

**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)**

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CONSOLIDATED FINANCIAL STATEMENTS
FOR THE PERIOD 1 JANUARY – 31 DECEMBER 2022**

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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/İstanbul.

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.

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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.

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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.

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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.

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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.

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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.

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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.

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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.

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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.

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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.

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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.

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(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.

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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.

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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.

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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.

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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.

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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).

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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

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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.

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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)

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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.

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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)

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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.

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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>

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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

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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

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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)

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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.

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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.

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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.

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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.

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13. INTANGIBLE ASSETS (cont’d)

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

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

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	31 December 2022	31 December 2021
Provision for marketing expense	209,095	152,773
Provisions for lawsuits	8,639	9,342
Other	133,435	125,334
	351,169	287,449

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

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

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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).

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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:

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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

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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)

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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.

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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).

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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)

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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.

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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

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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

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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

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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.

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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

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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

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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

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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.

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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.

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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.

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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.

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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)	-

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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.

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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	USD	EUR	GBP	CHF
	Equivalent				
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	-	-

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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	-	-

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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.

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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.

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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).

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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.