that support sustainable and local raw material supply.

Considering the importance of sustainable raw material supply, Ülker is working on wheat projects that are important for both the Company and our country. In 2007, within the scope of the cooperation initiated with Bahri Dağdaş International Agricultural Research Institute for a wheat type suitable for biscuit flour production, seed dissemination activities continued in the Aliğa Biscuit Wheat Project, which is local, national, productive, suitable for biscuit flour production, resistant to climate change, disease and drought. As of October 2022, flour blended with Aliğa Biscuit Wheat was introduced to Ülker products and hit the shelves.

The Biscuit Wheat Development Program, which was implemented in cooperation with Bahri Dağdaş International Agricultural Research Institute to obtain new biscuit wheat varieties, continues. With the program, our farmers will be offered the opportunity to choose among the varieties that stand out in terms of yield and quality due to their regional climate and soil structure. Thus, the continuity of production of biscuit wheat in a wider geography with high yield and quality will be ensured.

Occupational Health and Safety

Ülker launched a behavior-oriented occupational safety system called Occupational Safety Ambassador to enable employees to adopt, and participate in, the OHS culture. Covering all employees working at the factories, the system requires each employee to assess the behaviors of other employees in terms of compliance with OHS. The Company plans activities that encourage employees to act with a safety mindset in areas with a high ratio of hazardous behaviors. With its Food Safety Ambassador Program, it implements the same system in the field of food safety.

In addition, Ülker runs the "Site Responsibility Project" in all plants to raise awareness for OHS culture. Under this project, it assigns employees – each being responsible for their respective sites – within the plants so that they identify hazardous situations at the site they are in charge of, determine necessary OHS action, and follow up the actions taken.

The OHS team at the Head Office conducts OHS inspections every year at the plants, and reports improvements as well as rooms for improvement to the senior management. OHS experts of other plants also attend these inspection activities. This is how Ülker Bisküvi contributes to OHS experts' personal development, raises OHS standards in plants, and helps OHS experts engage in effective communication and collaboration.



Ülker Bisküvi works with expert consulting firms to make sure that the machinery it intends to purchase as well as its existing machinery is safe. Each factory has made sure the team they assigned took "Machinery Risk Assessment" courses and carried out on-site works. Consulting firms made "Machinery Risk Assessments" on production lines and started to perform necessary reporting. Actions are monitored by factory managers.

Ülker started informative trainings by sharing its standards and policies on Occupational Health and Safety, Quality and Food Safety, and sustainability with the "Visitpro" management program offered to contractors and visitors. All work permits of contractor company employees are monitored and managed online on a single platform. In this way, both permit-approval processes have been simplified and efficiency has been increased with time savings. With this project, which ensures traceability, the work performance of contractors is monitored and an approved pool of contractors is created for all Ülker factories.

As part of online training programs, Ülker Bisküvi delivered basic OHS courses to employees and improved its LTAR (lost time accident rate) by 20% as of October 2022 compared to the previous year.

The Company moved its basic OHS training to the online training platform and put the courses developed as per legal requirements for access by employees. Besides OHS training, Ülker Bisküvi also provided COVID-19 General Information, Sleep Health, Travel Safety, and Traffic Safety training to employees.

As of 2021, Ülker completed the transition to ISO 45001 Occupational Health and Safety Management system at all plants in Turkey.

Human Resources

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

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

Ülker was awarded the Top Employers certificate, one of the world's leading certification programs. It also ranked first in the snacks industry in the Turkey's Happiest Workplaces Survey, organized for the first time by Capital Magazine.

The 2022 TMP (Talent Management Process) was conducted for all Ülker employees in line with the standards and content of the Leadership Success Model, which was launched at Ülker this year. Like in the previous years, goal setting, interim period evaluation, and end-of-year evaluation & calibration processes were completed in parallel with annual performance management in 2022.

The content and scope of the online training and development platform was expanded in 2022, and employees were given the opportunity to personalize the system. Employees receive mandatory courses including Code of Conduct, OHS, and Personal Data Protection Law on the platform. In addition, a first-level manager development program and technical courses were organized with the participation of many employees from different functions in 2022.

The scope of Commercial Talent, a talent acquisition program, was extended to include supply chain, procurement, and marketing functions in addition to sales in 2022. Six new employees joined the organization during the year.

The Ülker mentoring program, which has been ongoing for many years, continued on the digital platform in 2022. Mentors and mentees have taken part in a 12-session course on the digital platform.

Having concluded its 78th year, Ülker is a deep-rooted brand that evokes the childhood memories of many, while having its dynamism and impact felt from past to present. The fact that it provides employment opportunities from R&D to production ranks Ülker at a more attractive position among the companies that young people would like to work at.



Strengthening the employer brand perception, employee engagement, and talent acquisition are priorities for the senior management, CEO in particular, and Human Resources. Among the important tools for talent acquisition are the project-based contest bizz@kampüs, internship programs, Commercial Talent Program, and JOB@Yıldız Holding internship and new graduate recruitment programs led by Yıldız Holding. Thanks to this program, young graduates are placed in appropriate departments every year.

Ülker carried out the following activities for employee engagement in 2022:

- **Make Happy Be Happy Day:** Like in the previous years, Make Happy Be Happy Day events focused on children again, because “We believe that every individual, regardless of their country, has the right to a good childhood,” as our founder, late Sabri Ülker said. The Sales Companies Organization of Turkey donated clothes (coats and hats for winter) and toys to 687 kids in different cities as part of the Turkish Red Crescent Society's Orphanage Assistance Program. Aid packages were prepared with the participation of leaders and employees and distributed in partnership with the Turkish Red Crescent Society. In addition, this special occasion was celebrated with treats, gifts, and charity events.

- **Biz Bize (Among Us) Meetups:** CEO Mete Buyurgan provides updates on and priorities of the Company every quarter.
- **Aklınla 1000 Yaşa (Great Ideas) Bulletin:** Sharing events, training, employer brand activities, and best practices organized at Ülker, this bulletin enables employees in different functions and locations to learn from one another.
- **Biz Bize Plants:** The staff is provided updates on the current status of the plant on a quarterly basis.
- **Leadership Bulletin:** Most recent news on leadership, personal development, culture & arts, and economy are gathered and provided to leaders every month.
- **Instant Award:** The “Instant Award” system is in active use so as to create corporate success stories that inspire others and make achievements sustainable.
- **A Short Break on Breakfast:** Events are organized at all plants every month where managers share plants' targets, business results, projects, and best practices.
- **Talks with Leaders:** “Talks with Leaders” are organized at the plants with the motto, “A Day with Leaders to Learn a Lifetime's Experience”.

Ülker Bisküvi is committed to supporting its employees, viewed the Company's most important capital and asset, not only to reach business targets and enhance competitiveness but also for their own personal development. The Company is investing in human resources continuously to increase its competitiveness in the market by following up the new developments and trends around the world.

Employees are supported by learning and development programs to show their best performance in what they do, prepare themselves and the organization for the future. The development opportunities provided to the employees include specialization programs, executive training programs, domestic and foreign conferences, personal and occupational development programs. Ülker Bisküvi offers its 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 Health and Safety Training
- Entry Level Manager Training
- Star Operator Training
- Technical Training Programs

12 Session Mentor & Mentee Training

Research, Development and Innovation

Enhancing expertise, know-how, and tech skills since day one, the R&D organization has introduced many new products to the range of Ülker brands that have added value to the Company and earned consumers' hearts.

The R&D organization undertakes all product development processes, from ideation to new product development, product validation through consumer tests, production line tests, initial batch, and product shelf life performance tests in the categories of biscuits, crackers, wafers, cakes, chocolate, and chocolate products, cocoa and cocoa products, and coated bars. Moreover, production, quality and efficiency improvement works are continuously conducted.

All these activities are carried out with highly specialized teams under Product Development, Package Development, Process, Quality Development, Technical Consumer surveys, Scientific Research, and Legislation Monitoring and Inspection function.

R&D activities are currently conducted at two separate R&D centers certified by the Turkish Ministry of Industry and Technology. Gebze Baked Products R&D Center is focused on Biscuits, Crackers, Wafers, Cakes,

Cocoa, and Cocoa products. Topkapı Chocolate R&D Center is focused on Chocolates, Cocoa and Cocoa products, Wafers, and Coated Bars.

Enhancing expertise, know-how, and tech skills since day one, the R&D organization has introduced many new products to the range of Ülker brands that have added value to the Company and earned consumers' hearts. In addition, it conducts various quality, improvement, saving, and efficiency projects.

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

As part of this cooperation, Ülker and Yıldız Technical University signed a cooperation agreement in 2022. With this agreement, it is aimed to design and carry out research projects for the needs of the Company, to be a partner in national and/or international projects consortium, and to receive scientific consultancy on the problems to be solved.

Ülker also became a member of the Turkish Food Innovation Platform (TÜGİP), which was established within the scope of INNOFOOD, Turkey's largest food R&D and Innovation Project, and started to work on special projects in cooperation with TÜBİTAK.

Ülker Bisküvi strives to improve teams' competencies and skills by speeding up the R&D Academy efforts that continue as part of the R&D Development Program. In this regard, the Company encourages teams to take part in exhibitions, seminars, and training sessions in and outside Turkey so that they act in a more innovative and solution-oriented fashion. Under the umbrella of R&D Academy, over 20 technical training sessions were organized with the participation of more than 600 R&D employees.



83 New Products

83 new products were launched for local and international markets.



700+
R&D Projects

Ülker's R&D Activities in 2022

In 2022, more than 700 R&D projects, large and small, were carried out in various categories. In addition, more than 80 products were launched for local and international markets. In 2022, as a result of these efforts, 8 products such as crunchy rocket, cloud cornet, mini eggs were launched for the new children's brand Kanky. A new flavor was added to the Olala Gourmet dessert series with Lemon Cake, and a new technology was introduced to the Company with the Çizi Çıtır launches. With launches such as Hanımeller Turkish Shortbread, Halley White, Biskrem Orange, Dido Latte, Caramio Duo, Çökonat Spreadable Chocolate, Ülker Chocolate Salted Caramel Almond, 67 new products were introduced to consumers in the local market.

To ensure the digitalization of R&D processes and their effective use, trainings were maintained in 2022, and retraining and new employee trainings were provided.

Consumer tests were conducted both digitally and physically, and the needs of consumers and the market were identified. In 2022, 60 large-scale consumer tests were conducted, which guided R&D studies.

During the year, the majority of the forms used by the department have been digitalized:

- Shelf life tracking forms have been digitalized and integrated with the project tracking system.
- R&D trial forms were also integrated with the system and digitalized.

- The monitoring and control system used for the nutrient limits determined in R&D formula studies has been digitalized. With this system, the nutrients below the limits are automatically controlled, and the system is warned.
- Regulatory controls and label preparation processes of the products have been digitalized.

These digitalization projects are intended to protect the Company's know-how, store it in a digital environment so that it is easily accessible and processes are more efficient. With digitalization projects, mistakes that people may make were tried to be prevented, manual follow-up was prevented and traceability was ensured. In addition, while reporting can be done more easily and quickly, faster returns have been obtained.

In addition, official documentation and reporting for the R&D center have been made in 2022. Regulation inspections by the Ministry of Industry and Technology were conducted at two Ülker Bisküvi R&D Centers (Chocolate and Baked Products); their official documentation was extended.

Ülker R&D Department, Yıldız Technical University Technology Transfer Office and Yıldız Technical University (YTÜ) Department of Food Engineering signed a cooperation that will set an example in the sector.

Social Responsibility

Ülker continues to support those in need through non-governmental organizations, especially during Ramadan, and has developed projects to ensure the happiness of children as part of “Make Happy Be Happy Day”, which is celebrated on the third Thursday of November every year.

Ülker Bisküvi continued its social activities in 2022, taking into account the sensitivities of the society.

Ülker continues to support those in need with its products on various occasions, especially during Ramadan, through NGOs. Ülker also developed projects to ensure the happiness of children as part of “Make Happy Be Happy Day”, which is celebrated on the third Thursday of November every year.

Ülker Bisküvi contributed to LÖSEV's Packages of Happiness project by donating toys and products to make children happy, with the participation of employees at its factories in Turkey. On the other hand, it supported the sports organizations in which children participated by sending Ülker products, and made athletes happy by presenting them with Ülker products.



Packages of Happiness Project

Ülker Bisküvi contributed to LÖSEV's Packages of Happiness Project by donating toys and Ülker products.

Ülker Children's Art Workshop

Ülker Bisküvi continued its sustainability-themed Ülker Children's Art Workshop series, organized for the children of employees to learn about the “waste-free company” culture while having fun, at the Çamlica campus and factories. During the workshops, children, accompanied by trainers, transformed Ülker packaging that was not used in production, into flowers, plants, and animals. In this way, children learned the meaning of sustainability by exchanging ideas, while at the same time producing. The works inspired by Ülker My Beautiful Country Forest continue to be exhibited at Çamlica campus and factories.

Ülker My Beautiful Country Forest Grows

Ülker My Beautiful Country Forest continued to grow with saplings planted in 2022. Ülker continued to support the “Breath for the Future” sapling planting campaign initiated by the Ministry of Agriculture and Forestry in 2019 and planted 11 thousand saplings on November 11, National Afforestation Day. In 2022, 50 thousand saplings were donated for the forest fires that broke out in 2021, 5 thousand saplings were donated for the forests to be created in seven regions of Turkey on the occasion of TEMA Foundation's 30th anniversary, making 55 thousand saplings in total. Saplings will be planted in 2023. Ülker My Beautiful Country Forest, the foundations of which were laid in Ankara in 2011 with sapling planting activities initiated with the support of employees, will reach a total of 156,500 saplings in 2023.



**Sustainable
happiness for both
consumers and
employees**

Corporate Management Principles Compliance Report

PART I- CORPORATE GOVERNANCE PRINCIPLES: COMPLIANCE STATEMENT

The Company has provided in detail below the assessment and findings on the level of compliance with the Corporate Governance Principles and our comments on the potential improvement areas related to compliance in terms of scope and quality. Pursuant to Capital Markets Board Communiqué and Article 6362 of the Capital Market Law No: 6362, dated December 6, 2012, and II-17.1 Corporate Governance Communiqué released on 3.1.2014, issuance of a "Corporate Governance Compliance Report" and compliance with specified Corporate Governance Principles have become mandatory for companies traded on Borsa Istanbul (BIST). Accordingly, the Company has resolved that the requirements imposed by the CMB be strictly followed, and the Company has also completed all the works necessary for compliance with the other principles specified in the Communiqué. The established committees of the Board of Directors actively carry out their tasks. Committee working principles were announced on the website. Committee chairmen were formed amongst the independent members of the Board of Directors while independent member candidates are in majority in the committees. Three weeks prior to the General Assembly, information document, meeting agenda, annual report, résumés of the member candidates for the Board of Directors and other information to be announced were submitted to the information of the investors and shareholders. Related party transactions were submitted to the information of the Board of Directors, and by getting the approval of the independent members of the Board of Directors a decision was taken to continue the transactions. The website and annual report of our Company were revised and updated. A report for common and continuous transactions was issued for 2022 and published on the Public Disclosure Platform (KAP) upon the Board's decision. Independence of the independent members of the Board of Directors was examined, and new candidates were presented by the Nomination Committee to the Board of Directors. Within the scope of the sustainability activities, the first comprehensive sustainability report was released in 2016 whereas the seventh sustainability report was released in 2022 and made available and accessible for the shareholders and stakeholders at the investor relations website of Ülker Bisküvi.

Reasons for Non-Complied Corporate Governance Principles

1. No model or mechanism was created for the stakeholders to participate in the management. However, the independent members of the Board of Directors make sure that the Company and shareholders, as well as all stakeholders, are represented in the management.
2. There is no written compensation policy for the employees that must be established in accordance with Article 3.1.2 of the Corporate Governance Principles are related work are in progress.
3. Some of the members of the Board of Directors participates in several committees.
4. As per the Article 4.6.5 of the "Corporate Governance Principles," the remuneration of the members of the Board of Directors and executive senior managers as well as all other benefits granted are publicly announced via Annual Report. However, the announcement is not made on a personal basis but made to indicate the differentiation between the Board of Directors and executive senior managers.
5. There is no provision in the Articles of Association as an individual right that enables to request a special audit from the General Assembly to shareholders. TTK (Turkish Commercial Code) and SPK (Capital Markets Board) regulations on the appointment of a special auditor are deemed sufficient. In line with the provisions of the Turkish Commercial Code dated July 1, 2012, with no. 6102, each shareholder's right to request a special audit is protected.

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

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

The Corporate Governance Compliance Report as required by the Capital Markets Board Resolution no. 2/49 on 10.01.2019 and the Communiqué no. II-17.1 on Corporate Governance will be published on the Public Disclosure Platform by using the templates of Corporate Governance Compliance Report (URF) and Corporate Governance Information Form (KYBF). Relevant reports can be accessed at <https://www.kap.org.tr/tr/sirket-bilgileri/ozet/859-ulker-biskuvi-sanayi-a-s>. Disclosures for the period that ended on December 31, 2021, within the scope of compliance with Corporate Governance Principles, as specified in the Corporate Governance Communiqué, are also included in the annual report, Corporate Governance Compliance Report (URF), and Corporate Governance Information Form (KYBF) disclosed on KAP, and other relevant sections of the annual report.

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

PART II – SHAREHOLDERS

2.1. INVESTOR RELATIONS UNIT

All relations between Ülker Bisküvi and its shareholders are carried out under the responsibility of the “Investor Relations Unit” as a result of the joint work carried out with the relevant units. Investor Relations Unit is in charge of regularly informing the shareholders and prospective investors about the Company’s activities, financial condition and strategies, excluding confidential information and trade secrets, without causing any information inequality, and it is also responsible for ensuring a two-way communication between the Company’s management and the shareholders by obtaining opinions from other units when necessary and ensuring coordination. The Investor Relations Unit informs the Corporate Governance Committee at least four times a year about the activities carried out to be communicated to the Board of Directors. In 2022, the Board of Directors was informed by the Chairman of the Corporate Governance Committee on March 10, May 10, August 17 and November 8.

Ülker Bisküvi, whose Investor Relations activities prioritize establishing long-term relationships with investors and ensuring accurate and up-to-date information flow, held meetings with 115 domestic and foreign, corporate and individual, existing and potential investors and analysts in 2022 with the participation of senior executives. At these meetings, the operational results and performance of the Company, as well as other developments during the period, were shared with investors. Ülker Bisküvi provides regular and up-to-date information to its stakeholders via its corporate website, investor presentations, and other investor relations practices. The Company also organizes live web conferences promptly after the disclosure of financial results for every quarter. The Company attends conferences and meetings held in Turkey and abroad to update shareholders and investors. The Company’s corporate website (www.ulker.com.tr) is available in two languages, Turkish and English. Investor relations website in Turkish: <https://ulkerbiskuvyatirimciliskileri.com/> Investor relations website in English: <http://ulkerbiskuvinvestorrelations.com/> The Company’s material event disclosures can be accessed via Public Disclosure Platform or the Company’s investor relations website. Copies of the Company’s presentations are also available on the investor relations website in Turkish and English. Quarterly financial results, as well as annual reports in Turkish and English, are also available on the website.

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.

Fulya Banu Sürücü – CFO
Tel: +90 216 524 25 00

Serkan Aslyüce- Financial Affairs Director
Tel: +90 216 524 25 00

Verda Beste Taşar - Investor Relations Director
Tel: +90 216 524 25 00

E-Mail: ir@ulker.com.tr

Corporate Governance Principles Compliance Report

2.2. EXERCISE OF SHAREHOLDERS' RIGHT TO INFORMATION

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

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

Auditing principles and procedures are described in Article 20 of the Company's Articles of Association. No special audit has been requested by the shareholders in 2022.

2.3. GENERAL ASSEMBLY MEETINGS

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

The Ordinary General Assembly meeting for the year 2021 was held on May 10, 2022, at 10:00 a.m. at the address Kısıklı Mahallesi Ferah Caddesi No: 1 Büyük Çamlıca Üsküdar-İSTANBUL under the supervision of the Ministry Representative Mr. Yılmaz Akbaş, who was assigned with Istanbul Provincial Trade Directorate's letter no. 74415773 dated May 6, 2022. The invitation for the General Assembly, which stated the date and agenda

of the meeting envisaged by the law and articles of association, was published in due time in the Turkish Trade Registry Gazette no. 10558 dated April 13, 2021, and on page 14 of the daily Dünya Newspaper issue dated April 13, 2021, at Ülker Bisküvi Sanayi A.Ş.'s corporate website <http://ulkerbiskuviyatirimciiliskileri.com>, on the Public Disclosure Platform, and on the Electronic General Assembly System of the Central Registry Agency at least three weeks before the date of the General Assembly by indicating the date and agenda of the meeting.

The 2021 General Assembly was held in a physical environment and 22,905,570,500 shares corresponding to a capital of 229,055.705 TL out of 34,200,000,000 shares corresponding to the Company's total capital of 342,000,000 TL, 17,442,000,000 shares corresponding to a capital of 174,420,000 TL were issued physically by proxy, 6,860,168,300 shares corresponding to the capital of 68,601,683 TL to be issued electronically by proxy represented at the meeting with 24,325,073,870,50 shares corresponding to a total capital of 243,250,738.705 TL. The General Assembly was opened by Mete Buyurgan, CEO of Ülker Bisküvi, with the minimum meeting quorum stipulated in the Law and the Articles of Association present, and with the independent auditor Güney Bağımsız Denetim ve Serbest Muhasebeci Mali Müşavirlik A.Ş. (representative Seda Akkuş) and Ahmet Bal, Chairman of the Board of Directors, and Mete Buyurgan, Managing Director, present. No media representatives attended the meeting.

The Company makes the financial statements and reports, including the annual report, dividend distribution proposal, 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. In addition, prior to the General Assembly meeting, agenda items, sample power of attorney, information document, balance sheet, profit and loss statements, independent audit report and footnotes, Board of Directors' resolution on dividend distribution, annual report, related party transactions report were prepared and published on the website <https://ulkerbiskuviyatirimciiliskileri.com> within the legal period before the meeting date.

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

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

At the 2021 General Assembly, the shareholders who made a speech wished for a successful year 2022, and no proposals were made other than the agenda items. The minutes and agenda items of the General Assembly were published on Public Disclosure Platform (www.kap.gov.tr) and <https://ulkerbiskuviyatirimciliskileri.com>.

Decisions taken at our Company's Ordinary General Assembly Meeting held on May 10, 2022, were registered by Istanbul Trade Registry Office on May 26, 2022.

2.4. VOTING AND MINORITY RIGHTS

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

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

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

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

2.5. DIVIDEND RIGHTS

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

The profit distribution policy of our Company is defined in accordance with the clauses of the Turkish Commercial Code, Capital Market Law and Articles of Association, taking into consideration the Company's operational performance, national financial situation, and market developments, in line with the expectations of the shareholders and requirements of our Company with the Board's proposal and resolution taken in the General Assembly. The Company plans to distribute a maximum of 70% of its net distributable profit for each accounting period in cash, as long as they can be disbursed by the current sources in legal records after due consideration of the Company's cash flow requirements. This policy shall be based on other funding requirements for future investments, industrial conditions, and the Company's financial situation. This policy shall be reviewed each year by the Board of Directors, taking into account of the domestic and global economic conditions, mid and long-term corporate growth and investment strategies and cash needs of the Company. The General Assembly may decide to distribute dividend in a higher rate or to transfer a part of or all of them to extraordinary reserves. In the event that the Board proposes not to distribute dividends to the General Assembly, the situation and how the undistributed dividend shall be used by the Company are explained to the shareholders in the General Assembly with legitimate reasons. The General Assembly makes a resolution specific to each financial year regarding dividends; profit distribution proposal is announced to the public in compliance with the regulations and accessible at the Company website. The proposal shall be accepted or rejected by the General Assembly. The dividends are equally distributed to all shares in the relevant accounting period without taking expulsion and acquisition dates of them into consideration. Dividend distribution starts at a date that shall be set by the Board on the condition to get authorized by the General Assembly not later than the end of the year of the General Assembly meeting. The Company shall consider whether to make advanced dividend payment or distribute it in instalments or equally.

Corporate Governance Principles Compliance Report

2.6. SHARE TRANSFER

After the amendment to the Articles of Association was adopted at the ordinary General Assembly meeting held on March 28, 2013, there are no registered shares at our Company. In accordance with subparagraph 3, Article 137 of the Capital Market Law no. 6362, there is no provision in the Articles of Association that restricts the transfer of Ülker Bisküvi shares traded on Borsa İstanbul.

PART III – PUBLIC DISCLOSURE AND TRANSPARENCY

3.1. COMPANY'S WEBSITE AND CONTENTS THEREOF

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

- Information on Ülker Bisküvi and its Subsidiaries
- Company's Vision
- Ethical Principles
- Information on the Board of Directors and Executive Management
- Company's Shareholding Structure
- Company's Organizational Chart
- Social Responsibility
- Trade Registry Information and Company Profile
- Articles of Association
- Financial Statements and Notes
- Annual Reports
- Disclosure of Material Events
- Corporate Governance Principles Compliance Report
- General Assembly Meetings
- Policies
- Committees
- List of Corporate Insiders
- Ülker on the BIST (Ratios and Charts related to the Company's Shares)
- List of Monitoring Analysts and Investor Presentations
- Bond Information
- 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.

All necessary measures have been taken to prevent the use of insider information, and information regarding the executives of our Company who are in a position to access information that may affect the value of capital market instruments and other persons/institutions from whom the Company receives services are notified to the relevant institutions in accordance with the legislation in force and published on the Company's website.

PART IV – STAKEHOLDERS

4.1. INFORMATION TO STAKEHOLDERS

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

4.2. PARTICIPATION OF STAKEHOLDERS IN MANAGEMENT

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

The Board of Directors consists of eight members, three of whom are independent members. Although there are no specific efforts regarding stakeholders' participation in management, the Company takes note of the opinions and suggestions of employees, suppliers, non-governmental organizations and all other stakeholders. Furthermore, the employees are offered the opportunity to share and put into practice their ideas on Idea Stars,

the Innovation, Inspiration and Idea Platform. Thus, employees can share their thoughts in order to bring different ideas from processes to business models into life and to find solutions to problems. Employees also have the chance to enter competitions under “calls” announced on Idea Stars and win specific awards.

4.3. HUMAN RESOURCES POLICY

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

4.4. CODE OF CONDUCT AND SOCIAL RESPONSIBILITY

Information on the corporate social responsibility activities of the parent company, Yıldız Holding, is available in our annual reports and on the website: <http://ulkerbiskuviyatirimciiliskileri.com/default.aspx> Keenly aware of our social responsibility, the Company takes utmost care to adopt policies that support environmental, sports, educational, and healthcare-related projects. The code of conduct is also available in a related section on the website. The Company pursues continuity of service quality and standards in all phases of production. Ultimate attention is paid to the confidentiality of customers’ and suppliers’ trade secrets. Customer satisfaction is one of

the main principles of our Company. Ülker Bisküvi, since its inception, has been a part of a group of companies that produce quality and healthy products; respect their employees; uphold the rights of their partners and shareholders, and of their suppliers and customers; comply with all applicable laws; recognize social values; and have social responsibility. In addition, the Group of companies’ management philosophy pursues the highest level of respect and trust among executives, employees, suppliers, and customers; achieves employee cooperation and high performance of personnel; maintains dignity, consistency and a sense of trust and responsibility in its approach; all the while continually striving to improve this management philosophy. The Code of Conduct as adopted by Ülker Bisküvi is generally abided by all Group companies and is disclosed to the public within the scope of the Group’s information policy and is available to our shareholders on the website: <http://ulkerbiskuviyatirimciiliskileri.com/default.aspx>.

PART V – BOARD OF DIRECTORS

5.1. STRUCTURE AND ORGANIZATION OF THE BOARD OF DIRECTORS

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

In appointing Independent Board members, the Corporate Governance Committee, which performs the tasks of the Nomination Committee, screens their independence and submits them to the Board of Directors. The resumes of the independent members of the Board of Directors are presented in the Board of Directors section of the annual report and on the corporate website of the Company. Chairman of the Board of Directors and Chief Executive Officer (CEO) are different persons with separate duties.

Corporate Governance Principles Compliance Report

Details of the Company's Board of Directors are as follows:

Name-Surname	Position	Term of Office
Ahmet Bal	Chairperson of the Board (Independent Member)	21.7.2020-21.7.2023
Ali Ülker	Deputy Chair of the Board	21.7.2020-21.7.2023
Murat Ülker	Board Member	21.7.2020-21.7.2023
Mehmet Tütüncü	Board Member	21.7.2020-21.7.2023
Mete Buyurgan	Board Member (Executive Member)	21.7.2020-21.7.2023
İbrahim Taşkın	Board Member	21.7.2020-21.7.2023
Fusun Kuran	Board Member (Independent Member)	01.5.2022-21.7.2023
Pınar Ilgaz	Board Member (Independent Member)	21.7.2020-21.7.2023

Ahmet Bal – Chairperson of the Board – Independent Member

Born in 1957 in Tokat, Ahmet Bal graduated from Ankara University, Faculty of Political Sciences, Department of Economics and Finance and began his career in the Board of Accountants of the Ministry of Finance. Certified to be a Chief Accountant and Certified Public Accountant in 1991, Ahmet Bal completed his MBA in Business Administration at Nottingham University in the UK in 1992 and started working as an Assistant Financial Affairs Coordinator at Anadolu Endüstri Holding in 1994. Between 1995 and 1998, he was in charge of Anadolu Group's International Coca-Cola operations and was appointed as the Finance Director of Efes Sinai Yatırım Ticaret A.Ş. Between 1998 and 1999, he worked as the General Manager of Efes Sinai Yatırım Holding A.Ş. Between 1999 and 2006, he was the Financial Affairs Coordinator in charge of the Automotive, Finance and Stationery companies under the Anadolu Endüstri Holding's Financial Affairs Department. Bal worked as the Auditing Coordinator in charge of the Group Companies at Anadolu Endüstri Holding between 2006 and 2012. Between 2013 and 2018, Bal served as the Auditing President in charge of the Audits of the Anadolu Group Companies. Ahmet Bal is married and has two children.

STATEMENT OF INDEPENDENCE

I hereby declare to the Board of Directors, General Assembly, shareholders and all stakeholders that I am nominated to serve as an "independent member" on the Board of Directors of Ülker Bisküvi Sanayi Anonim

Şirketi ("Company"), as per the criteria stipulated in the Corporate Governance Principles set forth in Capital Markets Board Communiqué on Corporate Governance (II-17.1) enacted upon publication in the Official Gazette no. 28871 on January 3, 2014; and that:

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

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

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

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

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

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

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

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

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

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

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

Sincerely,

Ahmet Bal

Mehmet Tütüncü - Board Member

Mehmet Tütüncü obtained his BA degree from the Department of Mechanical Engineering at Gazi University, followed by an MA in the Department of Industrial and Organizational Psychology, Maltepe University. Mehmet Tütüncü obtained his BA degree from the Department of Mechanical Engineering at Gazi University, followed by an MA in the Department of Industrial and Organizational Psychology, Maltepe University. Mr. Tütüncü began his professional career in 1981 as an engineer at the Ministry of National Education, Construction Department. From 1987 to 1996, he worked as a Production Manager, Enterprise Manager, and General Manager, respectively, at Best Rothmans Entegre Sigara and Tütün Sanayi A.Ş. He

assumed his first role at Yıldız Holding as Enterprises Coordinator of Ülker Gıda A.Ş. in 1996. He worked as the General Manager of Ülker Biscuit and Chocolate factories, Ülker Group Vice President, Food and Beverages Group President, Food Group President, and Ülker International Group President. In 2016, he was appointed as the Regional CEO in charge of Turkey, the 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 regions as well as pladis Global Information Systems and Business Models Transformation, acting as Vice CEO. Since October 2018, he served as the Vice-Chair of the Yıldız Holding Board of Directors and CEO of Yıldız Holding. A board member of TÜGİS, (Turkish Food Industry Employers' Union) Tütüncü is a member of many Turkish and foreign sector organizations. He is a member of the Board of Directors of FoodDrinkEurope and FoodDrinkEurope Liaison Committee.

Ali Ülker - Deputy Board Chairman

Born in 1969, Ali Ülker completed his secondary education at the Istanbul High School for Boys and graduated from Boğaziçi University, Faculty of Economics and Administrative Sciences, Department of Economics and Business Administration. He attended various academic programs at IMD, INSEAD, Wharton and Harvard. Mr. Ülker took part in the De Boccard & Yorke Consultancy Company's Internal Kaizen Study (1992) and the IESC Sales System Improvement and Internal Organization Project (1997). He began his professional career in 1985 as a trainee in the Quality Control Department of Ülker Gıda A.Ş. Later, he served as Intern, Sales Executive, Sales Coordinator, Product Group Coordinator, and Product Group Manager between 1986 and 1998 at the chocolate production facilities and at Atlas Gıda Pazarlama A.Ş. After becoming General Manager of Atlas Food Marketing in 1998, he was appointed Retail Group Vice-President in 2000 and subsequently General Manager at Merkez Food Marketing in 2001. He was appointed as the Deputy Chairman of the Organized Retail Food Group in 2002 and as the President of the Group in 2005. Ali Ülker, who has served as Vice Chairman of Yıldız Holding's Board of Directors since 2011, became Chairman of the Board of Directors on January 29, 2020. Having strong knowledge and experience in marketing and sales, he takes a special interest in innovation and supports the various teams working in this key area within the Group. Ali Ülker enjoys mentoring youth. He also likes spending time in nature and participating in outdoor sports. Ali Ülker, who speaks English and German, is married and has three children.

Corporate Governance Principles Compliance Report

Murat Ülker - Board Member

He began his professional career in 1982 and studied abroad, taking sector-related courses at schools such as the American Institute of Baking (AIB) and Zentralfachschule der Deutschen Süßwarenwirtschaft (ZDS). He interned at Continental Baking, in the USA and, for three years, conducted examinations in nearly 60 factories and plants operating in the biscuit, chocolate and food sector in the USA and in Europe. He also assumed roles in various International Executive Services Corps (IESC) projects. Mr. Ülker began working as Control Coordinator within the Group in 1984 and was appointed as Assistant General Manager for Enterprises and General Manager in the following years. Acting as a Member of the Executive Committee and a Board member in different enterprises within the Group, Mr. Ülker managed numerous new vertical integration-related investments. Assuming the role of Chairing the Holding's Executive Board in 2000, Murat Ülker acted as the Chair of the Board of Directors starting from 2000. He became Chief Executive Officer of Yıldız Holding's Executive Board in 2000 and served as Board Chair from 2008 to 2020. Murat Ülker has remained actively involved in companies affiliated to the Holding as Board Member since January 29, 2020. He also serves as Chairman of the Board of Directors at pladis and Godiva. Murat Ülker, who is married with three children, enjoys traveling with his family and sailing. His other areas of interest include calligraphy and modern painting.

İbrahim Taşkın - Board Member

Born in Trabzon in 1963, İbrahim Taşkın completed his primary education in Trabzon and Artvin and his middle and high school education in Istanbul. He graduated from the Faculty of Law at Istanbul University in 1986. As a self-employed lawyer, he has been a member of the Istanbul Bar Association since 1989 and became one of the "lawyers concluding their 30th year in the profession" in 2019. Taşkın conducted academic studies starting from 1990 and delivered courses on Constitutional Law, Criminal Law, Criminal Procedural Law, Disciplinary Law, and Police Professional Legislation at Florya Police Education Center under the umbrella of the General Directorate of Security for four years. In addition to his experience in business, he assumed senior positions in politics at different levels between 1996 and 2004. Besides his career in academics and law, Taşkın places importance on non-governmental organizations and thus served as a Founder and Manager at numerous NGOs. He is the founder of "Sabri Ülker Food Research Institute Foundation", "Consumer and Environmental Education

Foundation", "Science Dissemination Foundation" and "Ülker Members' Association".

He is a member of the board at Yıldız Holding and a board member at many Group companies. He is also a member of the assembly of the Istanbul Chamber of Industry, a delegate of TOBB, and a member of MÜSİAD.

Since 2004, Taşkın served as a Legal Consultant, Legal Affairs General Director, and since 2016 as Head of Global Legal Affairs at Yıldız Holding. In addition to this position, Taşkın chairs global boards, including Ethics and Honor Board, Food Safety Board, and Regulation and Corporate Transactions. Taşkın is also in charge of coordinating Yıldız Holding's relations with public institutions, non-governmental institutions, and universities. He speaks English and is married with four children.

Mete Buyurgan - Board Member (Executive Member)

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

boost Ülker's presence in the Turkish market, especially in the chewing gum and confectionery, bakery products and chocolate categories. Under his leadership, Ülker is conducting indepth studies in a wide range of areas, including financial processes, production, sales, marketing, human resources, supply chain, export, social projects, sustainability efforts, and brand perception. Mete Buyurgan is married with two children.

Pınar Ilgaz - Board Member (Independent Member)

Graduated from İzmir Bornova Anadolu High School in 1983. Graduated from the faculty of Administrative Sciences at Boğaziçi University in 1988 with a degree in Public Administration. She is specialized in Human Resources Management, Organizational Structure and Operation, Institutionalization, Governance, and Sustainability Management. After completing the Management Trainee program at Emlak Bank in 1989, she worked in the department of investment loans evaluation. Later, assumed the position of Financing Assistant Manager at Vakıf Financial Leasing Inc. and carried out her mission for the next 3 years. Since 1995 she is working at ARGE Consulting. Currently she is taking part in various projects in ARGE Consulting as Managing Partner. Under the roof of ARGE Consulting, she has conducted management consulting projects for more than 100 different organizations in different sectors and at different sizes in the areas of strategic evaluation and performance enhancement projects, institutionalization, corporate governance structures, and sustainability strategies, and HR. She is involved in the advisory committee of a company in food sector making production and global sales. Alongside her duties at R&D Consulting, she has assumed the following roles: Deputy Chair at Argüden Governance Academy Foundation; Deputy Chair at the Private Sector Volunteers Association (OSGD); Member of the Collaboration Committee at Women In Boards Association; Gender Equality Working Group Member at TÜSİAD (Turkish Business Persons Association). She has been selected for the "More Women In Boards" Program with 40 other female managers from Turkey and has completed the training sessions that aim to prepare the participants for taking an active role in boards as Independent Members which include information and mentor guidance. She is among the authors of the books Kurumsal Yönetişim Modeli (Corporate Governance Model), Değişim Yönetimi (Management Of Change), and Gönüllü Kuruluşların Yönetimi (Management Of Volunteering Organizations). Alongside her role in the Company, she assumed the following roles in 2020: Managing Partner at R&D Consulting; Deputy Chair at Argüden Governance Academy Foundation; Independent Board Member at Şok Marketler; Deputy Chair at the Private Sector Volunteers

Association; Member of the Collaboration Committee at Women In Boards Association; Gender Equality Working Group Member at TÜSİAD (Turkish Business Persons Association).

STATEMENT OF INDEPENDENCE

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

- a) There is no relation of employment in executive positions to assume material roles and responsibilities for the past 5 years between the Company, Subsidiaries where the Company holds control or significant power over management or Partners that hold significant power in the Company and the legal entities where such Partners hold control over management, and me, my wife, and up to second-degree relatives by kinship and marriage; that no capital or voting rights or privileged shares more than 5% were held collectively or individually or no material trade relations were established;
- b) In the past five years, I was not a shareholder (5% and above) or an employee in executive positions to assume material duties and responsibilities, particularly including roles in Company audits (tax audit, legal audit and internal audit), ratings, and consultancy, nor did I serve as a board member, in the companies to and from which the Company extensively sold or purchased services or products as per the contracts signed, and during periods where products or services were purchased or sold;
- c) I have the educational background, knowledge, and experience necessary for me to duly perform the tasks I will assume as an independent Board member;
- d) I do not work full time in public institutions and organizations;
- e) I am considered to reside in Turkey pursuant to the Income Tax Law no. 193 dated 31.12.1960;
- f) I have strong ethical standards, professional reputation, and experience to contribute positively to Company's operations, to preserve my impartiality in disputes between the Company and shareholders, and to decide with my free will by taking note of the rights of stakeholders;

Corporate Governance Principles Compliance Report

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

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

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

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

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

Respectfully yours,

Pınar Ilgaz

Füsun Kuran - Board Member (Independent Member)

Füsun Kuran started her career as an auditor at Arthur Andersen and became General Manager at Stefanel in 2001. In 2005, she was honored with Capital Magazine's "Youngest General Manager on the Road to Success" award. In 2013, Füsun Kuran became the General Manager of Brooks Brothers and served as the CEO of RMK Classic, which includes Brooks Brothers and Edwards brands, until January 2019. Having served as the President of the Registered Trademarks Association (TMD) for two terms in 2010-2012 and 2014-2016, Kuran is currently serving as the Vice President of the association. Füsun Kuran, an experienced name in the business world, became the CEO of Make-A-Wish® Turkey, an international organization for children struggling with life-threatening diseases. Since 2022, she has been the CEO and Board Member of TütmüAnne.com, Turkey's marketplace for second-hand children's and women's products. As of May 2022, Kuran is also an Independent Board Member at Ülker Bisküvi.

STATEMENT OF INDEPENDENCE

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

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

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

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

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

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

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

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

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

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

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

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

Sincerely,

Füsun Kuran

5.2. RULES OF CONDUCT OF THE BOARD OF DIRECTORS

The Board of Directors adopted 28 resolutions in 2022 (In 2021: 37 resolutions). In 2022, the Board of Directors held five meetings. Attendance rate to the meetings is 100%.

MEETINGS OF THE BOARD OF DIRECTORS

The Board of Directors convenes when the Company's business requires it. The place of the meeting is the head office of the Company. The Board of Directors meetings may convene at any other convenient place in or outside of Turkey, subject to the Board of Directors' resolution. Chairman or Deputy Chairman sets the agenda for the Board of Directors. The presence of the majority of the total number of members of the Board of Directors is required for a resolution to be adopted, without prejudice to the provisions of the capital market legislation. Resolutions shall be adopted by a majority of votes of members present at the meeting. Meetings may be conducted through teleconference, video conference, or voice or video communication means and resolutions may be adopted upon signing the minutes related thereto. A resolution may be adopted without the need for a meeting in case that all of the members of the Board of Directors unanimously approved the

resolutions by signing them. Board members who have the right to participate in the Board meetings can attend via an electronic environment as per Article 1527 of the Turkish Commercial Code. The Company may set up its own electronic meeting system, or subscribe to services from the systems formed by service providers for this purpose, that will enable the right holders to participate and vote at these meetings via electronic media pursuant to the provisions of the Communiqué Regarding Boards to be Convened via Electronic Media in Commercial Companies other than General Assemblies of Joint Stock Companies. It shall be ensured in those meetings that the beneficiaries exercise their rights set forth in the provisions of the relevant legislation within the framework of relevant Communiqué of the Ministry through the system set-up or through the system from which support will be received under this provision of the Articles of Association.

In cases where the meetings of the Board of Directors are held electronically, the provisions of the Articles of Association regarding the meeting quorums are applied exactly as they are. In 2022, the Board of Directors monitored the meeting minutes and reports of the Audit Committee, Corporate Governance Committee and Risk Committee. No related party transactions or other transactions of significant nature were submitted to the approval of the independent Board members during the year. 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, Corporate Governance Committee and Early Risk Assessment Committee were established by the Board of Directors. The established committees of the Board of Directors actively carry out their tasks. Committee chairs are elected from among the Independent Members of the Board of Directors. Independent members assume tasks in multiple committees. Committees generally convene a few days before, or on the same day as, Board of Directors' meetings. Working principles of the committees formed under the umbrella of the Board of Directors were prepared, and necessary arrangements were put in place regarding the monitoring of such principles by relevant units. The working principles of the committees are available on the Company's corporate website.

Corporate Governance Principles Compliance Report

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 is in charge of assisting the oversight of Board of Directors regarding accuracy and quality of the financial statements and related disclosures of the Company; implementation and effectiveness of the accounting system of the Company; qualifications and independence of independent auditors; determination of the independent audit company; approval and review of the contract between the independent auditor and the Company; effective functioning of the independent audit system; and implementation and effectiveness of the internal audit practices at the Company. The Audit Committee is composed of at least two members elected by the Board of Directors from among independent board members. The Audit Committee meets four times a year, at least quarterly. In 2022, the Audit Committee convened four times and the reports containing the opinions and comments of the committee were submitted to the Board of Directors.

Chairman	Ahmet Bal	Board Member (Independent)
Member	Füsun Kuran	Board Member (Independent)

CORPORATE GOVERNANCE COMMITTEE

Due to the structure of the Board of Directors, the duties of the Nomination Committee and Remuneration Committee stipulated in the Corporate Governance Principles have been undertaken by the Corporate Governance Committee. The Corporate Governance Committee is tasked with monitoring the Company's compliance with Corporate Governance Principles, undertake improvement efforts, and submit proposals to the Board of Directors on this matter, in conformity with the CMB legislation and the Corporate Governance Principles of the Capital Markets Board. The Corporate Governance Committee consists of at least three members, including at least two members of the Board of Directors and the Investor Relations Department Manager. In 2022, the Corporate Governance Committee convened four times and reports containing the opinions and comments of the committee were submitted to the Board of Directors.

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

RISK COMMITTEE

The main objectives of the Early Detection of Risk Committee, which reports to the Board of Directors, are as follows;

- Early detection of strategic, operational, financial, legal, and other risks of any nature that may jeopardize the Company's existence, growth, and business continuity; controlling and validating effective management of the detected risks via assessment within the scope of the corporate risk-taking limits of the Company;
- Prioritizing those risks above the corporate risk-taking limits by their impact and probability;
- Determining and implementing necessary measures against detected risks, and managing risks.

The Early Detection of Risk Committee is composed of at least two members. The majority of the Committee members are non-executive Board members. The Chief Executive/CEO may not assume duties in the committees. The Early Detection of Risk Committee takes decisions at least six times a year, every two months. The meetings of the Committee may be held with members attending in person or via technological communication means. The timing of the committee meetings is in accordance with the board meetings to the extent possible. As a result of its bimonthly meetings, the Committee is obliged to submit to the Board of Directors a report on the findings and suggestions it has reached in relation to its duties and responsibilities. In 2022, the Early Detection of Risk Committee convened six times and reports containing the opinions and comments of the committee were submitted to the Board of Directors.

Chairman	Füsun Kuran	Board Member (Independent)
Member	Ahmet Bal	Board Member (Independent)

Independent Board Members Ahmet Bal, Füsün Kuran and Pınar Ilgaz fully attended the meetings of the Corporate Governance Committee, Audit Committee and Risk Committee, and the meeting attendance rate was realized as 100% for each independent member separately.

5.4. RISK MANAGEMENT AND INTERNAL AUDIT MECHANISM

Ülker Bisküvi has adopted corporate risk management principles to maximize the value and risk assurance provided to its stakeholders, to identify and measure risks early, and to monitor them continuously and effectively. Ülker Bisküvi continues its operations with a prudent and strong risk management approach since its foundation and carries out its risk management activities in a holistic and proactive manner to better manage the uncertainties triggered by recent global developments.

Risks identified through risk management processes are systematically monitored and measured using quantitative and qualitative measurement criteria in accordance with international standards and written risk policies within the scope of risk management strategies that are vital for the Company's sustainable performance. These processes both increase transparency and ensure a more systematic assessment of risks in investment and operational decisions.

Ülker Bisküvi Early Detection of Risk Committee carries out, coordinates, and reports to the Board of Directors on the early detection of all kinds of risks that may jeopardize the existence, development, and continuity of the Company and that may affect the decisions to be taken or already taken within the scope of the Company's activities, the implementation of necessary measures and actions, and the management and review of risks within a management system.

The risks to which the Company is exposed are analyzed and monitored in four main groups:

- **Strategic Risks:** Risks that may arise as a result of unfavorable changes in product demand, market regulations that may affect competition and market share, consumer/stakeholder trends and expectations

and factors that may affect the business model.

- **Financial Risks:** Liquidity risks that may arise from fluctuations in important indicators such as exchange rates, inflation, commodity prices, interest rates, etc. in financial markets, and risks that may arise from partial or total failure to fulfil financial obligations to our Company as a result of deterioration in the financial situation of third parties, etc.
- **Operational Risks:** Risks related to inefficiencies and/or disruptions that may arise in processes such as information security, technological infrastructure, business continuity, quality, human resources, procurement/logistics, purchasing, etc.
- **Compliance Risks:** These are the risks that the Company may be exposed to as a result of difficulties that may be encountered in complying with internal legislation, procedures and principles, especially ethics and external legislation requirements that the Company is subject to based on the region and sector in which it operates.

5.5. STRATEGIC OBJECTIVES OF THE COMPANY

Mission, Vision, and Strategic Objectives of the Company: The vision and mission of Yıldız Holding and our Company is disclosed to the public and is available on the websites: www.ulker.com.tr and www.ulkerbiskuvi.com.tr.

5.6. REMUNERATION

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

Declaration of Compliance to Sustainability Principles

With the Communiqué on Amendment (II-17.1.a) of the Communiqué on Corporate Governance (II-17.1) published in the Official Gazette dated October 2, 2020; partners subject to Corporate Governance Principles shall include the title of "Sustainability Principles Compliance Framework" in their reporting for the compliance to Corporate Governance Principles; and also provide information whether or not Sustainability Principles are implemented, and, if not, a reasoned explanation, as well as an explanation regarding the impacts on environmental and social risk management due to not fully complying these principles in their annual reports. Ülker Bisküvi complies with the principles published as part of the "Sustainability Principles Compliance Framework" of CMB through environmental, social and governance (ESG) policies that the Company has been sharing on its website as well as the Sustainability Reports disclosed to the public since 2015. Every year, the Company sustains and improves its activities in ESG. The details regarding the criteria mentioned in the principles and the performance data will be accessible in 2021 Sustainability Report to be published in June. Works are ongoing to share the related data in annual reports in the upcoming periods. The goal is to achieve full compliance to the non-obligatory "Sustainability Framework Principles" and the criteria that are not included within the principles are explained below. Work on the principles that have not been put into practice yet are in progress and it is planned to be implemented after the completion of administrative, legal and technical infrastructure works in a way that will contribute to the effective management of our Company.

Environmental Principles

- There is no carbon pricing system and carbon credit, it is planned to take carbon credit for 2022.
- Renewable energy is not used; however, increasing the investments in this field is considered.
- Environmental criteria are included in the performance indicators of the managers, detail information on this matter is intended to be disclosed.

Social Principles

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

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

Sustainability Principles Compliance Framework

Pursuant to the Capital Markets Board's decision dated 23.06.2022 and numbered 34/977 and Corporate Governance Communiqué numbered II-17.1, the disclosures required to be made within the scope of the sustainability principles compliance framework by the companies whose shares are traded on the Main Market, Stars Market and Sub-Market of the Stock Exchange were prepared in the format specified in the CMB's Principle Decision on the Public Disclosure Platform (PDP) and announced with the "Sustainability Report" template under the "Material Event Disclosure Submission" menu in the PDP-BIY application. The relevant explanations can be accessed at www.kap.gov.tr.

Risk Management

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

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

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

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

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

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

Other Issues Regarding Company Operations

- In 2022, the Company did not have any private audit whereas public audit was carried out by the Competition Authority and the Turkish Tax Inspection Board. Currently, no reports have been received by the Company regarding audit results.
- In 2022, no administrative or judicial penalty for any breach of Legislation provisions was given to our Company or the Members of the Board of Directors of our Company.
- The Company achieved the goals set for 2022 to a great extent. In 2020, the resolutions of the General Assembly were fulfilled.
- In 2022, there were no legal proceedings launched in the interest of the Company or measures taken or refrained to be taken in the interest of an affiliated company.
- There is no measure taken or refrained to be taken to the detriment of the Company in 2022.
- There is no lawsuit filed against the Company which may affect its financial situation and activities in 2022.
- There were no conflicts of interest between the Company and other institutions of investment advisory and rating agency, and no measures taken by the Company in order to prevent conflicts of interest.
- No extraordinary general assembly meeting was held in 2022.

Statement of Responsibility Regarding the Annual Report

BOARD RESOLUTION CONCERNING THE APPROVAL OF THE FINANCIAL STATEMENTS

VERDICT DATE: 10/03/2023

VERDICT NO: 2023/03

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

Regarding the period between January 1-December 31, 2022, the Capital Markets Board (CMB) Serial II.14.1. consolidated financial statements with the "Communiqué Regarding The Principles of Financial Reporting in the Capital Market" ("Communiqué") and CMB's decision no. 10.1.2019 dated 2/49 and Turkish Accounting Standards/ Turkey Financial Reporting Standards ("TMS/TFRS"), and footnotes prepared in accordance with the formats set by the CMB, and the Statements, enterprise governance compliance report (URF) and Corporate Governance Information Form (KYBF) via year-end Annual Report and PDP platform) in accordance with the regulations of the CMB legislation of The Corporate Governance Reports published in accordance with the templates; our company declares the following;

- a) We have reviewed the Consolidated Balance Sheet, Income Statement, Cash Flow Statement, Statement of Change In Share Capital, and Annual Report, and the footnotes prepared by our Company in line with the Capital Market regulations.
- b) Within the framework of the information we obtained in the scope of our tasks and responsibilities, we have concluded that the abovementioned does not contain any misleading disclosure of material matters or any deficiencies that might cause misconception about the disclosure as of the date it was made.
- c) Within the framework of the information we obtained in the scope of our tasks and responsibilities, we have also concluded that; (i) the consolidated financial statements, prepared and issued in accordance with the financial reporting standards, honestly reflect the facts about the assets, liabilities, financial status, profit/loss of the Company, and (ii) the Annual Report honestly reflects the progress and performance of the business, the financial situation of the Company together with the activities included within the scope of consolidation, as well as the important risks and uncertainties.

With kind regards;

Serkan Aslıyüce
Financial Affairs Director

Ahmet Bal
Audit Committee Chairman

Füsün Kuran
Audit Committee Member

Subsidiary Company Report Results

As per the 199th Article of the Turkish Code of Commerce n.6102 that entered into force on the 1st of July 2012; Ülker Bisküvi Sanayi A.Ş. Board of Directors is responsible for; (i) issuing a report in 2017 activity period about the relations between Ülker Bisküvi Sanayi A.Ş. and the Company's controlling shareholder and the affiliates of the controlling shareholders in the previous activity period, and; (ii) include conclusion of this report in the Annual Report. Necessary explanations about Ülker Bisküvi Sanayi A.Ş.'s transactions with the related parties are given in footnote no. 32 of the financial report.

Ülker Bisküvi Sanayi A.Ş. Board of Directors states: "We have reached the conclusion based on the circumstances we knew about at the time of making the transaction or taking the measure or avoiding the measure; in all transactions between Ülker Bisküvi Sanayi A.Ş. and its controlling shareholders and the affiliates of the controlling shareholders in 2022, appropriate consideration was provided in each transaction, and there were no measures, taken or avoided, that could cause loss for the company, and within this scope, there were no transactions or measures that would require offsetting."

Independent Audit Report

(CONVENIENCE TRANSLATION OF INDEPENDENT AUDITOR'S REPORT ON THE MANAGEMENT'S ANNUAL REPORT ORIGINALLY ISSUED IN TURKISH)

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

1) Opinion

As we have audited the full set consolidated financial statements of Ülker Bisküvi Sanayi A.Ş. ("the Company") and its subsidiaries ("the Group") for the period between 1 January 2022 – 31 December 2022, we have also audited the annual report for the same period.

In our opinion, the consolidated financial information provided in the Management's annual report and the Management's discussions on the Group's financial performance, are fairly presented in all material respects, and are consistent with the full set audited consolidated financial statements and the information obtained from our audit.

2) Basis for Opinion

We conducted our audit in accordance with the standards on auditing issued by Capital Markets Board and the Standards on Independent Auditing ("SIA") which is a part of Turkish Auditing Standards published by the Public Oversight Accounting and Auditing Standards Authority ("POA"). Our responsibility is disclosed under Responsibilities of the Independent Auditor on the Independent Audit of the Annual Report in detail. We declare that we are independent from the Group in accordance with the Code of Ethics for Independent Auditors ("Code of Ethics") issued by POA and ethical provisions stated in the regulation of audit. We have fulfilled other responsibilities in accordance with these requirements and the Code of Ethics. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

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

We have presented unqualified opinion for the Group's full set consolidated financial statements for the period between 1 January 2022 – 31 December 2022 in our Auditor's Report dated 10 March 2023.

4) Management's Responsibility for the Annual Report

The Group's Management is responsible for the following in accordance with Article 514 and 516 of the Turkish Commercial Code No. 6102 ("TCC") and "Communiqué on Principles of Financial Reporting in Capital Markets" with No.14.1 of the Capital Markets Board ("the Communiqué"):

- a) Preparing the annual report within the three months following the reporting date and presenting it to the General Assembly,
- b) Preparing the annual report with the all respects of the Group's flow of operations for that year and the Group's consolidated financial performance accurately, completely, directly and fairly. In this report, the consolidated financial position is assessed in accordance with the consolidated financial statements. The Group's development and risks that the Group may probably face are also pointed out in this report. The Board of Director's evaluation on those matters are also stated in this report.
- c) The annual report also includes the matters stated below:
 - The significant events occurred in the Group's activities subsequent to the financial year ends,
 - The Group's research and development activities,
 - The compensation paid to key management personnel and members of Board of Directors including financial benefits such as salaries, bonuses and premiums, allowances, travelling, accommodation and representation expenses, in cash and kind facilities, insurances and other similar guarantees.

The Board of Directors also considers the secondary regulations prepared by the Ministry of Trade and related institutions while preparing the annual report.

5) Responsibilities of the Independent Auditor on the Independent Audit of the Annual Report

Our aim is to express an opinion and prepare a report about whether the Management's discussions and consolidated financial information in the annual report within the scope of the provisions of the TCC and the Communiqué are fairly presented and consistent with the information obtained from our audit.

We conducted our audit in accordance with the standards on auditing issued by Capital Markets Board and the SIA. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the Management's discussions on the Group's financial performance, are fairly presented in all material respects, and are consistent with the full set audited consolidated financial statements and the information obtained from our audit.

The engagement partner on the audit resulting in this independent auditor's report is Yaman Polat.

DRT BAĞIMSIZ DENETİM VE SERBEST MUHASEBECİ MALİ MÜŞAVİRLİK A.Ş.
Member of DELOITTE TOUCHE TOHMATSU LIMITED

Yaman Polat
Partner

İstanbul, 10 March 2023

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

**CONVENIENCE TRANSLATION INTO ENGLISH OF
CONSOLIDATED FINANCIAL STATEMENTS
FOR THE PERIOD 1 JANUARY – 31 DECEMBER 2022
(ORIGINALLY ISSUED IN TURKISH)**

**CONVENIENCE TRANSLATION INTO ENGLISH OF FINANCIAL STATEMENTS ORIGINALLY
ISSUED IN TURKISH
ÜLKER BİSKÜVİ SANAYİ A.Ş. AND ITS SUBSIDIARIES
CONSOLIDATED FINANCIAL STATEMENTS
FOR THE PERIOD 1 JANUARY – 31 DECEMBER 2022**

CONTENTS	PAGE(S)
CONSOLIDATED STATEMENT OF FINANCIAL POSITION	1-2
CONSOLIDATED STATEMENTS OF PROFIT OR LOSS.....	3
CONSOLIDATED STATEMENTS OF OTHER COMPREHENSIVE INCOME.....	4
CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY	5
CONSOLIDATED STATEMENTS OF CASH FLOWS.....	6-7
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS	8-67
NOTE 1 ORGANIZATION AND OPERATIONS OF THE COMPANY	8-9
NOTE 2 BASIS OF PRESENTATION OF THE CONSOLIDATED FINANCIAL STATEMENTS.....	9-28
NOTE 3 SEGMENT REPORTING.....	29
NOTE 4 CASH AND CASH EQUIVALENTS	30
NOTE 5 FINANCIAL INVESTMENTS.....	30
NOTE 6 FINANCIAL LIABILITIES.....	31-33
NOTE 7 TRADE RECEIVABLES AND PAYABLES.....	33
NOTE 8 OTHER RECEIVABLES AND PAYABLES.....	34
NOTE 9 DERIVATIVE INSTRUMENTS	34
NOTE 10 INVENTORIES.....	35
NOTE 11 PROPERTY, PLANT AND EQUIPMENT	36-38
NOTE 12 GOODWILL	38
NOTE 13 INTANGIBLE ASSETS	39-40
NOTE 14 GOVERNMENT GRANTS AND INCENTIVES	40
NOTE 15 PROVISIONS, CONTINGENT ASSETS AND LIABILITIES	40-41
NOTE 16 COMMITMENTS AND OBLIGATIONS.....	42
NOTE 17 PROVISION FOR EMPLOYEE BENEFITS	42-43
NOTE 18 PREPAID EXPENSES	43
NOTE 19 PAYABLES RELATED TO EMPLOYEE BENEFITS	43
NOTE 20 OTHER ASSETS AND LIABILITIES.....	44
NOTE 21 DEFERRED INCOME	44
NOTE 22 SHAREHOLDERS' EQUITY	44-46
NOTE 23 REVENUE AND COST OF SALES	47
NOTE 24 RESEARCH, MARKETING AND GENERAL ADMINISTRATIVE EXPENSES.....	47
NOTE 25 EXPENSES BY NATURE	48
NOTE 26 OTHER INCOME AND EXPENSES FROM OPERATING ACTIVITIES	49
NOTE 27 INCOME AND EXPENSES FROM INVESTMENT ACTIVITIES.....	49
NOTE 28 FINANCE INCOME.....	49
NOTE 29 FINANCE EXPENSES.....	50
NOTE 30 TAX ASSETS AND LIABILITIES.....	50-53
NOTE 31 EARNINGS PER SHARE	53
NOTE 32 RELATED PARTY DISCLOSURES.....	53-56
NOTE 33 NATURE AND LEVEL OF RISKS ARISING FROM FINANCIAL INSTRUMENTS	56-65
NOTE 34 FINANCIAL INSTRUMENTS	66
NOTE 35 EVENTS AFTER THE REPORTING PERIOD.....	67

ÜLKER BİSKÜVİ SANAYİ A.Ş. AND ITS SUBSIDIARIES**CONSOLIDATED STATEMENTS OF FINANCIAL POSITION AS AT 31 DECEMBER 2022 AND 31 DECEMBER 2021**

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

		Audited Current Period 31 December 2022	Audited Prior Period 31 December 2021
ASSETS	Notes		
Current Assets		25,174,269	18,764,940
Cash and Cash Equivalents	4	9,254,834	3,004,834
Financial Investments	5	210,497	6,414,869
Trade Receivables			
- Trade Receivables from Related Parties	7,32	4,100,552	2,522,152
- Trade Receivables from Third Parties	7	3,287,788	2,165,759
Other Receivables			
- Other Receivables from Related Parties	8,32	1,194,805	545,670
- Other Receivables from Third Parties	8	362,795	68,732
Derivative Instruments	9	745,842	1,499
Inventories	10	4,996,350	3,218,231
Prepaid Expenses			
- Prepaid Expenses to Third Parties	18	423,058	368,875
Current Income Tax Assets		13,507	166,661
Other Current Assets	20	584,241	287,658
Non-Current Assets		12,684,522	7,478,685
Financial Investments	5	2,687,204	1,878,478
Property, Plant and Equipment	11	6,817,011	3,640,893
Intangible Assets			
- Goodwill	12	1,122,211	896,538
- Other Intangible Assets	13	895,475	651,304
Prepaid Expenses	18	128,632	83,633
Deferred Tax Asset	30	1,033,989	327,839
TOTAL ASSETS		37,858,791	26,243,625

ÜLKER BİSKÜVİ SANAYİ A.Ş. AND ITS SUBSIDIARIES

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION AS AT 31 DECEMBER 2022 AND 31 DECEMBER 2021

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

		Audited Current Period 31 December 2022	Audited Prior Period 31 December 2021
LIABILITIES AND SHAREHOLDERS' EQUITY	Notes		
Current Liabilities		16,887,346	6,134,222
Short-Term Borrowings	6	925,081	759,909
Short-Term Portion of Long-Term Financial Liabilities	6	10,476,406	2,103,140
Trade Payables			
- Trade Payables to Related Parties	7,32	1,079,457	475,461
- Trade Payables to Third Parties	7	3,081,810	1,794,960
Payables Related to Employee Benefits	19	132,371	76,957
Other Payables			
- Other Payables to Third Parties	8	3,025	12,672
Derivative Instruments	9	22,724	-
Deferred Income	21	82,260	83,754
Current Income Tax Liabilities	30	261,953	301,535
Short-Term Provisions			
- Short-Term Provisions for Employee Benefits	17	259,014	135,109
- Other Short-Term Provisions	15	351,169	287,449
Other Current Liabilities	20	212,076	103,276
Non-Current Liabilities		13,288,953	15,795,501
Long-Term Borrowings	6	12,349,131	15,313,776
Long-Term Provisions			
- Provisions for Employee Benefits	17	763,769	346,828
Deferred Tax Liability	30	176,053	134,897
SHAREHOLDERS' EQUITY	22	7,682,492	4,313,902
Equity Attributable To Equity Holders' of the Parent		5,685,906	2,986,714
Paid-in Capital		342,000	342,000
Share Capital Adjustment Differences		108,056	108,056
Effect of Business Combinations Under Common Control		(4,196,733)	(4,196,733)
Accumulated Other Comprehensive Income or Expenses			
Not to be Reclassified to Profit or Loss			
- Actuarial Losses		(261,647)	(44,479)
- Increases on Revaluation of Plant, Property and Equipment		3,085,949	815,379
- Earnings from Investments in Equity Financial Instruments		2,020,802	1,276,228
Accumulated Other Comprehensive Income or Expenses to be Reclassified to Profit or Loss			
- Foreign Currency Translation Differences		832,293	607,882
- Cash Flow Hedging Gains (Losses)		30,446	540
Restricted Reserves Appropriated from Profit		157,537	157,537
Prior Years' Profit		3,920,304	4,384,636
Net Profit for the Period		(353,101)	(464,332)
Non-Controlling Interests		1,996,586	1,327,188
TOTAL LIABILITIES AND EQUITY		37,858,791	26,243,625

ÜLKER BİSKÜVİ SANAYİ A.Ş. AND ITS SUBSIDIARIES
CONSOLIDATED STATEMENTS OF PROFIT OR LOSS
FOR THE PERIODS ENDED 31 DECEMBER 2022 AND 2021

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

		Audited Current Period 1 January- 31 December 2022	Audited Prior Period 1 January- 31 December 2021
	Notes		
Revenue	23	28,196,847	12,537,080
Cost of Sales	23	(19,788,330)	(8,924,665)
GROSS PROFIT		8,408,517	3,612,415
General Administrative Expenses (-)	24, 25	(715,407)	(353,681)
Marketing Expenses (-)	24, 25	(2,486,220)	(1,120,598)
Research and Development Expenses (-)	24, 25	(88,643)	(39,786)
Other Operating Income	26	1,118,931	895,987
Other Operating Expenses (-)	26	(378,281)	(564,347)
OPERATING PROFIT		5,858,897	2,429,990
Income from Investment Activities	27	3,880,982	6,096,145
Expenses from Investment Activities (-)	27	(1,607,231)	(130,934)
OPERATING PROFIT BEFORE FINANCIAL INCOME AND EXPENSES		8,132,648	8,395,201
Financial Income	28	193,054	444,638
Financial Expenses (-)	29	(8,244,096)	(8,910,373)
(LOSS)/PROFIT BEFORE TAX		81,606	(70,534)
Tax Income/(Expense)		117,914	(91,885)
Current Tax Expense	30	(680,294)	(450,711)
Deferred Tax Income	30	798,208	358,826
PROFIT/(LOSS) FOR THE PERIOD		199,520	(162,419)
Distribution of the Profit/(Loss) for the Period			
Non-Controlling Interest		552,621	301,913
Equity Holders of the Parent		(353,101)	(464,332)
(Loss)/Earnings Per Share	31	(1.03)	(1.36)

ÜLKER BİSKÜVİ SANAYİ A.Ş. AND ITS SUBSIDIARIES
CONSOLIDATED STATEMENTS OF OTHER COMPREHENSIVE INCOME
FOR THE PERIODS ENDED 31 DECEMBER 2022 AND 2021

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

	Audited Current Period 1 January- 31 December 2022	Audited Prior Period 1 January- 31 December 2021
PROFIT/(LOSS) FOR THE PERIOD	199,520	(162,419)
OTHER COMPREHENSIVE INCOME		
Not to be Reclassified To Profit or Loss	2,845,840	838,130
(Losses) on Remeasurement of Defined Benefit Plans	(303,362)	(10,821)
Property, Plant and Equipment Revaluation Decreases/(Increases)	2,532,378	(8,237)
Earnings from Investments in Equity Financial Instruments	772,072	900,372
Taxes on Other Comprehensive Income That will not be Reclassified to Profit or Loss		
Losses on Remeasurement of Defined Benefit Plans, Tax Effect	58,897	852
Property, Plant and Equipment Revaluation (Decreases)/Increases Tax Effect	(193,182)	39,175
Earnings from Investments in Equity Financial Instruments, Tax Effect	(20,963)	(83,211)
Items to be Reclassified to Profit or Loss	443,862	931,153
Foreign Currency Translation Differences	413,956	929,183
Gains on Cash Flow Hedges	37,383	2,425
Taxes on Other Comprehensive Income that will be Reclassified to Profit or Loss		
Cash Flow Hedges, Tax Effect	(7,477)	(455)
OTHER COMPREHENSIVE INCOME	3,289,702	1,769,283
TOTAL COMPREHENSIVE INCOME	3,489,222	1,606,864
Distribution of Total Comprehensive Income		
Non-Controlling Interests	790,030	644,016
Equity Holders of the Parent	2,699,192	962,848

ÜLKER BİSKÜVİ SANAYİ A.Ş. AND ITS SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY
FOR THE PERIODS ENDED 31 DECEMBER 2022 AND 2021

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

	Accumulated Other Comprehensive Income and Expenses To Be Reclassified to Profit or Loss					Accumulated Other Comprehensive Income and Expenses Not To Be Reclassified To Profit or Loss				Retained Earnings				
	Paid-in Capital	Share Capital Adjustment Differences	Effect of Business Combinations Under Common Control	Foreign Currency Translation Differences	Cash Flow Hedge (Loss)/ Gain	Loss on Revaluation of Plant, Property and Equipment	Loss on Remeasurement of Defined Benefit Plans	Earnings from Investments in Equity Financial Instruments	Restricted Reserves Appropriated from Profit	Net Profit/ (Loss) for the Period	Prior Periods' Profit	Equity Attributable to Equity Holders of the Parent	Non-Controlling Interest	Total
As of 1 January 2021	342,000	108,056	(460,419)	22,444	(1,400)	850,738	(37,870)	459,069	131,587	1,081,394	3,541,181	6,036,780	779,913	6,816,693
Transfers	-	-	-	-	-	(64,611)	-	-	25,950	(1,081,394)	1,120,055	-	-	-
Total Comprehensive Income	-	-	-	585,438	1,940	29,252	(6,609)	817,159	-	(464,332)	-	962,848	644,016	1,606,864
Transactions Under Common Control	-	-	(3,736,314)	-	-	-	-	-	-	-	-	(3,736,314)	-	(3,736,314)
Dividends Paid (*)	-	-	-	-	-	-	-	-	-	-	(276,600)	(276,600)	(96,741)	(373,341)
As of 31 December 2021	342,000	108,056	(4,196,733)	607,882	540	815,379	(44,479)	1,276,228	157,537	(464,332)	4,384,636	2,986,714	1,327,188	4,313,902
As of 1 January 2022	342,000	108,056	(4,196,733)	607,882	540	815,379	(44,479)	1,276,228	157,537	(464,332)	4,384,636	2,986,714	1,327,188	4,313,902
Transfers	-	-	-	-	-	-	-	-	-	464,332	(464,332)	-	-	-
Total Comprehensive Income	-	-	-	224,411	29,906	2,270,570	(217,168)	744,574	-	(353,101)	-	2,699,192	790,030	3,489,222
Dividends Paid (**)	-	-	-	-	-	-	-	-	-	-	-	-	(120,632)	(120,632)
As of 31 December 2022	342,000	108,056	(4,196,733)	832,293	30,446	3,085,949	(261,647)	2,020,802	157,537	(353,101)	3,920,304	5,685,906	1,996,586	7,682,492

(*) At the Ordinary General Assembly Meeting for the year 2020 held on 26 April 2021, it was decided that a gross amount of TL 276,600,000 from the profit for the period would be distributed and paid in cash, and the dividend was distributed as of 25 May 2021. Food Manufacturers Company, one of the Group's subsidiaries, decided to pay a dividend of TL 146,722,501 at the Board Meeting dated 5 January 2021. TL 66,025,125 portion of the related amount was recognized under non-controlling interests.

(**) Food Manufacturers Company, one of the subsidiaries of the Group, paid a dividend of TL 265,757,106 on 27 July 2022 with the decision of the Board of Directors. TL 120,631,610 of the relevant amount has been accounted for under non-controlling interests.

ÜLKER BİSKÜVİ SANAYİ A.Ş. AND ITS SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE PERIODS ENDED 31 DECEMBER 2022 AND 2021

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

	Notes	Audited Current Period 1 January- 31 December 2022	Audited Prior Period 1 January- 31 December 2021
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit/(Loss) for the period		199,520	(162,419)
Adjustments to Reconcile Net Profit for the Period			
Adjustments Related to Depreciation and Amortization			
Depreciation expenses of property, plant and equipment	11	342,489	225,794
Amortization expenses of intangible assets	13	6,285	4,215
Adjustments Related to Impairment Loss (Reversal)			
Adjustments for impairment of receivables	7	9,921	1,167
Financial investment value decrease/(increase)	27	1,521,313	(123,330)
Provision for inventory impairment	10	22,095	3,714
Adjustments Related to Provisions			
Adjustments Related to Provisions (Reversals) for Employee Benefits			
Provision for employment termination benefits	17	128,107	108,241
Unused vacation accrual	17	76,956	28,332
Performance premium accrual	17	126,260	59,451
Adjustments Related to Provisions (Reversal) for Lawsuits and/or Penalties			
	15	(537)	3,267
Adjustments Related to Other Provisions (Reversal)			
Other provisions (net)	15	64,423	118,648
Adjustments Related to Dividend Income	27	-	(45)
Adjustments Related to Interest (Income) and Expenses			
Interest income	27	(374,246)	(392,815)
Interest expenses	29	2,244,130	802,144
Adjustments Related to Tax (Income)/Expenses	30	(117,914)	91,885
Adjustments Related to Losses (Gains) on Disposals of Non-Current Assets			
Adjustments related to losses/(gains) arising from sale of property, plant and equipment	27	(32,139)	(7,059)
Adjustments Related to Other Items That Cause Cash Flows Arising from Investment or Financing Activities			
Financial liabilities exchange rate change (net)	28, 29	5,722,278	7,609,228
Change in foreign currency of financial liabilities (net)	27	(3,377,617)	(5,429,745)
Commission expenses and financial income (net)	28, 29	84,634	54,363
Other Adjustments to Reconcile Profit/(Loss)			
Rent income	27	(11,062)	(12,217)
Net cash before changes in assets and liabilities		6,634,896	2,982,819

ÜLKER BİSKÜVİ SANAYİ A.Ş. AND ITS SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE PERIODS ENDED 31 DECEMBER 2022 AND 2021

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

	Notes	Audited Current Period 1 January- 31 December 2022	Audited Prior Period 1 January- 31 December 2021
Changes in Working Capital			
(Increase)/decrease in trade receivables		(1,071,099)	(786,408)
(Increase)/decrease in receivables from related parties		(1,578,400)	(482,006)
(Increase)/decrease in inventories		(1,641,677)	(1,242,601)
(Increase)/decrease in other receivables and other assets		(623,412)	(443,726)
Increase/(decrease) in trade payables		1,013,052	440,281
Increase/(decrease) in payables to related parties		603,996	199,457
Increase/(decrease) in other payables and liabilities		92,134	(110,347)
Cash generated from activities		3,429,490	557,469
Payments Related to Provisions For Employee Benefits			
Employment termination benefit paid	17	(57,249)	(58,899)
Unused vacation paid	17	(40,285)	(21,955)
Performance premium paid	17	(65,792)	(54,782)
Lawsuits Provision Paid	15	(166)	(1,125)
Taxes Paid		(566,722)	(393,369)
Cash generated from operating activities		2,699,276	27,339
CASH FLOWS FROM INVESTING ACTIVITIES			
Cash inflows from sales of property, plant and equipment and intangible assets		69,871	94,721
Cash generated from sales of investment properties		-	26,145
Cash outflows from purchase of property, plant and Equipment		(740,762)	(558,319)
Cash outflows from purchase of intangible assets	13	(6,473)	(1,389)
Changes in non-trade receivables from related parties		(649,135)	1,837,753
Dividends received		-	45
Interest received		374,246	392,815
Other cash advances given and payables		(44,999)	-
Other cash advances given and repayments from debts		-	(34,969)
Cash inflows from the sale of shares or debt instruments of other businesses or funds		6,845,914	423,471
Cash outflows from the purchase of shares or debt instruments of other businesses or funds		(15,897)	-
Cash generated from leases		11,062	12,217
Cash outflows from purchase of subsidiary		-	(3,736,314)
Net cash (used in)/generated from investing activities		5,843,827	(1,543,824)
CASH FLOWS FROM FINANCING ACTIVITIES			
Cash inflows from borrowings		2,022,496	1,588,167
Repayments of borrowings		(3,047,800)	(1,705,798)
Cash inflow from derivate instruments		2,648	47,165
Interest paid		(2,014,244)	(756,749)
Dividend paid		(120,632)	(373,341)
Commission paid		(87,282)	(54,699)
Change in non-trade payables to related parties		-	(120)
Net cash used in financing activities		(3,244,814)	(1,255,375)
NET CHANGE IN CASH AND CASH EQUIVALENTS		5,298,289	(2,771,860)
EFFECT OF FOREIGN EXCHANGE RATE CHANGE ON CASH AND CASH EQUIVALENTS		951,711	1,941,174
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE PERIOD	4	3,004,834	3,835,520
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD	4	9,254,834	3,004,834

ÜLKER BİSKÜVİ SANAYİ A.Ş. AND ITS SUBSIDIARIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
AS OF 31 DECEMBER 2022

(Amounts expressed in thousands of Turkish Lira (“TL”) unless otherwise stated.)

1. ORGANIZATION AND OPERATIONS OF THE COMPANY

Ülker Bisküvi Sanayi A.Ş. (“the Company”) and its subsidiaries (all together “the Group”) comprise 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 (2021: Fifteen).

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

Ülker Bisküvi Sanayi A.Ş. went public by merging with Anadolu Gıda Sanayi A.Ş., which has been traded on Borsa İstanbul A.Ş. (“BIST”) (Former Name: Istanbul Stock Exchange (“ISE”) since 30 October 1996, under its own name 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 2022, the total number of people employed by the Group 9,489, which contain 1,914 employees who worked as subcontractors (31 December 2021: 9,447, subcontractor: 1,700).

The main shareholder and controlling party of the Group is pladis Foods Limited. The ultimate parent of the Group is Yıldız Holding A.Ş. Yıldız Holding A.Ş. is the ultimate parent of pladis Foods Limited. Yıldız Holding A.Ş. is managed by the Ülker Family.

As of 31 December 2022 and 31 December 2021, the names and percentages of the shareholders holding more than 5% of the Company’s share capital are as follows:

Title of Shareholders	31 December 2022		31 December 2021	
	Share	Percentage	Share	Percentage
pladis Foods Limited	174,420	51.00%	174,420	51.00%
Ülker Aile Members ve Yıldız Holding A.Ş.	25,580	7.48%	25,580	7.48%
Other	142,000	41.52%	142,000	41.52%
	342,000	100.00%	342,000	100.00%

ÜLKER BİSKÜVİ SANAYİ A.Ş. AND ITS SUBSIDIARIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
AS OF 31 DECEMBER 2022

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

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

As of 31 December 2022 and 31 December 2021, the details of the subsidiaries ("Subsidiaries") of Ülker Bisküvi Sanayi A.Ş under consolidation in terms of direct and effective share of ownership and principal business activities are as follows:

Subsidiaries	31 December 2022		31 December 2021		Nature of Operation
	Ratio of Direct Ownership	Ratio of Effective Ownership	Ratio of Direct Ownership	Ratio of Effective Ownership	
Biskot Bisküvi Gıda Sanayi ve Ticaret A.Ş.	73.9%	73.9%	73.9%	73.9%	Manufacturing
Ülker Çikolata Sanayi A.Ş.	91.7%	91.7%	91.7%	91.7%	Manufacturing
Atlas Gıda Pazarlama Sanayi ve Ticaret A.Ş.	100.0%	100.0%	100.0%	100.0%	Trading
Reform Gıda Paz. San. ve Tic. A.Ş.	100.0%	100.0%	100.0%	100.0%	Trading
UI Egypt B.V.	51.0%	51.0%	51.0%	51.0%	Investing
Hi-Food for Advanced Food Industries	-	51.4%	-	51.4%	Manufacturing-Sales
Sabourne Investments Ltd	100.0%	100.0%	100.0%	100.0%	Investing
Food Manufacturers' Company	-	55.0%	-	55.0%	Manufacturing-Sales
Hamle Company Ltd LLP	100.0%	100.0%	100.0%	100.0%	Manufacturing-Sales
Ulker Star LLC	-	99.0%	-	99.0%	Sales
UI Mena BV	100.0%	100.0%	100.0%	100.0%	Investing
Amir Global Trading FZE	-	100.0%	-	100.0%	Sales
Ulker for Trading and Marketing	-	99.8%	-	99.8%	Sales
International Biscuits Company	100.0%	100.0%	100.0%	100.0%	Manufacturing-Sales
Önem Gıda Sanayi ve Ticaret A.Ş.	100.0%	100.0%	100.0%	100.0%	Manufacturing-Sales

Approval of consolidated financial statements:

The Board of Directors has approved the financial statements and given authorization for the issuance on 10 March 2023. The General Assembly has the authority to amend the consolidated financial statements.

2. BASIS OF PRESENTATION OF THE CONSOLIDATED FINANCIAL STATEMENTS

2.1 Basis of the Presentation:

Principles for Preparation of Consolidated Financial Statements and Significant Accounting Policies

The consolidated financial statements of the Group are prepared in accordance with Communiqué Serial II, No:14.1, "Principles of Financial Reporting in Capital Markets" ("the Communiqué") published in the Official Gazette numbered 28676 on 13 June 2013. According to Article 5 of the Communiqué, consolidated financial statements are prepared in accordance with the Turkish Accounting Standards ("TAS") issued by Public Oversight Accounting and Auditing Standards Authority ("POA"). TAS contains Turkish Accounting Standards, Turkish Financial Reporting Standards ("TFRS") and its addendum and interpretations. In addition, the financial statements are presented in accordance with the formats determined in the "Announcement on TFRS Taxonomy" published by POA on October 4, 2022 and the Financial Statement Examples and User Guide published by CMB.

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

ÜLKER BİSKÜVİ SANAYİ A.Ş. AND ITS SUBSIDIARIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
AS OF 31 DECEMBER 2022

(Amounts expressed in thousands of Turkish Lira (“TL”) unless otherwise stated.)

2. BASIS OF PRESENTATION OF THE CONSOLIDATED FINANCIAL STATEMENTS (cont’d)

2.1 Basis of the Presentation (cont’d)

Principles for Preparation of Consolidated Financial Statements and Significant Accounting Policies (cont’d)

POA made an announcement on 20 January 2022 regarding the application of TAS 29 “Financial Reporting in Hyperinflationary Economies Under the Financial Reporting Standard for Large and Medium-sized Enterprises” (“TAS 29”) for entities adopting Turkish Financial Reporting Standards (“TFRS”) for the year ended 31 December 2021. The announcement stated that, entities that apply TFRS should not adjust their financial statements in accordance with TAS 29 for the year ended 31 December 2021. As of the date of this report, POA has not made any further announcements regarding the scope and application of TAS 29. As a result, no inflation adjustment was made to the accompanying financial statements as of 31 December 2022 in accordance with TAS 29.

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. The consolidated financial statements have been prepared under historical cost conventions except for land, buildings, derivative instruments, financial assets and financial liabilities which are carried at fair value.

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 each subsidiary are expressed in Turkish Lira, which is the functional currency of the Company and the presentation currency of the financial statements.

Basis of Consolidation

(a) Subsidiaries

Subsidiaries are all 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-group transactions, balances and unrealized gains on transactions between group companies are eliminated. Unrealized 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 as the Group's share.

(c) Loss of subsidiary control

When the Group loses control of a subsidiary, a gain or loss is recognized 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 recognized 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.

ÜLKER BİSKÜVİ SANAYİ A.Ş. AND ITS SUBSIDIARIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
AS OF 31 DECEMBER 2022

(Amounts expressed in thousands of Turkish Lira (“TL”) unless otherwise stated.)

2. BASIS OF PRESENTATION OF THE CONSOLIDATED FINANCIAL STATEMENTS (cont’d)

2.2 New and Amended Turkish Financial Reporting Standards:

The Group has applied the standards which are relevant to its operations from the standards, amendments and interpretations applicable from 1 January 2022.

Amendments that are mandatorily effective from 2022:

Amendments to TFRS 3 Reference to the Conceptual Framework

The amendments update an outdated reference to the Conceptual Framework in TFRS 3 without significantly changing the requirements in the standard.

The amendments are effective for annual periods beginning on or after 1 January 2022. Early application is permitted if an entity also applies all other updated references (published together with the updated *Conceptual Framework*) at the same time or earlier.

Amendments to TAS 16 Proceeds before Intended Use

The amendments prohibit deducting from the cost of an item of property, plant and equipment any proceeds from selling items produced while bringing that asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Instead, an entity recognizes the proceeds from selling such items, and the cost of producing those items, in profit or loss.

The amendments are effective for annual periods beginning on or after 1 January 2022. Early application is permitted.

Amendments to TAS 37 Onerous Contracts – Cost of Fulfilling a Contract

The amendments specify that the ‘cost of fulfilling’ a contract comprises the ‘costs that relate directly to the contract’. Costs that relate directly to a contract can either be incremental costs of fulfilling that contract or an allocation of other costs that relate directly to fulfilling contracts.

The amendments published today are effective for annual periods beginning on or after 1 January 2022. Early application is permitted.

Annual Improvements to TFRS Standards 2018-2020 Cycle

Amendments to TFRS 1 First time adoption of International Financial Reporting Standards

The amendment permits a subsidiary that applies paragraph D16(a) of TFRS 1 to measure cumulative translation differences using the amounts reported by its parent, based on the parent’s date of transition to TFRSs.

Amendments to TFRS 9 Financial Instruments

The amendment clarifies which fees an entity includes in assessing whether to derecognize a financial liability. An entity includes only fees paid or received between the entity (the borrower) and the lender, including fees paid or received by either the entity or the lender on the other’s behalf.

ÜLKER BİSKÜVİ SANAYİ A.Ş. AND ITS SUBSIDIARIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
AS OF 31 DECEMBER 2022

(Amounts expressed in thousands of Turkish Lira (“TL”) unless otherwise stated.)

2. BASIS OF PRESENTATION OF THE CONSOLIDATED FINANCIAL STATEMENTS (cont’d)

2.2 New and Amended Turkish Financial Reporting Standards (cont’d):

Amendments that are mandatorily effective from 2022: (cont’d)

Amendments to TFRS 16 *COVID-19 Related Rent Concessions beyond 30 June 2021*

Public Oversight Accounting and Auditing Standards Authority (“POA”) has published Amendments to TFRS 16 *COVID-19 Related Rent Concessions beyond 30 June 2021* that extends, by one year, the June 2020 amendment that provides lessees with an exemption from assessing whether a COVID-19 related rent concession is a lease modification.

On issuance, the practical expedient was limited to rent concessions for which any reduction in lease payments affects only payments originally due on or before 30 June 2021. Since lessors continue to grant COVID-19 related rent concessions to lessees and since the effects of the COVID-19 pandemic are ongoing and significant, the POA decided to extend the time period over which the practical expedient is available for use.

The new amendment is effective for lessees for annual reporting periods beginning on or after 1 April 2021. Earlier application is permitted.

The Group assessed that the adoption of these amendments that are effective from 2022 do not have any effect on the Group’s consolidated financial statements.

New and revised TFRSs in issue but not yet effective:

TFRS 17 *Insurance Contracts*

TFRS 17 requires insurance liabilities to be measured at a current fulfillment value and provides a more uniform measurement and presentation approach for all insurance contracts. These requirements are designed to achieve the goal of a consistent, principle-based accounting for insurance contracts. TFRS 17 supersedes TFRS 4 *Insurance Contracts* as of 1 January 2023.

Amendments to TAS 1 *Classification of Liabilities as Current or Non-Current*

The amendments aim to promote consistency in applying the requirements by helping companies determine whether, in the statement of financial position, debt and other liabilities with an uncertain settlement date should be classified as current (due or potentially due to be settled within one year) or non-current.

Amendments to TAS 1 are effective for annual reporting periods beginning on or after 1 January 2023 and earlier application is permitted.

Amendments to TFRS 4 *Extension of the Temporary Exemption from Applying TFRS 9*

The amendment changes the fixed expiry date for the temporary exemption in TFRS 4 *Insurance Contracts* from applying TFRS 9, so that entities would be required to apply TFRS 9 for annual periods beginning on or after 1 January 2023 with the deferral of the effective date of TFRS 17.

ÜLKER BİSKÜVİ SANAYİ A.Ş. AND ITS SUBSIDIARIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
AS OF 31 DECEMBER 2022

(Amounts expressed in thousands of Turkish Lira (“TL”) unless otherwise stated.)

2. BASIS OF PRESENTATION OF THE CONSOLIDATED FINANCIAL STATEMENTS (cont’d)

2.2 New and Amended Turkish Financial Reporting Standards (cont’d):

New and revised TFRSs in issue but not yet effective(cont’d):

Amendments to TAS 1 Disclosure of Accounting Policies

The amendments require that an entity discloses its material accounting policies, instead of its significant accounting policies.

Amendments to TAS 1 are effective for annual reporting periods beginning on or after 1 January 2023 and earlier application is permitted.

Amendments to TAS 8 Definition of Accounting Estimates

With this amendment, the definition of “a change in accounting estimates” has been replaced with the definition of “an accounting estimate”, sample and explanatory paragraphs regarding estimates have been added, and the differences between application of an estimate prospectively and correction of errors retrospectively have been clarified.

Amendments to TAS 8 are effective for annual reporting periods beginning on or after 1 January 2023 and earlier application is permitted.

Amendments to TAS 12 Deferred Tax related to Assets and Liabilities arising from a Single Transaction

The amendments clarify that the initial recognition exemption does not apply to transactions in which equal amounts of deductible and taxable temporary differences arise on initial recognition.

Amendments to TAS 12 are effective for annual reporting periods beginning on or after 1 January 2023 and earlier application is permitted.

Amendments to TFRS 17 Insurance Contracts and Initial Application of TFRS 17 and TFRS 9 — Comparative Information

Amendments have been made in TFRS 17 in order to reduce the implementation costs, to explain the results and to facilitate the initial application.

The amendment permits entities that first apply TFRS 17 and TFRS 9 at the same time to present comparative information about a financial asset as if the classification and measurement requirements of TFRS 9 had been applied to that financial asset before.

Amendments are effective with the first application of TFRS 17.

Amendments to TFRS 16 Lease Liability in a Sale and Leaseback

Amendments to TFRS 16 clarify how a seller-lessee subsequently measures sale and leaseback transactions that satisfy the requirements in TFRS 15 to be accounted for as a sale.

Amendments are effective from annual reporting periods beginning on or after 1 January 2024.

Amendments to TAS 1 Non-current Liabilities with Covenants

Amendments to TAS 1 clarify how conditions with which an entity must comply within twelve months after the reporting period affect the classification of a liability.

Amendments are effective from annual reporting periods beginning on or after 1 January 2024.

The Group evaluates the effects of these standards, amendments and improvements on the consolidated financial statements.

ÜLKER BİSKÜVİ SANAYİ A.Ş. AND ITS SUBSIDIARIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
AS OF 31 DECEMBER 2022

(Amounts expressed in thousands of Turkish Lira (“TL”) unless otherwise stated.)

2. BASIS OF PRESENTATION OF THE CONSOLIDATED FINANCIAL STATEMENTS (cont’d)

2.3 Summary of Significant Accounting Policies

The basic accounting policies applied while preparing the consolidated financial statements are given below. These policies have been applied consistently for the years presented, unless stated otherwise:

Revenue

The Group’s revenue mainly consists of sales of biscuits, chocolate coated biscuits, wafers, cakes and chocolate.

In accordance with TFRS 15 “Customer Contract Revenue Standard”, the Group recognizes revenue in the financial statements in the five-step model below.

- Identification of contracts with customers,
- Identification of performance obligations in contracts,
- Determining the transaction price in contracts,
- Distribution of transaction fee to performance obligations,
- Revenue recognition.

In each contract with customers, the Group evaluates services committed and determines each commitment given for the transfer of relevant goods and services as another performance obligation. For each performance obligation, whether the performance obligation is performed as extended over time or in a particular time, is determined in the beginning of a contract. If the Group transfers the control of goods and services in time and accordingly fulfills its performance obligations as extended over time, the progress related to fulfillment of the relevant performance obligations is measured and recognized as extended over time. Revenue related to the performance obligations that are the transfers of goods and services by nature is recognized when the control of the goods and services is transferred to the customer. The goods or services are transferred when (or as) 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 the 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 recognized on an accrual basis as other operating income.

Inventories

Inventories are stated at the lower of cost and net realizable value. Costs, including an appropriate portion of fixed and variable overhead expenses, are assigned to inventories held by the method most appropriate to the particular class of inventory, with the majority being valued on a weighted average basis. Net realizable value represents the estimated selling price less all estimated costs of completion and costs necessary to make the 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 profit 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.

ÜLKER BİSKÜVİ SANAYİ A.Ş. AND ITS SUBSIDIARIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
AS OF 31 DECEMBER 2022

(Amounts expressed in thousands of Turkish Lira (“TL”) unless otherwise stated.)

2. BASIS OF PRESENTATION OF THE CONSOLIDATED FINANCIAL STATEMENTS (cont’d)

2.3 Summary of Significant Accounting Policies(cont’d)

Property, Plant and Equipment

Land and buildings held for use in the production or supply of goods or services, or for administrative purposes, are stated in the consolidated statement of financial position at their revalued amounts, being the fair value at the date of revaluation, less any subsequent accumulated depreciation and subsequent accumulated impairment losses. Revaluations are performed with sufficient regularity of not longer than 5 years such that the carrying amounts do not differ materially from those that would be determined using fair values at the end of each reporting period. The frequency of revaluations is based the changes in the fair values of the items of property, plant and equipment subject to revaluation. When the fair value of the revalued assets differs significantly from their carrying value, they are revalued in a maximum of 5 years. All other property, plant and equipment are shown at historical cost less accumulated depreciation. Cost includes the direct asset and attributable acquisition costs.

Properties in the course of construction for production, leases or administrative purposes are carried at cost, less any recognized impairment loss. Cost includes professional fees. Borrowing costs are capitalized for assets that necessarily takes a substantial period of time to get ready for its intended use or sale. Depreciation of these assets, on the same basis as other property assets, commences when the assets are ready for their 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 values 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.

Property, plant and equipment subject to financial leasing are depreciated over their useful lives, if the useful life is long, over the lease term, when the lease term is short.

Financial Leasing Transactions

Leases in which a significant portion of the risks and rewards of ownership belong to the lessee are classified as finance leases. Other leases are classified as operating leases.

Leases - The Group as lessor

Finance lease receivables are recorded up to the Group's net investment in the lease. Finance lease income is allocated to accounting periods to provide a constant periodic rate of return on the Group's finance lease net investment.

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.

ÜLKER BİSKÜVİ SANAYİ A.Ş. AND ITS SUBSIDIARIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
AS OF 31 DECEMBER 2022

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

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

2.3 Summary of Significant Accounting Policies (cont'd)

Financial Leasing Transactions (cont'd)

Leases - The Group as lessor (cont'd)

Financial lease assets are capitalized using the lower of the fair value of the asset at the lease date or the present value of the minimum lease payments. The liability to the lessor is shown in the balance sheet as a finance lease liability. Financial leasing payments are divided into finance expense and principal payment, which reduces the leasing obligation, thus providing a fixed rate of interest on the remaining principal balance of the debt. Financial expenses, except for the capitalized portion of finance expenses, are recorded in the profit or loss statement within the scope of the Group's general borrowing policy.

Lease – The Group as lessee

Payments made for operating leases that are not within the scope of TFRS 16 (incentives received or to be received from the lessor for the realization of the lease transaction are also recorded in the profit or loss statement using the straight-line method throughout the lease period) are recorded in the consolidated profit or loss statement over the lease period. The Group does not have any significant lease agreements to be evaluated within the scope of TFRS 16.

Business Combinations

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

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

Where the consideration transferred by the Group in a business combination includes contingent consideration, the contingent consideration is measured at fair value at the acquisition date and included in the consideration transferred in the business combination. If an adjustment to the fair value of the contingent consideration is required as a result of additional information revealed during the measurement period, this adjustment is adjusted retrospectively from the goodwill. The measurement period is the period after the acquisition date during which the acquirer can adjust the temporary amounts recognized in the business combination. This period cannot be more than 1 year from the date of purchase. Business combinations resulting from the transfer of shares of companies controlled by the stakeholder controlling the Group are accounted for as if they had occurred at the beginning of the earliest comparative period presented, if later, on the date of joint control. For this purpose, comparative periods are rearranged. The acquired assets and liabilities are recorded at the book value previously recorded in the consolidated financial statements of the stakeholders under the control of the Group. Equity items of the acquired companies are added to the same items in the Group's equity, except for the capital, and the resulting profit or loss is recognized in equity.

Partial share purchase - sale transactions with non-controlling shareholders

The Group considers the purchase and sale transactions of the shares of the partnerships that it currently controls with non-controlling shareholders as transactions between the equity holders of the Group. Accordingly, in additional share purchase transactions from non-controlling interests, the difference between the acquisition cost and the book value of the company's net assets in proportion to the purchased shares is accounted for in equity. In the sale of shares to non-controlling shareholders, losses or gains resulting from the difference between the sales price and the book value of the company's net assets in proportion to the sold share are accounted for under a separate heading under equity.

ÜLKER BİSKÜVİ SANAYİ A.Ş. AND ITS SUBSIDIARIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
AS OF 31 DECEMBER 2022

(Amounts expressed in thousands of Turkish Lira (“TL”) unless otherwise stated.)

2. BASIS OF PRESENTATION OF THE CONSOLIDATED FINANCIAL STATEMENTS (cont’d)

2.3 Summary of Significant Accounting Policies (cont’d)

Investment Properties

Investment properties are properties held for the purpose of earning rentals and/or capital appreciation and/or sales and are initially measured at cost and the transaction costs involved. After initial recognition, investment properties are valued at fair value reflecting market conditions as of the balance sheet date. Gains or losses arising from changes in the fair value of investment properties are included in the consolidated statement of profit or loss in the period in which they occur.

Investment properties are derecognized if they are sold or become unusable and it is determined that no future economic benefits will be derived from their sale. Profit/loss arising from the expiration of the investment property or its sale is included in the profit or loss statement in the period in which they are incurred.

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

The fair value of the investment properties is determined by the accredited valuation institutions determined by the CMB, which have sufficient experience in the valuation of similar investment properties. Investment properties are at level 2 in the hierarchy table.

Intangible Assets

Intangible assets acquired separately

Purchased intangible assets are reported at cost less accumulated amortization and accumulated impairment losses. These assets are amortized using the straight-line method over their expected useful lives. The expected useful life and amortization method are reviewed annually to determine the possible effects of changes in estimates and changes in estimates are accounted for prospectively.

Computer software

Purchased computer software is capitalized over the costs incurred during its purchase and during the period from purchase until it is ready for use. These costs are amortized over their useful lives (5 - 10 years).

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

Intangible assets acquired through a business combination

Intangible assets acquired in a business combination are identified and accounted for separately from goodwill if they meet the definition of an intangible asset and their fair value can be measured reliably. The cost of such intangible assets is 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.

ÜLKER BİSKÜVİ SANAYİ A.Ş. AND ITS SUBSIDIARIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
AS OF 31 DECEMBER 2022

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

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

2.3 Summary of Significant Accounting Policies (cont'd)

Impairment of Non-Financial Assets

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

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

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

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

Borrowing Costs

In the case of assets (qualified assets) that take significant time to get ready for use and sale, borrowing costs directly attributable to their acquisition, construction or production are included in the cost of the asset until it is ready for use or sale.

The amount of borrowing costs that can be capitalized for funds borrowed for the purpose of acquiring a qualifying asset in a period is the amount determined by deducting the income from temporary investments of these funds from the total borrowing costs incurred for these assets in the relevant period.

When the group borrows for a general purpose and some of these funds are used to finance a qualifying asset, the amount of borrowing costs that can be capitalized is determined with the help of a capitalization rate to be applied to the expenses related to the related asset. This capitalization rate is the weighted average of borrowing costs related to all borrowings of the Group during the relevant period, excluding borrowings for the purchase of qualifying assets. Financial investment income obtained by temporarily investing the unspent portion of the investment loan in financial investments is deducted from the borrowing costs eligible for capitalization.

All other borrowing costs are recorded in the consolidated statement of profit or loss in the period in which they are incurred.

ÜLKER BİSKÜVİ SANAYİ A.Ş. AND ITS SUBSIDIARIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
AS OF 31 DECEMBER 2022

(Amounts expressed in thousands of Turkish Lira (“TL”) unless otherwise stated.)

2. BASIS OF PRESENTATION OF THE CONSOLIDATED FINANCIAL STATEMENTS (cont’d)

2.3 Summary of Significant Accounting Policies (cont’d)

Financial Instruments

Financial Assets

Classification and measurement

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

(a) Financial assets carried at amortized cost

Financial assets that are not quoted in an active market and are not derivative instruments that have fixed or fixed payments, in which management has adopted the contractual cash flow collection business model and the terms of the contract include only the principal and interest payments arising from the principal balance on certain dates, are classified as assets accounted for at amortized cost. If their maturities are shorter than 12 months from the balance sheet date, they are classified as current assets, and if they are longer than 12 months, they are classified as non-current assets. Assets accounted for at amortized cost include “trade receivables” and “cash and cash equivalents” items in the statement of financial position. In addition to these, trade receivables collected from factoring companies within the scope of revocable factoring transactions, which are included in trade receivables, are classified as assets accounted for at amortized cost, since the collection risk of these receivables is not transferred.

Impairment

Since the trade receivables accounted for at amortized cost in the consolidated financial statements do not contain a significant financing component, the Group chooses the simplified application for impairment calculations and uses the provision matrix. With this application, the Group measures the expected credit loss allowance at an amount equal to the lifetime expected credit losses, unless the trade receivables are impaired for certain reasons. In the calculation of expected credit losses, the Group's forecasts for the future are also taken into account, together with the past experience of credit losses.

(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. The 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 at fair value through profit or loss include “financial investments and mutual funds at fair value through profit or loss” items in the statement of financial position.

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

Financial assets at fair value through other comprehensive income include “equity investments and derivatives” items in the statement of financial position. Derivative instruments are accounted for as an asset if the fair value is positive and as a liability if the fair value is negative. The Group measures these assets at their fair value. Gains or losses on related financial assets, excluding impairment and foreign exchange gains or expenses, are recognized in other comprehensive income. In case the assets whose fair value difference is recorded in other comprehensive income are sold, the valuation difference classified into other comprehensive income is reclassified to retained earnings.

ÜLKER BİSKÜVİ SANAYİ A.Ş. AND ITS SUBSIDIARIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
AS OF 31 DECEMBER 2022

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

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

2.3 Summary of Significant Accounting Policies (cont'd)

Financial Instruments (cont'd)

(c) Financial liabilities carried at fair value

Financial liabilities at fair value through profit or loss are recorded at their fair value and revalued at their fair value at the balance sheet date in each reporting period. The change in their fair value is recognized in the profit or loss statement. Net gains or losses recognized in the profit or loss statement also include the interest paid on the financial liability.

Recognition and de-recognition of financial assets and liabilities

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 marketplace.

A financial asset (or part of a financial asset or 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

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

Trade receivables

Trade receivables resulting from the provision of a product or service to a buyer by the Group are shown net of deferred finance income. Short-term receivables with no specified interest rate are shown at original invoice value unless the effect of accruing interest is significant.

The Group allocates provision for doubtful receivables for the related trade receivables, if there is objective evidence that collection is not possible. Objective evidence is when the claim is pending or in preparation for litigation or enforcement, the buyer is in significant financial difficulty, the buyer is in default, or it is probable that a significant and unpredictable delay will occur. The amount of this provision is the difference between the book value of the receivable and the recoverable amount. The recoverable amount is the discounted value of all cash flows, including the amounts that can be collected from guarantees and guarantees, based on the original effective interest rate of the trade receivable. In addition, the Group uses the provision matrix by choosing the simplified application for impairment calculations, since trade receivables accounted for at amortized cost in the financial statements do not contain an important financing component. With this application, the Group measures the expected credit loss allowance at an amount equal to the lifetime expected credit losses, unless the trade receivables are impaired for certain reasons. In the calculation of expected credit losses, the Group's forecasts for the future are also taken into account, together with the past experience of credit losses.

ÜLKER BİSKÜVİ SANAYİ A.Ş. AND ITS SUBSIDIARIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
AS OF 31 DECEMBER 2022

(Amounts expressed in thousands of Turkish Lira (“TL”) unless otherwise stated.)

2. BASIS OF PRESENTATION OF THE CONSOLIDATED FINANCIAL STATEMENTS (cont’d)

2.3 Summary of Significant Accounting Policies (cont’d)

Effects of Currency Change

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

Dividend and Interest Income

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

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

Earnings Per Share

Earnings per share disclosed in the consolidated statement of profit or loss are calculated by dividing net income by the weighted average number of shares outstanding during the period concerned.

ÜLKER BİSKÜVİ SANAYİ A.Ş. AND ITS SUBSIDIARIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
AS OF 31 DECEMBER 2022

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

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

2.3 Summary of Significant Accounting Policies (cont'd)

Events After the Report Date

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 Parties

Related party in the consolidated financial statements: Persons or businesses that are related to the Company.

(a) A person or a close member of that person's family is deemed to be related to the Company if that person:

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

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

- (i) The Company members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others).
- (ii) One company is an associate or joint venture of the other company (or an associate or joint venture of a member of a group of which the other company is a member).
- (iii) Both entities are joint ventures of the same third party.
- (iv) One entity is a joint venture of a third entity and the other entity is an associate of the third entity.
- (v) The Company is a post-employment benefit plan for the benefit of employees of either the Company or a company related to the Company. If the Company is itself such a plan, the sponsoring employers are also related to the Company.
- (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).

Transaction with a related party: It is the transfer of resources, services or obligations between the Company and a related party, regardless of whether there is a price or not. The Company may enter into some business relations with related parties in the course of ordinary activities.

ÜLKER BİSKÜVİ SANAYİ A.Ş. AND ITS SUBSIDIARIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
AS OF 31 DECEMBER 2022

(Amounts expressed in thousands of Turkish Lira (“TL”) unless otherwise stated.)

2. BASIS OF PRESENTATION OF THE CONSOLIDATED FINANCIAL STATEMENTS (cont’d)

2.3 Summary of Significant Accounting Policies (cont’d)

Government Grants and Incentives

Grants from the government are recognized 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 recognized as income on a consistent basis throughout the relevant periods when they match the costs they would cover.

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

Corporate Taxes

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.

Inflation Adjustment

As of the report date, no new statement has been made by the POA regarding the scope and application of TAS 29. In this framework, while preparing the financial statements dated 31 December 2022, no inflation adjustment was made according to TAS 29.

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 consolidated statement of profit or loss because of items of income or expense that are taxable or deductible in other years and it excludes items that are never taxable or deductible. The Group’s current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax

Deferred tax liability or asset is recognized on temporary differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax rates 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.

ÜLKER BİSKÜVİ SANAYİ A.Ş. AND ITS SUBSIDIARIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
AS OF 31 DECEMBER 2022

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

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

2.3 Summary of Significant Accounting Policies (cont'd)

Corporate Taxes (cont'd)

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 arising from the initial recognition of business combinations or that are recognized directly in equity or as profit or loss, in which case, the current and deferred tax are also recognized directly in equity. In business combinations, tax effects are considered when calculating goodwill or determining the portion of the purchaser's share in the fair value of the identifiable assets, liabilities and contingent liabilities of the acquired subsidiary exceeding the acquisition cost.

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 Turkish Accounting Standard No. 19 (revised) Employee Benefits ("TAS 19").

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

Statement of Cash Flows

Cash flows during the period are classified and reported as operating, investing and financing activities in the statement of cash flows.

Cash flows from main activities represent the cash flows of Group companies arising from their operations related to their main activities.

Cash flows related to investing activities represent the cash flows that the Group uses and generates in its investment activities (fixed investments and financial investments).

Cash flows from financing activities show the resources used by the Group in financing activities and the repayments of these resources.

Capital and Dividends

Ordinary shares are classified as equity. Dividends distributed on ordinary shares are recorded by deducting from retained earnings in the period when the dividend decision is taken.

Equity Items

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. The revaluation fund, which is included in the value increase funds, is the value increase on the net asset held by the Group before the sale transaction, at the date of the transaction.

ÜLKER BİSKÜVİ SANAYİ A.Ş. AND ITS SUBSIDIARIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
AS OF 31 DECEMBER 2022

(Amounts expressed in thousands of Turkish Lira (“TL”) unless otherwise stated.)

2. BASIS OF PRESENTATION OF THE CONSOLIDATED FINANCIAL STATEMENTS (cont’d)

2.3 Summary of Significant Accounting Policies (cont’d)

Derivatives and Hedging Activities

Derivatives are recorded at fair value at the initial contract date and are measured at fair value at the end of each reporting period after initial recognition. Accounting for subsequent changes in fair value depends on whether the derivative is designated as a hedging instrument and, if so, on the nature of the hedged item. The Group designates certain derivatives as either:

- i. Hedges of the fair value of recognized assets or liabilities or a firm commitment (fair value hedges)
- ii. Hedges of a particular risk associated with the cash flows of recognized 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).

At the beginning of the hedging transaction, the Group documents the relationship between hedging instruments and hedged items, as well as the risk management objective and strategy that gives rise to the various hedging transactions. The Group also documents its assessment that the derivatives it uses in the hedge are, and will continue to be, highly effective at offsetting changes in the fair value or cash flows of the hedged asset, both at the start of the hedge and subsequently.

The fair values of various derivative financial instruments used for hedge accounting purposes are disclosed in Note 9. Movements in the hedge fund under equity are shown in Note 34. The overall fair value of a derivative used for hedge accounting is classified as a non-current asset or a non-current liability if the remaining maturity of the hedged item is more than 12 months, and as a current asset or current liability if it is less than 12 months. Derivatives for trading purposes are classified as current assets or current liabilities.

The effective portion of the fair value changes of the derivatives that meet the cash flow hedge conditions and are defined in this way are recognized in other comprehensive income and collected in the funds under equity. The gain and loss of the ineffective portion is recognized directly in profit or loss in other income or other expenses.

Amounts accumulated under 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 recognized in profit or loss within “finance expenses”.

Goodwill

Goodwill arising on an acquisition of a business is carried at cost as established at the date of acquisition of the business less accumulated impairment losses, if any.

A cash-generating unit to which goodwill has been allocated is tested for impairment annually, or more frequently when there is indication that the unit may be impaired. If the recoverable amount of the cash-generating unit is less than its carrying amount, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to the other assets of the unit pro rata based on the carrying amount of each asset in the unit. Any impairment loss for goodwill is recognized directly in profit or loss in the consolidated income statement. An impairment loss recognized for goodwill is not reversed in subsequent periods. On disposal of the relevant cash-generating unit, the attributable amount of goodwill is included in the determination of the profit/loss on disposal.

Goodwill of the Group consists of the accounting of the business purchased from the parent as a business combination under common control, at the recorded values at the level of the parent, in the Group records (Note 12).

ÜLKER BİSKÜVİ SANAYİ A.Ş. AND ITS SUBSIDIARIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
AS OF 31 DECEMBER 2022

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

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

2.4 Significant Accounting Judgement, Estimate and Assumptions

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

Reacquired Rights

The Group accounted for reacquired rights at fair value within scope of the reacquisition of rights which were provided exclusivity before to third parties. Reacquired rights have indefinite useful life and are not subject to amortization. Reacquired rights are tested annually for impairment, or more frequently if events or changes in circumstances indicate that they might be impaired. Reacquired rights comprise from products distribution rights in Saudi Arabia. Discounted cash flow studies used to identify the fair value of repurchased rights, a discount rate of 9.9% and a final growth rate of 1.6% were used (2021: 11.2% discount rate and 0.9% final growth rate). A change in discount rate by 1% effects amount of goodwill by TL 147,113 thousand (2021 : TL 6.404 thousand).

The brand of the Group is comprised of the business acquired from its main partner as a business combination that is subject to joint control, and its accounting values in the Group's records, at the level of the parent (Note 13). 2.6% royalty rate and 2.5% final growth rate were used in the royalty free method to determining the fair value impairment test of brand. 1% change in the royalty rates used does not cause an impairment.

Deferred taxes

The Group recognizes deferred tax assets and liabilities for temporary timing differences arising from the differences between the tax base legal financial statements and the financial statements prepared in accordance with TFRS. These differences are generally due to the tax base amounts of some income and expense items and the fact that they take place in different periods in the financial statements prepared in accordance with TFRS. In addition, the Group has deferred tax assets resulting from tax loss carryforwards and deductible temporary differences, all of which could reduce taxable income in the future.

As of 31 December 2022, the Group has accounted for deferred tax asset amounting to TL 39,076 thousand in the consolidated financial statements based on the expansion and product diversification investment (2021: TL 19,258 thousand).

Based on available evidence, it is determined whether it is probable that all or a portion of the deferred tax assets will be realized. The main factors which are considered include future profit projection; cumulative losses in current year; carryforward losses and other tax assets expiring; and tax-planning strategies that would, if necessary, be implemented

ÜLKER BİSKÜVİ SANAYİ A.Ş. AND ITS SUBSIDIARIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
AS OF 31 DECEMBER 2022

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

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

2.4 Significant Accounting Judgement, Estimate and Assumptions (cont'd)

Deferred taxes(cont'd)

As of 31 December 2022, the Group has accounted for deferred tax assets amounting to TL 954,856 thousand, calculated over the carry forward tax losses amounting to TL 4,771,583 thousand, in the consolidated financial statements. As of 31 December 2021, deferred tax asset amounting to TL 215,284 thousand, calculated over the carry forward tax losses amounting to TL 1,073,388 thousand, has been reflected in the consolidated financial statements.

Fair values of financial instruments

The fair values of financial instruments that do not have an active market as of 31 December 2022, was calculated by an independent management consultancy that is not affiliated with this Group, whose compliance with the valuation competency criteria determined by the CMB has been evaluated, using market data, using arm's-length similar transactions, taking the fair values of similar instruments as a reference, and discounted cash flow analysis. In the current period, discounted cash flow analysis has been made using a discount rate of 10.3% (2021: 8.9%) for G-New and 10.8% (2021: 10.4%) for Godiva Belgium and using Final growth rate of 2.1% (2021: 2.2%) for G-New, 2.1% (2021: 2.2%) for Godiva Belgium that are among the Group's financial investments.

The 0.3% change in the discount rate used affects the fair value of G-New and Godiva Belgium by TL 68,796 thousand and TL 123,240 thousand, respectively. (2021: G-New: TL 18,268 thousand and Godiva Belgium: 34,455 thousand TL).

Goodwill

The Group acquired business from its ultimate shareholder as under common control and accounted its book values as accounted at ultimate shareholder level including goodwill (Note 12). Discounted cash flow used to identify goodwill is applied with 9.3% discount rate and 2.5% long term growth rate. 1% change in the rates used does not cause a decrease in goodwill.

Determination of fair values of lands and buildings

It is calculated by deducting accumulated depreciation from fair value using the Lands and Buildings revaluation method. The fair values of Lands are determined from evidence available in the market, by valuation by professionals. They used the "peer comparison" method. Lands are classified within second level of the fair value hierarchy. In determining the fair value of the Buildings, the cost approach method reflecting the age of obsolescence and the costs that the market participant will incur to construct similar assets have been used. Buildings are classified within second level of the fair value hierarchy

Expected credit loss allowance

When measuring ECL the Group uses reasonable and supportable forward-looking information, which is based on assumptions for the future movement of different economic drivers and how these drivers will affect each other.

Loss given default is an estimate of the loss arising on default. It is based on the difference between the contractual cash flows due and those that the lender would expect to receive, taking into account cash flows from collateral and integral credit enhancements.

Probability of default constitutes a key input in measuring ECL. Probability of default is an estimate of the likelihood of default over a given time horizon, the calculation of which includes historical data, assumptions, and expectations of future conditions.

ECL reflect the future loss that the management anticipates incurring from the trade receivables as of the balance sheet date which is subject to collection risk considering the current economic conditions. Details on expected loss provisions are included in Note 7.

ÜLKER BİSKÜVİ SANAYİ A.Ş. AND ITS SUBSIDIARIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
AS OF 31 DECEMBER 2022

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

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

2.5 Summary of Financial Information Related to Subsidiaries

As of 31 December 2022 and 2021, the summarized financial information of the subsidiaries of the Group in which the Group has significant minority interest is as follows:

Biskot Bisküvi Gıda Sanayi ve Ticaret A.Ş.

	2022	2021
Total assets	4,197,904	2,271,997
Total liabilities	1,911,852	944,303
Net assets	2,286,052	1,327,694
Accumulated funds on non-controlling interests	597,148	346,213
Revenue	5,601,089	2,532,879
Net profit for the year	938,960	612,717
Cash flow (used in)/generated from operating activities	184,084	84,952
Cash flow used in investment activities	(229,074)	(39,981)
Cash flow used in financing activities	(112,904)	(193,074)

Food Manufacturers' Company

	2022	2021
Total assets	2,665,694	1,895,427
Total liabilities	928,246	686,698
Net assets	1,737,448	1,208,729
Accumulated funds on non-controlling interests	781,852	543,928
Revenue	3,529,092	1,653,329
Net profit for the year	292,907	115,807
Cash flow generated from operating activities	344,936	240,629
Cash flow used in investment activities	(94,555)	(70,213)
Cash flow used in financing activities	(277,119)	(363,766)

ÜLKER BİSKÜVİ SANAYİ A.Ş. AND ITS SUBSIDIARIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
AS OF 31 DECEMBER 2022

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

3. SEGMENT REPORTING

The main field of activity of the Group is the marketing and sales of biscuits, chocolate coated biscuits, wafers, cakes and chocolate. The reports, which are regularly reviewed by the authorized decision maker regarding the Group's activities, are prepared using the Group's consolidated financial statements. The Board of Directors, which takes strategic decisions, has been determined as the authorized authority to take decisions regarding the activities of the Group. The Group management has determined the operating segments based on the reports reviewed by the Board of Directors, which are effective in taking strategic decisions. The Board of Directors monitors the performance of the operating segments as gross profit and operating profit.

In the management reporting, the Group monitors its operations and investment expenditures as domestic (performed by companies in Turkey) and international operations within the scope of TFRS 8. Accordingly, the information for the periods 1 January - 31 December 2022 and 1 January - 31 December 2021 is presented below.

	Domestic	International	1 January- 31 December 2022
Revenue	17,482,255	10,714,592	28,196,847
Gross Profit	4,540,419	3,868,098	8,408,517
Operating Profit (*)	3,088,063	2,030,184	5,118,247
EBITDA (**)	3,217,757	2,249,264	5,467,021
EBITDA/Revenue	18.4%	21.0%	19.4%
Investment Expense	482,876	243,560	726,436
	Domestic	International	1 January- 31 December 2021
Revenue	7,386,841	5,150,239	12,537,080
Gross Profit	1,788,461	1,823,954	3,612,415
Operating Profit (*)	1,151,401	946,949	2,098,350
EBITDA (**)	1,250,882	1,077,477	2,328,359
EBITDA/Revenue	16.9%	20.9%	18.6%
Investment Expense	468,069	73,159	541,228

(*) It is operating profit before other income and expenses from operating activities.

(**) 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.

ÜLKER BİSKÜVİ SANAYİ A.Ş. AND ITS SUBSIDIARIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
AS OF 31 DECEMBER 2022

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

4. CASH AND CASH EQUIVALENTS

	31 December 2022	31 December 2021
Cash on hand	4,588	1,758
Demand bank deposits	1,299,382	1,584,142
Time bank deposits	7,968,329	1,434,427
Provision for expected loss	(17,465)	(15,493)
	9,254,834	3,004,834

Detail of time deposits are as follows:

Currency Type	Interest Rate (%)	Maturity	31 December 2022
TL	20.00%	January 2023	1,431,658
USD	3.73%	January 2023	6,251,869
EUR	0.01%	January 2023	65,785
EGP	8.25%	January 2023	77,232
Saudi Arabian Riyal	4.75%	January 2023	75,729
KZT	13.00%	January 2023	66,056
			7,968,329

Currency Type	Interest Rate (%)	Maturity	31 December 2021
TL	20.81%	January 2022	478,786
USD	1.05%	January 2022	828,998
EUR	0.38%	January 2022	34,250
GBP	0.05%	January 2022	29,845
EGP	7.23%	January 2022	62,548
			1,434,427

5. FINANCIAL INVESTMENTS

<u>Short-Term Financial Investments:</u>	31 December 2022	31 December 2021
Financial assets measured at fair value through profit/loss (*)	210,497	6,414,869
	210,497	6,414,869

<u>Long-Term Financial Investments:</u>	31 December 2022	31 December 2021
Financial assets measured at fair value through other comprehensive income (**)	2,687,204	1,878,478
	2,687,204	1,878,478

<u>Financial Assets at Fair Value Through Other Comprehensive Income</u>	31 December 2022	31 December 2021
G New, Inc	784,426	527,744
Godiva Belgium BVBA	1,767,935	1,350,534
Other	134,843	200
	2,687,204	1,878,478

(*) TL 207,453 thousands of short-term financial investments consist of liquid mutual funds with a maturity of less than 3 months (31 December 2021: TL 6,392,264 thousands).

(**) Equity investments in which the Group has no significant influence are classified as financial investments at fair value through other comprehensive income. As of 31 December 2022, the after-tax difference to the parent amounting to TL 2,020,802 thousand has been recognized for in equity (2021: TL 1,276,228 thousand)

ÜLKER BİSKÜVİ SANAYİ A.Ş. AND ITS SUBSIDIARIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
AS OF 31 DECEMBER 2022

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

6. FINANCIAL LIABILITIES

	31 December 2022	31 December 2021
Short-term liabilities	925,081	759,909
Short-term portion of long-term liabilities	10,476,406	2,103,140
Long-term liabilities	12,349,131	15,313,776
	23,750,618	18,176,825
<u>Short-Term Liabilities:</u>	31 December 2022	31 December 2021
Letters of credit	925,081	759,909
	925,081	759,909
<u>Short-Term Portion of Long-Term Liabilities</u>	31 December 2022	31 December 2021
Bank loans	9,655,778	1,499,536
Issued debt instruments (*)	812,749	579,253
Financial lease payables	7,879	24,351
	10,476,406	2,103,140
<u>Long-Term Liabilities</u>	31 December 2022	31 December 2021
Bank loans	1,315,059	7,148,942
Issued debt instruments (*)	11,031,399	8,157,834
Financial lease payables	2,673	7,000
	12,349,131	15,313,776

The Group has used a syndication loan dated 20 April 2020, and this syndication loan consists of two tranches. One of the tranches is USD 110,000,000 and the other is EUR 243,938,528. 7 international banks participated in the syndication. The applicable interest rate for the Euro tranche is Euribor+ 2.95%, for the US Dollar it is Libor+ 3.10% and the maturity date is 20 April 2023. In addition to the syndication loan, the Group used a EUR 75.000.000 EBRD loan dated 20 April 2020. The interest rate of the related EBRD loan is Euribor+ 2.95% and the maturity date is 20 April 2023. The principal repayments of the loan tranches must be paid semiannually, at the end of their maturity.

(*) The Group has USD 650,000,000 of bond issued on the Irish Stock Exchange (Euronext Dublin) on 30 October 2020, with a 5-year maturity, coupon payment every 6 months, principal and coupon payments at the end of the maturity, with an annual fixed interest rate of 6.95%.

The covenants of the related loans are as follows:

- a) **Leverage:** The ratio of the consolidated net debt on the last day of the current period to the last 12 months consolidated EBITDA (Earnings before interest, depreciation, tax) for the current period should not exceed 4:1
- b) **Interest Coverage:** The Group's consolidated interest coverage ratio for the current period should not be lower than 2:1.

In the current period, the consolidated financial statements of the Group are in line with the provisions of the bank loan agreements.

ÜLKER BİSKÜVİ SANAYİ A.Ş. AND ITS SUBSIDIARIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
AS OF 31 DECEMBER 2022

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

6. FINANCIAL LIABILITIES (cont'd)

Borrowings:

31 December 2022

<u>Currency Type</u>	<u>Maturity</u>	<u>Effective Weighted Average Interest Rate (%)</u>	<u>Short-Term</u>	<u>Long-Term</u>
TL	January 2023- October 2025	27.22%	7,879	2,673
USD	April 2023-October 2025	6.75%	2,883,061	11,031,397
EUR	April 2023- April 2024	3.97%	8,312,771	1,015,858
EGP	March 2023-September 2023	8.00%	5,438	-
KZT	January 2023-January 2026	11.97%	192,338	299,203
			<u>11,401,487</u>	<u>12,349,131</u>

31 December 2021

<u>Currency Type</u>	<u>Maturity</u>	<u>Effective Weighted Average Interest Rate (%)</u>	<u>Short-Term</u>	<u>Long-Term</u>
TL	January 2022-April 2023	27.30%	24,351	7,000
USD	April 2022-October 2025	6.45%	628,028	9,575,662
EUR	April 2022-May 2023	3.17%	2,052,008	5,403,144
EGP	January 2022-September 2023	8.00%	8,186	6,063
KZT	January 2022-January 2026	11.98%	150,476	321,907
			<u>2,863,049</u>	<u>15,313,776</u>

The repayment terms of bank loans and issued debt instruments are as follows:

	<u>31 December 2022</u>	<u>31 December 2021</u>
To be paid within 1 year	10,468,527	2,078,789
To be paid within 1-2 years	1,520,137	7,472,785
To be paid within 2-3 years	10,800,835	590,206
To be paid within 3-4 years	25,486	7,223,496
To be paid within 4-5 years	-	20,289
	<u>22,814,985</u>	<u>17,385,565</u>

Short-Term Portion of Long Term

Financial Lease Liabilities

	<u>31 December 2022</u>	<u>31 December 2021</u>
Financial lease liabilities	9,511	29,913
Costs of deferred lease liabilities (-)	(1,632)	(5,562)
	<u>7,879</u>	<u>24,351</u>

Long-Term Financial Lease Liabilities

	<u>31 December 2022</u>	<u>31 December 2021</u>
Financial lease liabilities	3,957	7,331
Costs of deferred lease liabilities (-)	(1,284)	(331)
	<u>2,673</u>	<u>7,000</u>

ÜLKER BİSKÜVİ SANAYİ A.Ş. AND ITS SUBSIDIARIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
AS OF 31 DECEMBER 2022

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

6. FINANCIAL LIABILITIES (cont'd)

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

	31 December 2022	31 December 2021
To be paid within 1 year	7,879	24,351
To be paid within 1-2 years	1,239	7,000
To be paid within 2-3 years	1,434	-
	10,552	31,351

The movement table of loan for the periods 31 December 2022 and 2021 is as follows:

	2022	2021
Opening Balance - 1 January	18,176,825	10,481,296
Additions	2,025,904	1,588,167
Principal payments	(3,072,006)	(1,724,278)
Foreign exchange differences	6,391,142	7,561,278
Interest accrual differences	96,461	54,963
Foreign currency translation differences	132,292	215,399
Closing Balance - 31 December	23,750,618	18,176,825

7. TRADE RECEIVABLES AND PAYABLES

Trade Receivables from Related Parties	31 December 2022	31 December 2021
Trade receivables from related parties (Not 32)	4,100,552	2,522,152
	4,100,552	2,522,152
Other Trade Receivables	31 December 2022	31 December 2021
Trade receivables	3,320,713	2,185,452
Notes receivables	-	162
Provision for expected loss	(32,925)	(19,855)
	3,287,788	2,165,759
Total Short-Term Trade Receivables	7,388,340	4,687,911

The movement table of provisions for doubtful trade receivables for the periods 31 December 2022 and 2021 is as follows:

	1 January- 31 December 2022	1 January- 31 December 2021
Opening balance	(19,855)	(12,341)
Charge for the period	(16,851)	(3,428)
Cancelled provision amount	6,930	2,261
Foreign currency translation differences	(3,149)	(6,406)
Collections	-	59
Closing balance	(32,925)	(19,855)
Short-Term Trade Payables	31 December 2022	31 December 2021
Trade payables to related parties (Note 32)	1,079,457	475,461
Trade payables	3,081,810	1,794,960
	4,161,267	2,270,421

ÜLKER BİSKÜVİ SANAYİ A.Ş. AND ITS SUBSIDIARIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
AS OF 31 DECEMBER 2022

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

8. OTHER RECEIVABLES AND PAYABLES

Other Receivables	31 December 2022	31 December 2021
Non-trade receivables from related parties (Note 32)	1,194,805	545,670
Short-term other receivables	362,795	68,732
	1,557,600	614,402
Other Short-Term Receivables	31 December 2022	31 December 2021
VAT Receivables	315,646	22,374
Deposits and guarantees given	35,352	34,231
Receivables from personnel	4,713	3,302
Other	7,084	8,825
	362,795	68,732
Other Payables	31 December 2022	31 December 2021
Other short-term payables	3,025	12,672
	3,025	12,672
Other Short-Term Payables	31 December 2022	31 December 2021
Deposits and guarantees received	22	172
Other short-term payables	3,003	12,500
	3,025	12,672

9. DERIVATIVE INSTRUMENTS

The Group has realized Fixed Interest Rate Swap transactions, consisting of a total of USD 33,000,000, in order to hedge interest rate risk, in line with the payment plan of the USD 110,000,000 tranche of the 3-year term and variable rate syndication loan used on 20 April 2020. In addition to this, in line with the payment schedule of the syndicated loan of EUR 243,938,528 and the EBRD loan of EUR 75,000,000 used on 20 April 2020, in order to hedge currency risk, On 19 January 2022, 15 February 2022, 25 March 2022, 27 May 2022, 30 June 2022 and 31 August 2022, a total of EUR 250,000,000 Cross Currency Fixed Interest Rate Swap with a maturity of April 2023 has been made.

In addition, the Group applied a forward transaction of USD 6,000,000 on 5 September 2022, and EUR 22,420,000 in total on 2 August 2022, 3 October 2022, 18 October 2022, 7 November 2022, 2 December 2022 and 20 December 2022. These transactions are associated with cash flow hedging purposes in the accompanying consolidated financial statements.

As of 31 December 2022 and 31 December 2021, derivative instruments are as follows:

	31 December 2022		31 December 2021	
	Contract Amount	Fair Value Asset/(Liability)	Contract Amount	Fair Value Asset/(Liability)
For hedging purposes				
Cross Currency Fixed Rate Swaps	4,983,725	733,042	-	-
Fixed Interest Rate Swap	617,044	12,800	439,857	346
Buy-Sell purpose				
Forward Transactions	559,130	(22,724)	221,382	1,153
Total Asset / (Liability)	6,159,899	723,118	661,239	1,499

ÜLKER BİSKÜVİ SANAYİ A.Ş. AND ITS SUBSIDIARIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
AS OF 31 DECEMBER 2022

(Amounts expressed in thousands of Turkish Lira (“TL”) unless otherwise stated.)

10. INVENTORIES

Details of inventory are as follows:

	31 December 2022	31 December 2021
Raw materials	3,491,225	2,298,257
Work in progress	144,682	72,115
Finished goods	1,155,578	719,737
Trade goods	87,087	47,562
Other inventories	179,664	114,513
Allowance for impairment on inventory (-)	(61,886)	(33,953)
	4,996,350	3,218,231

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

The movement of allowance for impairment on inventory for the periods ended on 31 December 2022 and 2021 are below:

	1 January- 31 December 2022	1 January- 31 December 2021
Opening balance	(33,953)	(29,809)
Charge for the period	(22,095)	(3,714)
Write-offs	2,515	10,945
Foreign currency translation differences	(8,353)	(11,375)
Closing balance	(61,886)	(33,953)

ÜLKER BİSKÜVİ SANAYİ A.Ş. AND ITS SUBSIDIARIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
AS OF 31 DECEMBER 2022

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

11. PROPERTY, PLANT AND EQUIPMENT

Movement of property, plant and equipment assets between 1 January 2022 – 31 December 2022 is as follows:

Cost	1 January 2022	Additions	Disposal	Transfer	Valuation Increase	Foreign Currency Translation Differences	31 December 2022
Land	836,106	-	(4,306)	-	1,958,643	(5,334)	2,785,109
Buildings	1,450,365	21,010	(24,184)	9,731	1,618,782	129,535	3,205,239
Machinery, plant and equipment	3,813,432	132,008	(63,890)	466,161	-	543,372	4,891,083
Vehicles	18,166	2,355	(3,852)	-	-	3,546	20,215
Furniture and fixture	210,935	31,006	(10,867)	19,513	-	28,603	279,190
Leasehold improvements	54,222	4,150	(38)	1,109	-	170	59,613
Other property, plant and equipment	32	23	-	-	-	-	55
Construction in progress	179,153	529,411	(9,010)	(496,838)	-	14,121	216,837
	6,562,411	719,963	(116,147)	(324)	3,577,425	714,013	11,457,341
Accumulated depreciation	1 January 2022	Charge for the Period	Disposal	Transfer	Valuation Increase	Foreign Currency Translation Differences	31 December 2022
Buildings	(748,130)	(41,131)	9,596	673	(1,040,550)	(75,980)	(1,895,522)
Machinery, plant and equipment	(1,980,546)	(270,158)	55,174	(673)	-	(316,638)	(2,512,841)
Vehicles	(16,450)	(1,514)	3,160	-	-	(3,333)	(18,137)
Furniture and fixture	(138,206)	(25,719)	10,461	-	-	(18,082)	(171,546)
Leasehold improvements	(38,154)	(3,964)	24	-	-	(155)	(42,249)
Other property, plant and equipment	(32)	(3)	-	-	-	-	(35)
	(2,921,518)	(342,489)	78,415	-	(1,040,550)	(414,188)	(4,640,330)
Net Value	3,640,893						6,817,011

From depreciation and amortization expenses of property, plant and equipment and intangible assets, TL 328,464 thousand (31 December 2021: TL 216,585 thousand) is included in cost of goods sold, TL 916 thousand (31 December 2021: TL 495 thousand) in research and development expenses, TL 5,189 thousand (31 December 2021: TL 5,561 thousand) in marketing and selling expenses, TL 14,205 thousand (31 December 2021: TL 7,368 thousand) in general and administrative expenses. In the twelve-month period ending as of 31 December 2022, there is no fixed asset acquired through financial leasing by the Group. There is not any mortgage or collateral on tangible assets as of 31 December 2022.

ÜLKER BİSKÜVİ SANAYİ A.Ş. AND ITS SUBSIDIARIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
AS OF 31 DECEMBER 2022

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

11. PROPERTY, PLANT AND EQUIPMENT (cont'd)

Movement of property, plant and equipment between 1 January 2021 and 31 December 2021 is as follows:

Cost	1 January 2021	Additions	Disposal	Transfer	Foreign Currency Translation Differences	31 December 2021
Land	857,540	-	(49,750)	-	28,316	836,106
Buildings	1,227,958	6,493	(44,194)	27,299	232,809	1,450,365
Machinery, plant and equipment	2,668,920	64,285	(50,654)	326,015	804,866	3,813,432
Vehicles	13,622	248	(1,005)	(465)	5,766	18,166
Furniture and fixture	145,823	12,386	(11,032)	14,355	49,403	210,935
Leasehold improvements	54,170	2,392	(2,730)	215	175	54,222
Other property, plant and equipment	32	-	-	-	-	32
Construction in progress	67,043	454,035	(864)	(367,419)	26,358	179,153
	5,035,108	539,839	(160,229)	-	1,147,693	6,562,411
Accumulated depreciation	1 January 2021	Additions	Disposal	Transfer	Foreign Currency Translation Differences	31 December 2021
Buildings	(635,450)	(29,161)	17,314	1,399	(102,232)	(748,130)
Machinery, plant and equipment	(1,405,321)	(176,368)	42,008	(1,399)	(439,466)	(1,980,546)
Vehicles	(10,593)	(1,215)	995	-	(5,637)	(16,450)
Furniture and fixture	(101,209)	(14,418)	9,934	-	(32,513)	(138,206)
Leasehold improvements	(35,681)	(4,628)	2,316	-	(161)	(38,154)
Other property, plant and equipment	(28)	(4)	-	-	-	(32)
	(2,188,282)	(225,794)	72,567	-	(580,009)	(2,921,518)
Net Value	2,846,826					3,640,893

In the twelve-month period ending as of 31 December 2021, there is no fixed asset acquired through financial leasing by the Group. There is not any mortgage or collateral on tangible assets as of 31 December 2021.

ÜLKER BİSKÜVİ SANAYİ A.Ş. AND ITS SUBSIDIARIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
AS OF 31 DECEMBER 2022

(Amounts expressed in thousands of Turkish Lira (“TL”) unless otherwise stated.)

11. PROPERTY, PLANT AND EQUIPMENT (cont’d)

The estimated useful lives of property, plant and equipment are as follows:

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

The Group has chosen the revaluation model from the application methods in TAS 16 regarding the representation of the lands and buildings with their fair values. Land and buildings were revalued with “peer comparison” method on 3 February 2023. The revaluation was performed by Nova Taşınmaz Değerleme ve Danışmanlık A.Ş. authorized by Capital Markets Board. Properties were accounted on 31 December 2022 financial statements based on their fair values. The frequency of revaluations is related with the changes on the market values of the properties. If there is significant change at the fair value, revaluation is performed. If not, properties are only subject to periodical revaluation. The Group has assessed that there is no significant change in the fair value of land and buildings in the current period.

12. GOODWILL

	31 December 2022	31 December 2021
Opening balance	896,538	496,196
Foreign currency translation difference	225,673	400,342
Closing balance	1,122,211	896,538

The distribution of goodwill is as follows:

Company	31 December 2022	31 December 2021
UI Mena B.V.	1,079,482	862,402
IBC	42,729	34,136
	1,122,211	896,538

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 in Ülker Bisküvi’s consolidated 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 in Ülker Bisküvi’s consolidated financial statement by restating prior years.

ÜLKER BİSKÜVİ SANAYİ A.Ş. AND ITS SUBSIDIARIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
AS OF 31 DECEMBER 2022

(Amounts expressed in thousands of Turkish Lira (“TL”) unless otherwise stated.)

13. INTANGIBLE ASSETS

Movements of intangible assets between 1 January 2022 – 31 December 2022 are as follows:

	1 January 2022	Addition	Disposal	Transfer	Foreign currency translation differences	31 December 2022
Cost						
Rights (*)	675,632	4,206	-	-	243,545	923,383
Other	14,825	2,267	-	324	3,859	21,275
	690,457	6,473	-	324	247,404	944,658
	1 January 2022	Charge for the period	Disposal	Transfer	Foreign currency translation differences	31 December 2022
Accumulated amortization						
Rights	(28,760)	(2,379)	-	-	(587)	(31,726)
Other	(10,393)	(3,906)	-	-	(3,158)	(17,457)
	(39,153)	(6,285)	-	-	(3,745)	(49,183)
Net Book Value	651,304					895,475

Movements of intangible assets between 1 January 2021 – 31 December 2021 are as follows:

	1 January 2021	Addition	Disposal	Transfer	Foreign currency translation differences	31 December 2021
Cost						
Rights (*)	373,597	481	-	-	301,554	675,632
Other	9,569	908	-	-	4,348	14,825
	383,166	1,389	-	-	305,902	690,457
	1 January 2021	Charge for the period	Disposal	Transfer	Foreign currency translation differences	31 December 2021
Accumulated amortization						
Rights	(14,418)	(1,531)	-	-	(12,811)	(28,760)
Other	(4,966)	(2,684)	-	-	(2,743)	(10,393)
	(19,384)	(4,215)	-	-	(15,554)	(39,153)
Net Book Value	363,782					651,304

(*) As of 31 December 2022, rights contain reacquired rights related with Saudi distribution agreements of Groups products in Saudi Arabia amounting to TL 743,968 thousand (31 December 2021: TL 530,334 thousand), the remaining amount of TL 134,935 thousand (31 December 2021: TL 107,800 thousand) contains the rights of Rana brand. Reacquired rights are not subject to depreciation and has indefinite useful life. Impairment test is applied every year or more frequently when there is any indicator that impairment may occur. As of 31 December 2022, there is no impairment.

ÜLKER BİSKÜVİ SANAYİ A.Ş. AND ITS SUBSIDIARIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
AS OF 31 DECEMBER 2022

(Amounts expressed in thousands of Turkish Lira (“TL”) unless otherwise stated.)

13. INTANGIBLE ASSETS (cont’d)

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

	<u>Useful Life</u>
Rights	2 years - Indefinite life
Other intangible assets	2 – 12 years

14. GOVERNMENT GRANTS AND INCENTIVES

Export transactions and other foreign exchange earning activities carried out in line with the procedures and principles determined by the Ministry of Finance and the Undersecretariat of Foreign Trade are exempt from stamp duty and fees. According to the decision of the Money Credit and Coordination Board, dated 16 December 2004 and numbered 2004/11, which was prepared on the basis of the Export-Oriented State Aid Decision, state aid is paid to support the participation in foreign fairs. The Group also receives tax refunds from the export of agricultural products in line with the communiqué numbered 2000/5 on the issue of "Export Refunds in Agricultural Products", pursuant to the decision of the Money Credit Coordination Board numbered 20/6.

The Group benefits from energy and employment incentives within the framework of the law” Law No. 5084 on Promoting Investments and Employment and Amending Some Laws) published in the Official Gazette dated 6 February 2004 and numbered 25365, which aims to increase investments and employment by applying tax and insurance premium incentives, providing energy support and providing free land and land for investments.

Biskot Bisküvi Gıda Sanayi ve Ticaret A.Ş. has five investment incentive certificates received on 11 January 2010, 20 June 2011, 14 October 2012 , 8 December 2015 and 19 June 2020, respectively, for a total investment of 289,859 based on the expansion and product diversification investments being made in the Karaman factory. With these documents, TL 96,092 (2021: TL 75,889) tax deductions have been benefited, and deferred tax assets have been recorded in the financial statements for the remaining TL 39,076 (2021 : TL 19,258) (Note 30).

The Group received government incentives and grants amounting to TL 110,178 thousand in 2022 (2021: TL 89,023 thousand). Of the amount related to the year 2022, TL 47,150 thousand arises from employment incentives, TL 4,348 thousand from investment incentives, TL 18,692 thousand from R&D incentives and TL 39,388 thousand from other incentives (2021: TL 36,722 thousand is from employment incentives, TL 23,136 thousand is from investment incentives, TL 10,386 thousand is from R&D incentives, and TL 18,779 thousand is from other incentives.)

15. PROVISIONS, CONTINGENT ASSETS AND LIABILITIES

Short-Term Debt Provisions	<u>31 December 2022</u>	<u>31 December 2021</u>
Provision for marketing expense	209,095	152,773
Provisions for lawsuits	8,639	9,342
Other	133,435	125,334
	<u>351,169</u>	<u>287,449</u>

The movement table for litigation provisions for the years ended 31 December 2022 and 2021 is as follows:

	<u>1 January- 31 December 2022</u>	<u>1 January- 31 December 2021</u>
Opening balance	9,342	7,200
Charge for the period	221	4,246
Provision released	(758)	(979)
Payment / relinquishment (-)	(166)	(1,125)
Closing balance	<u>8,639</u>	<u>9,342</u>

ÜLKER BİSKÜVİ SANAYİ A.Ş. AND ITS SUBSIDIARIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
AS OF 31 DECEMBER 2022

(Amounts expressed in thousands of Turkish Lira (“TL”) unless otherwise stated.)

15. PROVISIONS, CONTINGENT ASSETS AND LIABILITIES (cont’d)

Guarantees Given

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

	31 December 2022			31 December 2021		
	TL	USD	EUR	TL	USD	EUR
A) CPM’s given in the name of own legal personality (*)	275,569	25,354	337	264,447	25,737	-
B) CPM’s given on behalf of the fully consolidated companies	-	-	174,750	-	-	179,100
C) CPM’s given on behalf of third parties for ordinary course of business	-	-	-	-	-	-
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	-	-	-	-	-	-
	275,569	25,354	175,087	264,447	25,737	179,100

(*) 129 million Turkish Liras and 5.8 million USD of the balance are related to non-cash risks.

(**) The ratio of other CPMs given by the Group to the equity of the parent company is zero as of 31 December 2022 (31 December 2021: zero).

The ultimate parent of the company, Yıldız Holding A.Ş. and some Yıldız Holding Group companies, including Ülker Bisküvi's subsidiaries, Yıldız Holding A.Ş. and Yıldız Holding Group companies have signed syndicated loan agreements with some of the “Lenders” of their creditors.

As of 8 June 2018, Ülker Bisküvi subsidiaries' cash amounting to TL 592.7 million, EUR 10.1 million and USD 19.5 million, non-cash bank loans amounting to TL 140.1 million, USD 57 million and EUR 383 thousand, syndication together with Yıldız Holding A.Ş. level has been raised. There was no increase in the total debt burden of Ülker Bisküvi's subsidiaries due to the syndication loan. Ülker Bisküvi's subsidiaries became the guarantors of Yıldız Holding A.Ş. as of the date of loan utilization, limited to the total amount of bank credit risk to their respective banks.

Lease Agreements

The Group's lease agreements are made to cover one-year periods. All leases carry a statement regarding the revision of the conditions according to the market conditions, in case the lessee uses the right to renew. The lessee has no right to purchase the leased asset at the end of the lease term.

The rental income obtained from the lease agreements made by the Group regarding its property, plant and equipment and investment properties, as well as from its suppliers and customers, as the use of common areas, is TL 10,481 thousand (2021: TL 10,168 thousand). Direct operating expenses associated with fixed assets during the period amounted to TL 36,056 thousand (2021: TL 20,947 thousand). Within the framework of the non-cancellable lease, the minimum rent to be obtained in the future is TL 17,925 thousand (2021: TL 11,413 thousand). The minimum rent to be paid in the future within the framework of the non-cancellable lease is TL 59,160 thousand (2021: TL 23,785 thousand).

ÜLKER BİSKÜVİ SANAYİ A.Ş. AND ITS SUBSIDIARIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
AS OF 31 DECEMBER 2022

(Amounts expressed in thousands of Turkish Lira (“TL”) unless otherwise stated.)

16. COMMITMENTS AND OBLIGATIONS

As of 31 December 2022, the Group has an export commitment of USD 302,273 thousand (2021: USD 331,441 thousand). The average duration of export commitments is 1.5 years. If the export commitments are not fulfilled, the Group loses the tax advantage. The Group has fulfilled USD 292.479 thousand of its commitments for the year 2022 and is expected to realize its commitments extending to 2023 (2021: USD 230.749 thousand).

17. PROVISIONS FOR EMPLOYEE BENEFITS

Short-Term Provisions for Employee Benefits	31 December 2022	31 December 2021
Unused vacation accruals	115,731	64,175
Performance premium accrual	143,283	70,934
	259,014	135,109

Movement of provision for unused vacation is as follows:

	1 January- 31 December 2022	1 January- 31 December 2021
Opening balance	64,175	41,842
Decreases during the period	(40,285)	(21,955)
Increases during the period	76,956	28,332
Foreign currency translation differences	14,885	15,956
Closing balance	115,731	64,175

Movement of provision for performance premium is as follows:

	1 January- 31 December 2022	1 January- 31 December 2021
Opening balance	70,934	48,848
Decreases during the period	(65,792)	(54,782)
Increases during the period	126,260	59,451
Foreign currency translation differences	11,881	17,417
Closing balance	143,283	70,934

Long-Term Provisions for Employee Benefits	31 December 2022	31 December 2021
Provision for employment termination benefits	763,769	346,828
	763,769	346,828

Pursuant to the provisions of the current Labor Law, employees whose employment contracts are terminated to qualify for severance pay are obliged to pay the legal severance pay they are entitled to. In addition, in accordance with the provision of Article 60 of the Social Security Law No. 506, which is still in effect, as amended by the Laws No. 2422 of 6 March 1981 and the Laws No. 4447 of 25 August 1999, those who receive the severance pay and have the right to leave the job are obliged to pay the legal severance pay. Some transitional provisions related to pre-retirement service conditions were removed from the Law with the amendment of the relevant law on 23 May 2002. Severance pay to be paid as of 31 December 2022 is subject to a monthly ceiling of TL 17,904.62 (2021: TL 8,284.5). The subsidiaries of the Group calculate their severance pay provisions in accordance with the laws of the country in which they are located.

Retirement pay liability is not subject to any kind of funding legally. Provision for retirement pay liability is calculated by estimating the present value of probable liability amount arising due to retirement of employees. TAS 19 Employee Benefits stipulates the development of company’s liabilities by using actuarial valuation methods under defined benefit plans. In this direction, actuarial assumptions used in calculation of total liabilities are described as follows:

ÜLKER BİSKÜVİ SANAYİ A.Ş. AND ITS SUBSIDIARIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
AS OF 31 DECEMBER 2022

(Amounts expressed in thousands of Turkish Lira (“TL”) unless otherwise stated.)

17. PROVISIONS FOR EMPLOYEE BENEFITS (cont’d)

The principal assumption is that the maximum liability for each year of service will increase in line with inflation. Therefore, the discount rate applied represents the expected real rate after adjusting for future inflation effects. Consequently, in the accompanying financial statements as of 31 December 2022, the provision has been calculated by estimating the present value of the future probable obligation of the Company arising from the retirement of the employees. The provisions at the respective balance sheet dates have been calculated with the assumption of 1.50% real discount rate (2021: 3.72%) calculated by using 17.64% (2021: 16.90%) annual inflation rate and 19.40% (2021: 21.25%) interest rate. In the current period, pursuant to the Law No. 4447, the probability of employees who were insured before 8 September 1999 and who completed 15 years and 3600 premium days, has been taken into account in the liability calculation as 100%, since they have the right to receive severance pay even if they quit the job voluntarily. The severance pay ceiling is revised semi-annually, and the amount of TL 19,982.83 (1 January 2021: TL 10,848.59) effective from 1 January 2023 has been taken into account in the calculation of the severance pay provision of the Group. As of the end of 2022, the probability of employees leaving the Company is 2.1%. (2021: 3.9%).

Movement of provision for employment termination benefits is as follows:

	1 January- 31 December 2022	1 January- 31 December 2021
Opening balance	346,828	228,105
Service cost	84,385	102,268
Interest cost	43,722	5,973
Actuarial loss	303,362	10,821
Employment termination benefits paid in the current period	(57,249)	(58,899)
Foreign currency translation differences	42,721	58,560
Closing balance	763,769	346,828

18. PREPAID EXPENSES

Short-Term Prepaid Expenses	31 December 2022	31 December 2021
Prepaid Expenses to Third Parties	423,058	368,875
	423,058	368,875
Long-Term Prepaid Expenses	31 December 2022	31 December 2021
Advances Given	128,632	83,633
	128,632	83,633

19. PAYABLES RELATED TO EMPLOYEE BENEFITS

	31 December 2022	31 December 2021
Payables to Personnel	81,969	49,838
Social Security Premiums Payable	50,402	27,119
	132,371	76,957

ÜLKER BİSKÜVİ SANAYİ A.Ş. AND ITS SUBSIDIARIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
AS OF 31 DECEMBER 2022

(Amounts expressed in thousands of Turkish Lira (“TL”) unless otherwise stated.)

20. OTHER ASSETS AND LIABILITIES

Other Current Assets	31 December 2022	31 December 2021
Deferred VAT	579,926	284,975
Other	4,315	2,683
	584,241	287,658

Other Current Liabilities	31 December 2022	31 December 2021
Taxes and funds payable	95,598	52,387
Other liabilities	116,478	50,889
	212,076	103,276

21. DEFERRED INCOME

Deferred Income	31 December 2022	31 December 2021
Order Advances Received	41,324	82,376
Deferred Income	40,936	1,378
	82,260	83,754

22. SHAREHOLDERS' EQUITY

a) Capital Structure

The composition of the Company's issued and paid-in share capital as of 31 December 2022 and 2021 is as follows:

Shareholders	31 December 2022		31 December 2021	
	Amount	Share	Amount	Share
pladis Foods Limited	174,420	51.00%	174,420	51.00%
Ülker Aile Bireyleri ve Yıldız Holding A.Ş.	25,580	7.48%	25,580	7.48%
Other	142,000	41.52%	142,000	41.52%
	342,000	100%	342,000	100%

According to the provisions of the Capital Market Law, the registered capital ceiling of the Company is TL 500,000 thousand as of 31 December 2022, and it is divided into 50,000,000,000 (fifty billion) shares, each with a nominal value of 1 (one) kuruş. The issued capital of the Company is TL 342,000 thousand fully paid. There is no privilege or group distinction between the shares.

b) Valuation Funds

Financial Asset Valuation Fund:

Financial Asset Revaluation Fund arises as a result of valuation of available-for-sale financial assets at their fair values. In case of disposal of a financial instrument that is valued at fair value, the portion of the revaluation fund associated with the sold financial asset is transferred to retained earnings.

As of 31 December 2022, the Group's financial asset valuation fund after tax is TL 2,020,802 thousand. (2021: TL 1,276,228 thousand)

ÜLKER BİSKÜVİ SANAYİ A.Ş. AND ITS SUBSIDIARIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
AS OF 31 DECEMBER 2022

(Amounts expressed in thousands of Turkish Lira (“TL”) unless otherwise stated.)

22. SHAREHOLDERS’ EQUITY (cont’d)

b) Valuation Funds (cont’d)

Land and Buildings Revaluation Fund:

The increase in the book value of land and buildings as a result of revaluation is recognized in other comprehensive income after tax and collected in funds under equity. Decreases are recognized in other comprehensive income to the extent of any credit balance in the revaluation surplus relating to this asset; all other decreases are recorded in profit or loss.

As of 31 December 2022, together with the tangible asset valuation fund resulting from the land and land revaluation of the Group, it is TL 3,085,949 thousand after tax. (31 December 2021: TL 815,379 thousand)

c) Restricted Reserves Appropriated from Profit

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”, “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.

ÜLKER BİSKÜVİ SANAYİ A.Ş. AND ITS SUBSIDIARIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
AS OF 31 DECEMBER 2022

(Amounts expressed in thousands of Turkish Lira (“TL”) unless otherwise stated.)

22. SHAREHOLDERS’ EQUITY (cont’d)

c) Restricted Reserves (cont’d)

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

- “Capital restatement differences” account, following the “Paid-in capital” line item in the financial statements, if such differences are arising from “Paid-in Capital” and not added to capital;
- “Retained earnings/Accumulated loss”, if such differences are arising from “Restricted reserves appropriated from profit” and “Premium in excess of par” and has not been subject to profit distribution or capital increase. Other equity items are presented with their values evaluated within the framework of CMB Financial Reporting Standards.

Capital adjustment differences have no use other than being added to 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, minimum profit distribution is not required for listed companies, and accordingly, profit distribution should be made based on the requirements set out in the Board’s Communiqué Serial:II, No: 19.1 “Principles of Dividend Advance Distribution of Companies That Are Subject To The CMB Regulations”, terms of articles of corporations and profit distribution policies publicly disclosed by the companies.

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

d) Retained Earnings

Details of retained earnings are as follows:

	31 December 2022	31 December 2021
Retained earnings	2,596,396	3,093,283
Extraordinary reserves	1,235,471	1,235,471
Inflation restatement differences of shareholders’ equity accounts other than capital and legal reserves	(18,214)	(18,214)
Other reserves	106,651	74,096
	3,920,304	4,384,636

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

As of 31 December 2022, non-controlling interests amounted to TL 1,996,586 thousand (2021: TL 1,327,188 thousand). The profit of minority interests amounting to TL 552,621 thousand, which occurred between 1 January - 31 December 2022, is presented separately from the net profit for the period in the consolidated financial statements (2021: TL 301,913 thousand).

ÜLKER BİSKÜVİ SANAYİ A.Ş. AND ITS SUBSIDIARIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
AS OF 31 DECEMBER 2022

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

23. REVENUE AND COST OF SALES

a) Revenue

The detail of operating income is as follows:

	1 January - 31 December 2022	1 January - 31 December 2021
Domestic sales (*)	30,994,389	13,361,997
Export sales	6,075,450	2,837,277
Sales returns and discounts (-)	(8,872,992)	(3,662,194)
Revenue	28,196,847	12,537,080
Cost of merchandises sold	(19,273,948)	(8,709,568)
Cost of trade goods sold	(514,382)	(215,097)
Cost of sales	(19,788,330)	(8,924,665)
Gross Profit	8,408,517	3,612,415

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

b) Cost of Sales

	1 January - 31 December 2022	1 January - 31 December 2021
Raw materials	(15,584,584)	(6,893,281)
General production expenses	(1,937,201)	(719,633)
Personnel expenses	(1,869,392)	(1,112,545)
Depreciation and amortization expenses	(328,464)	(216,585)
Change in work-in-progress inventories	69,336	27,015
Change in finished goods inventories	376,357	205,461
Cost of goods sold	(19,273,948)	(8,709,568)
Cost of trade goods sold	(514,382)	(215,097)
Cost of sales	(19,788,330)	(8,924,665)

24. RESEARCH, MARKETING AND GENERAL ADMINISTRATIVE EXPENSES

	1 January - 31 December 2022	1 January - 31 December 2021
General Administrative Expenses	(715,407)	(353,681)
Marketing Expenses	(2,486,220)	(1,120,598)
Research and Development Expenses	(88,643)	(39,786)
	(3,290,270)	(1,514,065)

ÜLKER BİSKÜVİ SANAYİ A.Ş. AND ITS SUBSIDIARIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
AS OF 31 DECEMBER 2022

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

25. EXPENSES BY NATURE

The detail of operating expenses is as follows:

	1 January - 31 December 2022	1 January - 31 December 2021
General Administrative Expenses		
Personnel expenses	(292,033)	(168,054)
Operating expenses	(257,003)	(107,575)
Consultancy expenses	(70,435)	(37,719)
Depreciation and amortization expenses	(14,205)	(7,368)
Other	(81,731)	(32,965)
	(715,407)	(353,681)
Marketing Expenses		
Marketing operating expenses	(1,855,797)	(852,572)
Personnel expenses	(444,555)	(194,422)
Rent expenses	(44,925)	(28,232)
Depreciation and amortization expenses	(5,189)	(5,561)
Other	(135,754)	(39,811)
	(2,486,220)	(1,120,598)
Research and Development Expenses		
Personnel expenses	(45,216)	(20,203)
Materials used	(15,440)	(7,686)
Depreciation and amortization expenses	(916)	(495)
Other	(27,071)	(11,402)
	(88,643)	(39,786)

Fees for Services Obtained from Independent Auditor/Independent Audit Firm

The Group's explanation regarding the fees for the services rendered by independent audit firms, which is based on the POA's letter dated 19 August 2021, the preparation principles of which are based on the Board Decision published in the Official Gazette on 30 March 2021, are as follows:

	1 January - 31 December 2022	1 January - 31 December 2021
Independent audit fee for the reporting period	4,162	3,273
Fees for tax advisory services	-	1,822
Fee for other assurance services	20	125
Fees for services other than independent audit	-	28
Total	4,182	5,248

The fees above have been determined by including the independent audit and other related service fees of all subsidiaries, and the foreign currency fees of foreign subsidiaries have been converted into TL using the average exchange rates of the relevant years.

ÜLKER BİSKÜVİ SANAYİ A.Ş. AND ITS SUBSIDIARIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
AS OF 31 DECEMBER 2022

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

26. OTHER INCOME AND EXPENSES FROM OPERATING ACTIVITIES

a) The details of other income from operating activities are as follows:

	1 January - 31 December 2022	1 January - 31 December 2021
Foreign exchange gains	995,528	869,145
Provisions no longer required	1,667	1,399
Other income	121,736	25,443
	1,118,931	895,987

b) The details of other expenses from operating activities are as follows:

	1 January - 31 December 2022	1 January - 31 December 2021
Foreign exchange losses	(242,367)	(437,763)
Provision expenses	(62,682)	(36,607)
Donation expenses	(41,162)	(30,149)
Other expenses	(32,070)	(59,828)
	(378,281)	(564,347)

27. INCOME AND EXPENSES FROM INVESTMENT ACTIVITIES

a) The details of investment income are as follows:

	1 January - 31 December 2022	1 January - 31 December 2021
Foreign exchange gains	3,461,569	5,559,384
Interest Income	374,246	392,815
Income on sales of property, plant and equipment	33,071	8,354
Rent Income	11,062	12,217
Fair value gains of financial assets	1,034	123,330
Dividend income	-	45
	3,880,982	6,096,145

b) The details of investment expenses are as follow:

	1 January - 31 December 2022	1 January - 31 December 2021
Fair value losses of financial assets	(1,522,347)	-
Foreign exchange losses	(83,952)	(129,639)
Loss on sales of property, plant and equipment	(932)	(1,295)
	(1,607,231)	(130,934)

28. FINANCE INCOME

	1 January - 31 December 2022	1 January - 31 December 2021
Foreign exchange gains	187,747	438,592
Other	5,307	6,046
	193,054	444,638

ÜLKER BİSKÜVİ SANAYİ A.Ş. AND ITS SUBSIDIARIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
AS OF 31 DECEMBER 2022

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

29. FINANCE EXPENSES

	1 January - 31 December 2022	1 January - 31 December 2021
Foreign exchange losses from financing	(5,910,025)	(8,047,820)
Interest expenses	(2,244,130)	(802,144)
Other	(89,941)	(60,409)
	(8,244,096)	(8,910,373)

30. TAX ASSETS AND LIABILITIES

The Group recognizes deferred tax assets and liabilities for temporary timing differences arising from the differences between the tax base legal financial statements and the financial statements prepared in accordance with TFRS. These differences are generally due to the fact that some income and expense items are included in different periods in tax base financial statements and financial statements prepared in accordance with TFRS, and these differences are stated below.

The Law No. 7316 on the Collection of Public Claims and Amending Some Laws in Turkey was published in the Official Gazette dated 22 April 2021 and numbered 31462. With this law amendment, 25% tax rate will be taken into account for the period of 1 January-31 December 2021. Although the temporary tax periods are quarterly, since three, six, nine and twelve-month financial statements are taken as basis in the calculation of the income to be declared, taxation will be made by considering the 25% rate over the cumulative corporate tax base of the entire year for 2021. For the year 2022, taxation will be made by considering the rate of 23% over the corporate tax base.

The tax rates used in the calculation of the Group's deferred tax assets and liabilities are 20% in Turkey (2021: 25%), 20% for its subsidiaries in Saudi Arabia and Kazakhstan (2021: 20%), 22.5% for its subsidiaries in Egypt (2021: 22.5%), 10% for its subsidiary located in Kyrgyzstan (2021: 10%), zero for its subsidiary located in the United Arab Emirates (2021: zero)

Timing differences that form the basis for deferred tax:

	31 December 2022	31 December 2021	31 December 2022	31 December 2021
Amortization differences of property, plant and equipment and intangible assets	-	-	1,195,251	216,369
Investment properties valuation differences	-	-	2,153,260	1,381,188
Profit margin on inventories	(48,541)	(24,713)	-	-
Provision for severance pay	(611,798)	(220,998)	-	-
Provision of doubtful receivables	(31,045)	(35,655)	-	-
Prior year's losses	(4,771,583)	(1,073,388)	-	-
Provision for lawsuits	(8,639)	(8,594)	-	-
Inventory impairment	(62,535)	(21,605)	-	-
Derivative instruments	-	-	723,116	1,499
Provision for unused vacation	(56,741)	(26,527)	-	-
Other	(79,940)	(287,802)	157,775	83,709
	(5,670,822)	(1,699,282)	4,229,402	1,682,765

ÜLKER BİSKÜVİ SANAYİ A.Ş. AND ITS SUBSIDIARIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
AS OF 31 DECEMBER 2022

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

30. TAX ASSETS AND LIABILITIES (cont'd)

Deferred tax calculated on timing differences that form the basis of deferred tax is as follows:

	31 December 2022	31 December 2021	31 December 2022	31 December 2021
Amortization differences of property, plant and equipment and intangible assets	-	-	35,143	82,259
Investment properties valuation differences	-	-	104,521	83,504
Profit margin on inventories	(9,708)	(6,178)	-	-
Provision for severance pay	(122,360)	(44,200)	-	-
Provision of doubtful receivables	(6,209)	(8,914)	-	-
Prior year's losses	(954,856)	(215,284)	-	-
Provision for lawsuits	(1,728)	(2,149)	-	-
Inventory impairment	(12,507)	(5,401)	-	-
Derivative instruments	-	-	144,624	334
Provision for unused vacation	(11,348)	(6,632)	-	-
Investment incentive	(39,076)	(19,258)	-	-
Other	(15,987)	(71,950)	31,555	20,927
	(1,173,779)	(379,966)	315,843	187,024

Movement of Deferred Tax Liabilities:

	1 January - 31 December 2022	1 January - 31 December 2021
Opening Balance	(192,942)	127,378
Netted tax from funds reflected in equity	162,725	43,639
Foreign currency translation differences	(29,511)	(5,133)
Deferred tax (income)/expense	(798,208)	(358,826)
Closing balance	(857,936)	(192,942)

In the consolidated financial statements for the period ended 31 December 2022, the Group accounted deferred tax assets of TL 4,771,583 thousand for deductible financial losses. (31 December 2021: TL 1,073,388 thousand).

The maturities of these financial losses are as follows:

	31 December 2022	31 December 2021
2025	295,002	136,141
2026	772,043	937,247
2027	3,704,538	-
	4,771,583	1,073,388

ÜLKER BİSKÜVİ SANAYİ A.Ş. AND ITS SUBSIDIARIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
AS OF 31 DECEMBER 2022

(Amounts expressed in thousands of Turkish Lira (“TL”) unless otherwise stated.)

30. TAX ASSETS AND LIABILITIES (cont’d)

Corporate tax

The Company and its subsidiaries located in Turkey are subject to corporate tax valid in Turkey. Necessary provisions have been made in the accompanying consolidated financial statements for the estimated tax liabilities of the Group regarding the current period operating results.

The corporate tax rate to be accrued on taxable corporate income is calculated over the remaining tax base after adding the non-deductible expenses from the tax base in the determination of the commercial profit and deducting the tax-exempt earnings, non-taxable incomes and other deductions (previous year losses, if any, and investment discounts used if preferred). The tax rate applied on 31 December 2022 is 23% (2021: 25%).

In Turkey, provisional tax is calculated and accrued on a quarterly basis. During the taxation of the corporate earnings for the year of 2022, as of the temporary tax periods, the provisional tax rate to be calculated over the corporate earnings is 23% (2021: 25%).

Losses can be carried forward for a maximum of 5 years, to be deducted from taxable profits in future years. However, the losses incurred cannot be deducted retrospectively from the profits of previous years.

There is no definitive and definitive agreement procedure regarding tax assessment in Turkey. Companies prepare their tax returns between 1-25 April of the year following the closing period of the relevant year (between 1-25 of the fourth month following the closing of the period for those with a special accounting period). These declarations and the accounting records based on them can be reviewed and changed by the Tax Office within 5 years.

The tax legislation in Turkey does not allow to file a consolidated tax return. Therefore, the tax provision in the consolidated financial statements has been calculated separately for each company.

The corporate tax in Egypt, where Hi Food for Advanced Food Industries and Ulker for Trading and Marketing, subsidiaries of the Group is 22.5% (2021: 22.5%). The corporate tax rate in Saudi Arabia, where Food Manufacturers' Company and International Biscuits Company, subsidiaries of the Group, is 20% (2021: 20%). The corporate tax rate in Kazakhstan, where Hamle Company Ltd LLP, a subsidiary of the Group, is 20% (2021: 20%).

The corporate tax rate in Kyrgyzstan, where Ülker Star LLC, a subsidiary of the Group, is 10% (2021: 10%). In United Arab Emirates, where Amir Global Trading FZE, a subsidiary of the Group, is exempt from corporate tax earnings (2021: Exempt).

Income withholding tax

In addition to corporate tax, income tax withholding should be calculated separately on dividends, excluding those distributed to full-fledged corporations and foreign companies' branches in Turkey, which receive dividends in case of distribution and declare these dividends by including them in corporate income. Income tax withholding was applied as 10% in all companies between 24 April 2003 and 22 July 2006. This rate has been applied as 15% as of 22 July 2006, with the Council of Ministers Decision No. 2006/10731. Dividends that are not distributed and added to the capital are not subject to income tax withholding.

ÜLKER BİSKÜVİ SANAYİ A.Ş. AND ITS SUBSIDIARIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
AS OF 31 DECEMBER 2022

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

30. TAX ASSETS AND LIABILITIES (cont'd)

As of 31 December 2022 and 31 December 2021, the tax provisions are as follows:

	31 December 2022	31 December 2021
Total tax provision	(680,294)	(450,711)
Prepaid taxes and legal obligations	418,341	149,176
Taxation in the balance sheet	(261,953)	(301,535)
	1 January - 31 December 2022	1 January - 31 December 2021
Current year corporate tax expense	680,294	450,711
Deferred tax income	(798,208)	(358,826)
Tax expense in the income statement	(117,914)	91,885
	1 January - 31 December 2022	1 January - 31 December 2021
Reconciliation of taxation:		
Profit before taxation and non-controlling interest	81,606	(70,534)
Effective tax rate	23%	25%
Calculated tax	18,769	(17,634)
Reconciliation of the tax provision calculated with the reserved:		
-Non-deductible expenses	214,220	195,627
-Other non-taxable income	(47,547)	(10,580)
-Investment incentive	(39,076)	(16,825)
-Revaluation of assets for tax purposes	(282,751)	(80,923)
-Tax rate difference	63,792	18,057
-Other	(45,321)	4,163
Taxation in the income statement	(117,914)	91,885

31. EARNINGS PER SHARE

The weighted average of company shares and profit per unit share calculations for the periods of 31 December 2022 and 2021 are as follows:

	1 January - 31 December 2022	1 January - 31 December 2021
Weighted average number of common stock outstanding	34,200,000	34,200,000
Net (loss)/profit for the period attributable to equity holders of the parent	(353,101)	(464,332)
Earnings per Share (TL 1 worth of shares)	(1.03)	(1.36)

32. RELATED PARTY DISCLOSURES

The detail of receivables from related parties is as follows:

	31 December 2022	31 December 2021
Trade receivables	4,100,552	2,522,152
Non-trade receivables	1,194,805	545,670
	5,295,357	3,067,822

ÜLKER BİSKÜVİ SANAYİ A.Ş. AND ITS SUBSIDIARIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
AS OF 31 DECEMBER 2022

(Amounts expressed in thousands of Turkish Lira (“TL”) unless otherwise stated.)

32. RELATED PARTY DISCLOSURES (cont’d)

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

	31 December 2022		31 December 2021	
	Trade	Non-Trade	Trade	Non-Trade
Principle Shareholder				
Yıldız Holding A.Ş.	-	1,194,805	-	545,670
Other Companies Controlled by the Principle Shareholder				
Horizon Hızlı Tük. Ür. Paz. Sat. ve Tic. A.Ş.	1,685,710	-	1,186,689	-
Pasifik Tüketim Ürünleri Satış ve Tic. A.Ş.	1,564,375	-	894,081	-
Yeni Teközel Markalı Ürünler Dağıtım Hizmetleri A.Ş.	333,828	-	199,933	-
G2MEKSPER Satış ve Dağıtım Hizmetleri A.Ş.	310,826	-	132,837	-
Other	205,813	-	108,612	-
	4,100,552	1,194,805	2,522,152	545,670

The Groups trade receivables from related parties mainly arise from Horizon Hızlı Tük. Ür. Paz. Sat. ve Tic. A.Ş. and Pasifik Tüketim Ürünleri Satış ve Tic. A.Ş. those make the sale and distribution of products throughout Turkey.

The details of payables to related parties are as follows:

	31 December 2022	31 December 2021
Trade payables	1,079,457	475,461
	1,079,457	475,461

The details of trade and non-trade payables are as follows:

	31 December 2022	31 December 2021
	Trade	Trade
Principle Shareholder		
Yıldız Holding A.Ş.	505,932	202,863
Other Companies Controlled by the Principle Shareholder		
Kerevitaş Gıda San. ve Tic. A.Ş.	274,079	59,609
United Biscuits (UK) Ltd.	113,435	85,303
Marsa Yağ San. ve Tic. A.Ş.	50,912	5,995
Adapazarı Şeker Fabrikası A.Ş.	97,063	19,655
Other	38,036	102,036
	1,079,457	475,461

ÜLKER BİSKÜVİ SANAYİ A.Ş. AND ITS SUBSIDIARIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
AS OF 31 DECEMBER 2022

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

32. RELATED PARTY DISCLOSURES (cont'd)

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

	1 January - 31 December 2022		1 January - 31 December 2021	
	Purchases	Sales	Purchases	Sales
<i>Other Companies Controlled by the Principle Shareholder</i>				
Kerevitaş Gıda San. ve Tic. A.Ş.	1,914,288	2,383	623,999	817
Adapazarı Şeker Fabrikası A.Ş.	881,945	8,693	282,884	-
Marsa Yağ San. ve Tic. A.Ş.	416,013	915	117,346	533
United Biscuits (UK) Ltd.	287,688	28,570	127,954	8,707
Most Bilgi Sistemleri Tic. A.Ş.	46,512	-	16,292	-
G2MEKSPER Satış ve Dağıtım Hizmetleri A.Ş.	8,697	711,474	1,590	316,695
PNS Pendik Nişasta San. A.Ş.	-	-	21,755	-
Horizon Hızlı Tük. Ür. Paz. Sat. ve Tic. A.Ş.	-	8,313,151	-	3,846,213
Pasifik Tüketim Ürünleri Satış ve Tic. A.Ş.	-	6,593,658	-	2,490,336
Yeni Teközel Markalı Ürünler Dağıtım Hizmetleri A.Ş.	-	1,088,742	-	397,114
Other	83,625	383,472	19,040	172,978
	3,638,768	17,131,058	1,210,860	7,233,393

The Group mainly acquires raw materials from Kerevitaş Gıda San. ve Tic. A.Ş, which produces vegetable oil and margarine, and acquires from PNS Pendik Nişasta San. A.Ş which produces other various raw materials. A major part of the Group's sales is made to Horizon Hızlı Tük. Ür. Paz. Sat. ve Tic. A.Ş. and Pasifik Tüketim Ürünleri Satış ve Tic. A.Ş. companies that carry out sales and distribution throughout Turkey.

The details of interest, rent and similar balances paid to and received from related parties are as follows:

For the year ended 31 December 2022:

	Rent Income/(Expense) Net	Service Income/(Expense) Net	Interest and Foreign Exchange Income/(Expense) Net
<i>Principle Shareholder</i>			
Yıldız Holding A.Ş.	(719)	(656,903)	274,300
<i>Other Companies Controlled by the Principle Shareholder</i>			
pladis Foods Limited	-	(315,164)	(2,126)
Pasifik Tüketim Ürünleri Satış ve Tic. A.Ş.	83	(69,871)	8,441
United Biscuits (UK) Ltd.	-	(48,980)	(2,859)
Horizon Hızlı Tük. Ür. Paz. Sat. ve Tic. A.Ş.	-	(48,571)	104,137
Most Bilgi Sistemleri Tic. A.Ş.	(4,183)	(31,384)	(59)
Other	1,841	(60,367)	(3,915)
	(2,978)	(1,231,240)	377,919

ÜLKER BİSKÜVİ SANAYİ A.Ş. AND ITS SUBSIDIARIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
AS OF 31 DECEMBER 2022

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

32. RELATED PARTY DISCLOSURES (cont'd)

For the year ended 31 December 2021:

	Rent	Service	Interest and
	Income/(Expense)	Income/(Expense)	Foreign
	Net	Net	Exchange
			Income/(Expense)
			Net
Principle Shareholder			
Yıldız Holding A.Ş.	(405)	(298,977)	516,893
Other Companies Controlled by the Principle Shareholder			
pladis Foods Limited	-	(132,031)	3,169
United Biscuits (UK) Ltd.	5	(30,377)	(1,524)
Horizon Hızlı Tük. Ür. Paz. Sat. ve Tic. A.Ş.	-	(29,797)	111,971
Pasifik Tüketim Ürünleri Satış ve Tic. A.Ş.	70	(27,596)	53,420
Most Bilgi Sistemleri Tic. A.Ş.	(3,769)	(6,189)	-
Other	1,704	(32,416)	(7,333)
	(2,395)	(557,383)	676,596

Benefits provided to members of BOD and key management personnel:

	31 December 2022	31 December 2021
Salaries and other short-term benefits	114,141	61,432
	114,141	61,432

33. NATURE AND LEVEL OF RISKS ARISING FROM FINANCIAL INSTRUMENTS

Additional Information on Financial Instruments

Capital risk management

While trying to ensure the continuity of its activities in capital management, the Group also aims to increase its profitability by using the debt and equity balance in the most efficient way.

The Group's capital structure includes borrowings disclosed in footnote 6 and payables to related parties including non-trade receivables and payables disclosed in footnote 32, cash and cash equivalents disclosed in footnote 4, short-term financial investments disclosed in footnote 5 and derivative instruments disclosed in footnote 9 and equity items shown in the consolidated statement of financial position.

The risks associated with each capital class, together with the Group's cost of capital, are evaluated by senior management. Based on senior management assessments, it is aimed to keep the capital structure in balance through the acquisition of new debt or repayment of existing debt, as well as through dividend payments.

The Group monitors its capital using the debt/total capital ratio. This ratio is found by dividing net debt by total capital. Net debt is calculated by deducting cash and cash equivalents, non-trade receivables from related parties and derivative financial assets from total liabilities (including financial liabilities and liabilities, non-trade payables to related parties and derivative financial liabilities as presented in the balance sheet). Total capital is calculated as equity plus net debt as shown in the balance sheet.

ÜLKER BİSKÜVİ SANAYİ A.Ş. AND ITS SUBSIDIARIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
AS OF 31 DECEMBER 2022

(Amounts expressed in thousands of Turkish Lira (“TL”) unless otherwise stated.)

33. NATURE AND LEVEL OF RISKS ARISING FROM FINANCIAL INSTRUMENTS (cont’d)

Additional Information on Financial Instruments (cont’d)

Capital risk management (cont’d)

As of 31 December 2022 and 2021, the net liability/total capital ratio is as follows:

	<u>31 December 2022</u>	<u>31 December 2021</u>
Total financial liabilities and non-trade related parties		
payables / (receivables) (net)	22,555,813	17,631,155
Less: Cash and cash equivalents	(9,462,287)	(9,397,098)
Less: Financial derivatives instruments	(723,118)	(1,499)
Net debt	12,370,408	8,232,558
Total shareholders’ equity	7,682,492	4,313,902
Total capital	20,052,900	12,546,460
Net debt/Total Capital Ratio	62%	66%

Financial Risk Factors

The Group's activities expose it to market risk (currency risk, fair value interest rate risk, cash flow interest rate risk and price risk), credit risk and liquidity risk. The Group's risk management program generally focuses on minimizing the potential adverse effects of uncertainty in financial markets on the Group's financial performance.

Risk management is carried out by a central finance department in line with policies approved by the Board of Directors. With regard to risk policies, financial risk is defined and evaluated by the Group's finance department and tools are used to reduce risk by working with the Group's operating units. A written general legislation regarding risk management and written procedures covering various risk types such as exchange rate risk, interest risk, credit risk, use of derivative products and other non-derivative financial instruments and how to evaluate excess liquidity are established by the Board of Directors.

ÜLKER BİSKÜVİ SANAYİ A.Ş. AND ITS SUBSIDIARIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
AS OF 31 DECEMBER 2022

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

33. NATURE AND LEVEL OF RISKS ARISING FROM FINANCIAL INSTRUMENTS (cont'd)

Credit Risk Management

Credit Risk of Financial Instruments	Receivables				Deposit in Bank	Derivative Instruments
	Trade Receivables		Other Receivables			
31.12.2022	Related Party	Third Party	Related Party	Third Party		
Maximum net credit risk as of balance sheet date (*)	4,100,552	3,287,788	1,194,805	362,795	9,250,246	745,842
- The part of maximum risk under guarantee with collateral etc. (**)	-	-	-	-	-	-
A. Net book value of financial assets that are neither past due nor impaired	4,066,510	3,287,788	1,194,805	362,795	9,250,246	745,842
B. Net book value of financial assets that are renegotiated, if not that will be accepted as past due or impaired	-	-	-	-	-	-
C. Net book value of financial assets that are past due but not impaired	34,042	-	-	-	-	-
- The part under guarantee with collateral etc.	-	-	-	-	-	-
D. Net book value of impaired assets	-	-	-	-	-	-
- Past due (gross carrying amount)	-	32,925	-	19,021	-	-
- Impairment (-)	-	(32,925)	-	(19,021)	-	-
- The part of net value under guarantee with collateral etc.	-	-	-	-	-	-
- Not past due (gross carrying amount)	-	-	-	-	17,465	-
- Impairment (-)	-	-	-	-	(17,465)	-
- 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.

ÜLKER BİSKÜVİ SANAYİ A.Ş. AND ITS SUBSIDIARIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
AS OF 31 DECEMBER 2022

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

33. NATURE AND LEVEL OF RISKS ARISING FROM FINANCIAL INSTRUMENTS (cont'd)

Credit Risk Management (cont'd)

Credit Risk of Financial Instruments	Receivables				Deposit in Bank	Derivative Instruments
	Trade Receivables		Other Receivables			
31.12.2021	Related Party	Third Party	Related Party	Third Party		
Maximum net credit risk as of balance sheet date (*)	2,522,152	2,165,759	545,670	68,732	3,003,076	1,499
- The part of maximum risk under guarantee with collateral etc. (**)	-	-	-	-	-	-
A. Net book value of financial assets that are neither past due nor impaired	2,432,169	2,165,759	545,670	68,732	3,003,076	1,499
B. Net book value of financial assets that are renegotiated, if not that will be accepted as past due or impaired	-	-	-	-	-	-
C. Net book value of financial assets that are past due but not impaired	89,983	-	-	-	-	-
- The part under guarantee with collateral etc.	-	-	-	-	-	-
D. Net book value of impaired assets	-	-	-	-	-	-
- Past due (gross carrying amount)	-	19,855	-	14,458	-	-
- Impairment (-)	-	(19,855)	-	(14,458)	-	-
- The part of net value under guarantee with collateral etc.	-	-	-	-	-	-
- Not past due (gross carrying amount)	-	-	-	-	15,493	-
- Impairment (-)	-	-	-	-	(15,493)	-
- 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.

ÜLKER BİSKÜVİ SANAYİ A.Ş. AND ITS SUBSIDIARIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
AS OF 31 DECEMBER 2022

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

33. NATURE AND LEVEL OF RISKS ARISING FROM FINANCIAL INSTRUMENTS (cont'd)

Credit Risk Management (cont'd)

Aging of overdue receivables as of 31 December 2022 and 31 December 2021 are as follows:

	Receivables		
	Trade Receivables	Other Receivables	Total Receivables
31 December 2022			
Overdue between 1-30 days	25,458	-	25,458
Overdue between 1-3 months	8,191	-	8,191
Overdue between 3-12 months	244	-	244
Overdue between 1-5 years	149	-	149
Overdue more than 5 years	-	-	0
Total overdue receivables	34,042	-	34,042
<i>The portion of under guarantee with collateral etc.</i>	-	-	-
	Receivables		
	Trade Receivables	Other Receivables	Total Receivables
31 December 2021			
Overdue between 1-30 days	54,542	-	54,542
Overdue between 1-3 months	33,771	-	33,771
Overdue between 3-12 months	1,670	-	1,670
Overdue between 1-5 years	-	-	-
Overdue more than 5 years	-	-	-
Total overdue receivables	89,983	-	89,983
<i>The portion of under guarantee with collateral etc.</i>	-	-	-

Liquidity risk management

Prudent liquidity risk management means keeping sufficient cash, availability of sufficient credit transactions and fund resources, and the power to close market positions. The funding risk of current and prospective debt requirements is managed by maintaining the availability of sufficient number of high-quality lenders.

Liquidity risk charts

The table below shows the cash outflows that the Group will pay for its on-balance sheet financial liabilities as of 31 December 2022, 31 December 2021 and 1 January 2021, according to their remaining maturities.

	Carrying value	Total cash outflow according to contract (I +II+ III)	Less than 3 months (I)	3-12 months (II)	1-5 years (III)
31.12.2022					
Non-derivative financial liabilities					
Bank borrowing	10,970,837	11,119,155	57,746	9,678,272	1,383,137
Letter of credit borrowings	925,081	961,905	181,894	741,653	38,358
Issued debt Instruments	11,844,148	14,168,253	-	814,806	13,353,447
Financial lease liabilities	10,552	13,135	539	8,762	3,834
Trade payables	4,161,267	4,161,267	4,149,171	12,096	-
Other payables	3,025	3,025	3,025	-	-
Total liabilities	27,914,910	30,426,740	4,392,375	11,255,589	14,778,776
Derivative instruments (Net)	723,118	140,709	(25,588)	166,296	-
Cash inflow regarding derivative instruments	746,663	5,375,964	559,130	4,816,833	-
Cash outflow regarding derivative instruments	(23,545)	(5,235,255)	(584,718)	(4,650,537)	-

ÜLKER BİSKÜVİ SANAYİ A.Ş. AND ITS SUBSIDIARIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
AS OF 31 DECEMBER 2022

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

33. NATURE AND LEVEL OF RISKS ARISING FROM FINANCIAL INSTRUMENTS (cont'd)

Liquidity risk management (cont'd)

Liquidity risk charts (cont'd)

31.12.2021	Carrying value	Total cash outflow according to contract (I +II+ III)	Less than 3 months (I)	3-12 Months (II)	1-5 years (III)
Non-derivative financial liabilities					
Bank borrowing	8,648,478	8,831,098	47,502	1,414,862	7,368,734
Letter of credit borrowings	759,909	776,889	251,883	475,618	49,388
Issued debt Instruments	8,737,087	10,780,410	-	586,259	10,194,151
Financial lease liabilities	31,351	36,614	7,321	21,962	7,331
Trade payables	2,270,421	2,270,421	2,258,325	12,096	-
Other payables	12,672	12,679	12,679	-	-
Total liabilities	20,459,918	22,708,111	2,577,710	2,510,797	17,619,604
Derivative instruments (Net)	1,499	2,820	1,152	-	1,668
Cash inflow regarding derivative instruments	1,935	102,652	79,205	-	23,447
Cash outflow regarding derivative instruments	(436)	(99,832)	(78,053)	-	(21,779)

The expected maturities are same as the maturities per contracts.

Market Risk Management

Due to its activities, the Group is exposed to financial risks related to changes in foreign exchange rates and interest rates.

Market risks encountered at the group level are measured on the basis of sensitivity analysis.

In the current year, there has been no change in the market risk the Group is exposed to or the method of handling the risks encountered or the method used to measure these risks compared to the previous year.

Foreign currency risk management

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

The Group is exposed to exchange rate risk due to changes in the exchange rates used in the conversion of foreign currency assets and liabilities into Turkish Lira. Currency risk arises due to future commercial transactions and the difference between recorded assets and liabilities. In this framework, the Group controls this risk with a natural method that occurs by netting foreign currency assets and liabilities. The management analyzes and monitors the Group's foreign currency position and ensures that measures are taken when necessary.

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

ÜLKER BİSKÜVİ SANAYİ A.Ş. AND ITS SUBSIDIARIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
AS OF 31 DECEMBER 2022

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

33. NATURE AND LEVEL OF RISKS ARISING FROM FINANCIAL INSTRUMENTS (cont'd)

Foreign currency risk management (cont'd)

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

	31 December 2022				
	TL				
	Equivalent	USD	EUR	GBP	CHF
1. Trade Receivables	2,637,172	117,053	21,025	1,305	-
2a. Monetary Financial Assets	8,792,141	465,415	4,177	256	32
2b. Non-Monetary Financial Assets	-	-	-	-	-
3. Other	495,847	7,389	17,837	20	82
4. CURRENT ASSETS	11,925,160	589,857	43,039	1,581	114
5. Trade Receivables	-	-	-	-	-
6a. Monetary Financial Assets	-	-	-	-	-
6b. Non-Monetary Financial Assets	-	-	-	-	-
7. Other	-	-	-	-	-
8. NON-CURRENT ASSETS	-	-	-	-	-
9. TOTAL ASSETS	11,925,160	589,857	43,039	1,581	114
10. Trade Payables	854,107	23,474	18,592	1,876	117
11. Financial Liabilities	11,195,832	154,189	416,995	-	-
12a. Other Monetary Financial Liabilities	3,408	49	125	-	-
12b. Other Non-monetary Financial Liabilities	21,028	920	175	15	-
13. CURRENT LIABILITIES	12,074,375	178,632	435,887	1,891	117
14. Trade Payables	-	-	-	-	-
15. Financial Liabilities	12,047,255	589,968	50,959	-	-
16a. Other Monetary Financial Liabilities	-	-	-	-	-
16b. Other Non-monetary Financial Liabilities	-	-	-	-	-
17. NON-CURRENT LIABILITIES	12,047,255	589,968	50,959	-	-
18. TOTAL LIABILITIES	24,121,630	768,600	486,846	1,891	117
19. Net Assets of Off Statement of Financial Position (19a-19b)	5,542,855	6,000	272,420	-	-
19a. Net Assets of Off Statement of Financial Position	5,542,855	6,000	272,420	-	-
19b. Net Liabilities of Off Statement of Financial Position	-	-	-	-	-
20. Net Foreign Currency Asset / (Liability) Position (9-18+19)	(6,653,615)	(172,743)	(171,387)	(310)	(3)
21. Monetary Items Net Foreign Currency Asset / (Liability) Position (1+2a+5+6a-10-11-12a-14-15-16a)	(12,671,289)	(185,212)	(461,469)	(315)	(85)
22. Total Fair Value of Financial Instruments Used to Hedge the Foreign Currency Position	710,318	(590)	36,185	-	-

ÜLKER BİSKÜVİ SANAYİ A.Ş. AND ITS SUBSIDIARIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
AS OF 31 DECEMBER 2022

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

33. NATURE AND LEVEL OF RISKS ARISING FROM FINANCIAL INSTRUMENTS (cont'd)

Foreign currency risk management (cont'd)

	31 December 2021				
	TL Equivalent	USD	EUR	GBP	CHF
1. Trade Receivables	1,457,685	95,147	11,512	879	-
2a. Monetary Financial Assets	9,502,941	707,152	2,916	1,801	66
2b. Non-Monetary Financial Assets	-	-	-	-	-
3. Other	221,518	732	13,923	6	110
4. CURRENT ASSETS	11,182,144	803,031	28,351	2,686	176
5. Trade Receivables	-	-	-	-	-
6a. Monetary Financial Assets	-	-	-	-	-
6b. Non-Monetary Financial Assets	-	-	-	-	-
7. Other	-	-	-	-	-
8. NON-CURRENT ASSETS	-	-	-	-	-
9. TOTAL ASSETS	11,182,144	803,031	28,351	2,686	176
10. Trade Payables	561,364	11,701	21,082	3,970	1,100
11. Financial Liabilities	2,680,036	47,117	136,014	-	-
12a. Other Monetary Financial Liabilities	1,436	50	51	-	-
12b. Other Non-monetary Financial Liabilities	23,007	1,691	31	-	-
13. CURRENT LIABILITIES	3,265,843	60,559	157,178	3,970	1,100
14. Trade Payables	-	-	-	-	-
15. Financial Liabilities	14,978,806	718,408	358,140	-	-
16a. Other Monetary Financial Liabilities	-	-	-	-	-
16b. Other Non-monetary Financial Liabilities	-	-	-	-	-
17. NON-CURRENT LIABILITIES	14,978,806	718,408	358,140	-	-
18. TOTAL LIABILITIES	18,244,649	778,967	515,318	3,970	1,100
19. Net Assets of Off Statement of Financial Position (19a-19b)	79,205	-	5,250	-	-
19a. Net Assets of Off Statement of Financial Position	79,205	-	5,250	-	-
19b. Net Liabilities of Off Statement of Financial Position	-	-	-	-	-
20. Net Foreign Currency Asset / (Liability) Position (9-18+19)	(6,983,300)	24,064	(481,717)	(1,284)	(924)
21. Monetary Items Net Foreign Currency Asset / (Liability) Position (1+2a+5+6a-10-11-12a-14- 15-16a)	(7,261,016)	25,023	(500,859)	(1,290)	(1,034)
22. Total Fair Value of Financial Instruments Used to Hedge the Foreign Currency Position	1,499	-	99	-	-

ÜLKER BİSKÜVİ SANAYİ A.Ş. AND ITS SUBSIDIARIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
AS OF 31 DECEMBER 2022

(Amounts expressed in thousands of Turkish Lira (“TL”) unless otherwise stated.)

33. NATURE AND LEVEL OF RISKS ARISING FROM FINANCIAL INSTRUMENTS (cont’d)

Foreign currency risk management (cont’d)

The export and import amounts realized by the Group as of 31 December 2022 and 2021 are as follows:

	1 January- 31 December 2022	1 January – 31 December 2021
Total exports	6,075,450	2,837,277
Total imports	4,216,805	3,589,007

Sensitivity to currency risk

The Group is exposed to currency risk mainly in USD and EUR. The table below shows the Group's sensitivity to 10% change in USD and EUR. The 10% rate used constitutes a logical bar for the company as it is limited to the 10% capital commitment limit. Sensitivity analyzes regarding the exchange rate risk that the Company is exposed to at the reporting date are determined according to the change at the beginning of the financial year and are kept constant throughout the reporting period. Negative amount represents the decrease effect of 10% increase in value of USD and EUR against TL on profit before tax.

	31 December 2022		31 December 2021	
	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	(346,315)	346,315	33,353	(33,353)
2- Part of hedged from US risk (-)	11,219	(11,219)	-	-
3- US Dollar net effect (1 +2)	(335,096)	335,096	33,353	(33,353)
In case of %10 appreciation of EUR against TL				
4 - Euro net asset / liability	(919,934)	919,934	(755,631)	755,631
5 - Part of hedged from Euro risk (-)	543,067	(543,067)	-	-
6- Euro net effect (4+5)	(376,867)	376,867	(755,631)	755,631
Total (3 + 6)	(711,963)	711,963	(722,278)	722,278

Interest risk management

The Group's borrowing at fixed and floating interest rates exposes the Group to interest rate risk. This risk is managed by the Group by making an appropriate distribution between fixed and floating rate debts through interest rate swap agreements. Hedging strategies are evaluated regularly to ensure that they are consistent with the interest rate expectation and defined risk. Thus, it is aimed to establish an optimal hedging strategy, to review the position of the balance sheet and to keep interest expenditures under control at different interest rates.

ÜLKER BİSKÜVİ SANAYİ A.Ş. AND ITS SUBSIDIARIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
AS OF 31 DECEMBER 2022

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

33. NATURE AND LEVEL OF RISKS ARISING FROM FINANCIAL INSTRUMENTS (cont'd)

Interest rate sensitivity

The sensitivity analyzes below are determined according to the interest rate risk exposed at the reporting date and the anticipated interest rate change at the beginning of the financial year and are kept constant throughout the reporting period. The Group management expects a 1% fluctuation in the Euribor/Libor interest rate, which is the interest on floating rate bank debt. The said amount is also used in the reporting made to the senior management within the Group.

If there is a 1% increase in the Euribor/libor interest rate and all other variables are kept constant, the Group's net profit for the accounting period will decrease by TL 19,755 thousand, and if there is a 1% decrease in the Euribor/libor interest rate and all other variables are kept constant, the Group's net profit for the accounting period will increase by TL 20,005 thousand (net profit for the period 31 December 2021 will decrease/increase by TL 2,677 thousand).

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

Fixed interest rate financial instruments		31 December 2022	31 December 2021
Financial Assets	Cash and Cash Equivalents	7,968,329	1,434,427
	Non-trade receivables from related parties	1,194,805	545,670
	Other Receivables	362,795	68,732
Financial Liabilities	Borrowings	12,769,229	11,460,710
	Financial lease liabilities	10,552	31,351
	Other Payables	3,025	12,672
Floating interest rate financial instruments			
Financial Liabilities	Borrowings	10,970,837	6,684,764

Other price risk

The Group's operations are primarily exposed to financial risks related to changes in foreign exchange rates and interest rates. Price risk is closely monitored by the Group through the review of market information and appropriate valuation methods. There has been no change in the market risk that the Group is exposed to in the current year, or in the management and measurement methods of the risks it is exposed to, compared to the previous year.

ÜLKER BİSKÜVİ SANAYİ A.Ş. AND ITS SUBSIDIARIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
AS OF 31 DECEMBER 2022

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

34. FINANCIAL INSTRUMENTS

Classes and fair values of financial instruments

The fair value of financial assets and liabilities is determined as follows:

- First level: Financial assets and liabilities are valued at stock prices traded in active markets for identical assets and liabilities.
- Second level: Financial assets and liabilities are valued from the inputs used to find the directly or indirectly observable market price of the related asset or liability other than the market price specified at the first level.
- Third level: Financial assets and liabilities are valued from inputs that are not based on market observable data used to determine the fair value of the asset or liability.

The level classifications of financial assets and liabilities shown at their fair values are as follows:

	31 December 2022	Fair value hierarchy as of reporting date		
		Level 1 TL	Level 2 TL	Level 3 TL
Financial assets				
Financial assets at fair value through profit/loss				
- Held for trading	210,497	2,877	207,453	167
Financial assets at fair value through comprehensive income statement				
- Shares	2,687,204	-	-	2,687,204
- Derivative instruments	745,842	-	745,842	-
Total	3,643,543	2,877	953,295	2,687,371
Financial liabilities				
Financial liabilities at fair value through profit/loss				
Derivative instruments	(22,724)	-	(22,724)	-
Total	(22,724)	-	(22,724)	-

	31 December 2021	Fair value hierarchy as of reporting date		
		Level 1 TL	Level 2 TL	Level 3 TL
Financial assets				
Financial assets at fair value through profit/loss				
- Held for trading	6,415,069	1,843	6,392,264	20,962
Financial assets at fair value through comprehensive income statement				
- Shares	1,878,278	-	-	1,878,278
- Derivative instruments	1,499	-	1,499	-
Total	8,294,846	1,843	6,393,763	1,899,240

It is assumed that the book values of trade payables, other payables and loan payables reflect their fair values.

The carrying value of the fixed-rate Eurobonds (Note 6) issued by the Company to be traded on Dublin Euronext, with a nominal value of USD 650,000,000, is TL 1,831,121 thousand below their fair value based on the quoted prices in active markets (Level 1).

ÜLKER BİSKÜVİ SANAYİ A.Ş. AND ITS SUBSIDIARIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
AS OF 31 DECEMBER 2022

(Amounts expressed in thousands of Turkish Lira (“TL”) unless otherwise stated.)

35. EVENTS AFTER THE REPORTING PERIOD

Due to the negative consequences of the earthquakes in Kahramanmaraş, which affected many provinces, a state of emergency was declared for 10 provinces in the region. The developments regarding the natural disaster are being closely monitored and evaluations are ongoing to determine the situation.

The Law No. 7438 Social Insurance and General Health Insurance and the Law No. 375 Amending the Decree Law came into force after being published in the 32121 numbered Official Gazette as of March 3, 2023. Reviews to measure the effects of these regulations on the Company's operations, cash flows and financial position in 2023 continue as of the date of this report.

Our Company has signed a syndicated loan agreement with 5 international banks under the leadership of Bank of America, Coöperatieve Rabobank U.A., Emirates NBD Capital Limited and with the participation of JPMorgan Chase Bank, N.A. and Sharjah Islamic Bank PJSC amounting to USD 195.000.000. Capital will be used to repay the current syndication loan of USD 375 million (due date April 2023) to strengthen our financial stability and strengthen short, medium term strategies of the company. The loan is composed of two syndication tranches, which are USD 35.000.000 and EUR 150.000.000. 20% of the new loan is supplied via murabaha financing and it is the first Sustainability linked loan of Ülker Bisküvi with a maturity of three years.



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