



ÜLKER BİSKÜVİ SANAYİ A.Ş
CORPORATE GOVERNANCE COMPLIANCE REPORT
JANUARY 1 – DECEMBER 31, 2017

CORPORATE GOVERNANCE PRINCIPLES COMPLIANCE REPORT

PART I- CORPORATE GOVERNANCE PRINCIPLES: COMPLIANCE STATEMENT

The Company has provided in detail below the assessment and findings on the level of compliance with the Corporate Governance Principles and our comments on the potential improvement areas related to compliance in scope and quality. Pursuant to Capital Markets Board Communiqué and Article 17 of the Capital Market Law No: 6362, dated December 6, 2012, and II-17.1 Corporate Governance Communiqué released on 1.3.2014 issuance of a "Corporate Governance Compliance Report" and compliance with specified Corporate Governance Principles have become mandatory for companies traded on Borsa Istanbul (BIST). Accordingly, the Company has resolved that the requirements imposed by the CMB be strictly followed, and the Company has also completed all the work necessary for compliance with the other principles specified in the Communiqué. The established committees of the Board of Directors actively carry out their tasks. Committee working principles were announced on the website. Committee chairmen were determined amongst the independent members of the Board of Directors while independent member candidates are in majority in the committees. Three weeks in prior to the General Assembly, information document, meeting agenda, annual report, résumés of the member candidates for the Board of Directors and other information to be announced were submitted to the information of the investors and shareholders. Related party transactions were submitted to the information of the Board of Directors, and by getting the approval of the independent members of the Board of Directors a decision was taken to continue the transactions. Company website and the annual report were reviewed and action was taken to make necessary updates. A report for the "extensive and continuous transactions in 2017" was prepared and published on the Public Disclosure Platform upon the decision of the Board of Directors. Independency of the independent members of the Board of Directors was examined, and new candidates were presented by the Nomination Committee to the Board of Directors. Within the scope of the sustainability activities, first comprehensive sustainability report was released in 2016 and the second sustainability report was released in 2017.

Reasons for the Corporate Governance Principles that are not implemented:

No model or mechanism was created for the Stakeholders to participate in the management. However, the independent members of the Board of Directors make sure that the Company and shareholders as well as all stakeholders are represented in the management. The Company takes the advices and opinions of the employees, suppliers, various non-governmental organizations and all other stakeholders into consideration.

For our employees, we have an existing written compensation policy that must be formulated as per the Article 3.1.2 of the "Corporate Governance Principles" and we are still working on the issue.

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

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

There are no female members in the Board of Directors.

There are no provisions in the Articles of Association, giving the shareholders any personal right to request "private audit" from the general assembly. The regulations of the Turkish Code of Commerce and the Capital Markets Board are deemed sufficient to appoint a private auditor. Every shareholder's right to request private audit is "recognized" within the framework of the regulations of the Turkish Code of Commerce n.6102 that entered into force on 01.07.2012.

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

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

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

PART II – SHAREHOLDERS

2.1 INVESTOR RELATIONS UNIT

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

Serkan Aslıyüce- Finance Director
Tel: +90 216 524 25 56
serkan.asliyuce@ulker.com.tr

Verda Beste Taşar-Director of Investment Relations
Tel: +90 216 524 25 56
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The Unit processes any and all written or online inquiries submitted by our shareholders and attends all local and international investor conferences.

Relations with shareholders are coordinated by the Financial Affairs Department. The Financial Affairs Department manages the public disclosures as required to the BIST, the Capital Markets Board, and the Central Registry Agency and other communications with these agencies. In addition to organizing the ordinary and extraordinary general assembly meetings, the Investor Relations Unit may organize other ad-hoc meetings held at the request of shareholders.

2.2 SHAREHOLDERS' RIGHT TO INFORMATION

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

The principles regarding the process run by Ülker Bisküvi to provide information to our shareholders in conformity with legal regulations, and the detailed information about the manner, frequency and methods of providing information to the shareholders, is available in "Ülker Bisküvi Information Policy". Current Information Policy text is available for shareholders on our Investor Relations website. In accordance with Article 1524 of the Turkish Commercial Code No: 6102, dated January 13, 2011, the Company has also shared all necessary information and announcements with shareholders on its corporate website, www.ulkerbiskuvi.com.tr and <http://ulkerbiskuviyatirimciiliskileri.com/default.aspx>

Auditing principles and procedures are described in Article 20 of the Company's Articles of Association. In 2017, shareholders did not call for any private audits.

2.3. GENERAL ASSEMBLY MEETINGS

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

Shareholders General Assembly convened two times and held an Ordinary General Assembly meeting, and an extraordinary meeting in 2017.

With the attendance of our shareholders representing approximately 81.5% of the TL 342,000,000 paid in capital, the Ordinary General Assembly meeting regarding 2016 was held on the 31st of March 2017 at 14:00 o'clock at the address; "Kısıklı Mahallesi Ferah Caddesi No 1 Büyük Çamlıca Üsküdar-İSTANBUL" under the supervision of the Ministry Representative Ms. Hatice ÖNDER, who was authorized with Istanbul Trade Directorate's letter n.23841121 (date: March 30, 2017).

The invitation for the General Assembly, which stated the date and agenda of the meeting, was published in the Turkish Trade Registry Gazette No. 9281 dated March 10, 2017 and in the daily Dünya Newspaper dated March 7, 2017 and on the Ülker Bisküvi Sanayi A.Ş. website: www.ulkerbiskuvi.com.tr and <http://ulkerbiskuviyatirimciiliskileri.com/default.aspx> as specified by law and the Articles of Association within the prescribed time limit.

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

Items on the agenda are expressed in an unbiased and detailed manner at the General Assembly and shall be clear and intelligible. Shareholders are provided with equal opportunity to express their opinions, and raise any questions to create a healthy atmosphere for discussion. No shareholder asked any question at the General Assembly nor made any suggestions except for those related to the items in the agenda.

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

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

Shareholders did not make any requests to the Company about the meeting agenda. Decisions taken at the Ordinary General Assembly Meeting held in 2017 were disclosed via Public Disclosure Platform on the 31st of March 2017.

The Extraordinary General Assembly meeting was held on the on the 7th of September 2017 at 11:00 o'clock at the address; "Kısıklı Mahallesi Ferah Caddesi No 1 Büyük Çamlıca Üsküdar-ISTANBUL" under the supervision of the Ministry of Customs and Trade Representative Mr. Zafer Karakoç T.C. who was authorized with Istanbul Trade Directorate's letter (date: September 6, 2017).

Call for the meeting covering the agenda, was made within the legal timeframe, in accordance with the Law and the Articles of Association, via; Turkish Trade Registry Gazette edition n.9386 published on August 10, 2017; our Corporate Website; the Public Disclosure Platform; and the Electronic General Assembly System.

Out of 34,200,000,000 shares that correspond to total Company capital of TL 342,000,000; 27,460,406,871.8 shares corresponding to a capital of TL 274,604,068,718 were represented by proxy at the meeting, and thus the minimum meeting quorum stipulated by the Law and the Articles of Association was met. Decisions taken at our Company's Extraordinary General Assembly Meeting held on the on the 7th of September 2017 were registered via Istanbul Trade Registry Office on the 15th of September 2017.

2.4. VOTING AND MINORITY RIGHTS

According to the Articles of Association, each share carries the right to one vote.

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

The Company does not grant any privileges to share groups or other shares. None of our shareholders controls, or is controlled by, the Company. Cumulative voting is not practiced in the Company. As per Article 27 of the Company's Articles of Association, shareholders representing one-twentieth (1/20) of the share capital can exercise minority rights. The Articles of Association do not contain any provision prohibiting voting by proxy, who is not a shareholder of the Company.

2.5. DIVIDEND RIGHTS

Our Board of Directors has adopted the profit distribution policy in accordance with the Corporate Governance Principles published by the CMB. The Company distributes profit in accordance with the Turkish Commercial Code, Capital Market Law, Tax Law, other applicable legislation and the articles related to profit distribution in the Company's Articles of Association.

The Board of Directors' profit distribution proposal, which complies with the Company's profit distribution policy and the Capital Markets Board's Corporate Governance Principles is submitted for the approval of shareholders at the General Assembly; detailed information on the history of profit distribution and capital increases is disclosed to the general public via the corporate web site.

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

Shareholders were informed of the Company's profit distribution policy at the General Assembly, and the profit distribution policy has been disclosed to the public and included in our annual reports, and is also available on the Company's website.

A decision was taken at the Ordinary General Assembly Meeting held on 30.03.2017 to; i) distribute all of gross TL 64.000.000,00 (net TL 54.400.000,00) from the profit for the period in conformity with the "Article on Profit Distribution" in the Articles of Association; ii) set aside TL 4.690.000,00 from the profit for the period as general legal reserve funds and TL 21,556,379.67 to extraordinary reserves; iii) distribute the entire amount of profit (to be distributed) in cash, and distribute the amount before 12 April 2017; (v) authorize the company executives to determine the other issues regarding the distribution; (vi) further distribute TL 3,560,616.95 to the employees as performance premiums, and; (vii) withdraw the TL 529,536,389.43 (*exceptional earnings from real estate and subsidiary sell off in previous periods*) from the special funds within the equity capital, and write this amount under the previous years' profits. Dividend distribution was made on the 14th of April 2017.

2.6. SHARE TRANSFER

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

PART III – PUBLIC DISCLOSURE AND TRANSPARENCY

3.1. COMPANY'S WEBSITE AND CONTENTS THEREOF

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

- Company's Vision
- Code of Conduct
- Information on the Board of Directors and Executive Management
- Company's Shareholding Structure
- Organizational Chart
- Social Responsibility
- Registration Information and Company Profile
- Articles of Association
- Financial Statements and Notes
- Annual Reports
- Material Event Disclosures
- Report on Compliance with Corporate Governance Principles
- Information on the General Assembly (Agenda, Proceedings, List of Attendees and Proxy Form Template)
- Company's Information Policy
- Committees
- News and Announcements (Invitations to the General Assembly, and the like)
- List of Corporate Insiders
- Ratings Reports

- Ülker on the BIST (Ratios and Charts related to the Company's Shares)
- List of Monitoring Analysts and Investor Presentations
- Sustainability

3.2. ANNUAL REPORT

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

PART IV – STAKEHOLDERS

4.1. INFORMATION TO STAKEHOLDERS

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

4.2. PARTICIPATION OF STAKEHOLDERS IN MANAGEMENT

According to the Articles of Association, the Board of Directors has at least seven members who are elected by the General Assembly upon nomination by shareholders of different share classes in accordance with the Articles of Association. The Board of Directors has nine members, including three independent directors. The Company does not have any practices related to stakeholders' participation in management.

4.3. HUMAN RESOURCES POLICY

The main purpose of the Company's human resources policy is to build a team of high performance employees by improving and developing the human capital on the basis of the things done so far. The human resources policy adopted by the Company is fundamentally that of Yıldız Holding's, and is available at www.ulkerbiskuvi.com.tr and <http://ulkerbiskuviyatirimciiliskileri.com/default.aspx>

The Company has never received any complaints that its human resources policy is discriminatory.

4.4. CODE OF CONDUCT AND SOCIAL RESPONSIBILITY

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

PART V – BOARD OF DIRECTORS

5.1. STRUCTURE, ORGANIZATION, AND INDEPENDENT MEMBERS OF THE BOARD OF DIRECTORS

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

Murat ÜLKER

Chairman

A graduate of Boğaziçi University, Faculty of Economics and Administrative Sciences, Department of Business Administration, Murat Ülker began his professional career in 1982 and started work as Control Coordinator with the Group in 1984. He later attended various training courses (AIB and ZDS) abroad and worked as a trainee at Continental Baking Company in the US. Mr. Ülker also worked in the export business for two years in the Middle East. Subsequently, he analyzed about 60 factories and facilities operating in the biscuit, chocolate and food industries in the US and Europe over a period of three years. Mr. Ülker also participated in various IESC projects, and spearheaded many vertical integration related investments. After serving as Assistant General Manager for Enterprises, General Manager, Executive Committee Member and Board Member in various companies of the Group, Mr. Ülker was appointed Chairman of the Board of Yıldız Holding in 2000. Mr. Ülker speaks English and German; his hobbies include sailing and traveling with his family. He is married and has three children.

Mehmet TÜTÜNCÜ

Deputy Chairman - CEO

Mehmet Tütüncü was appointed Chairman of the Food and Beverages Group in 2005. As of October 2009, the Gum and Candy companies were incorporated into the Food Group; Mr. Tütüncü was appointed CEO for biscuit-chocolate-cake operations in September 2011, in addition to his other duties. Mr. Tütüncü began his professional career in 1981 as an engineer at the Ministry of National Education, Construction Department. From 1983 to 1987, he worked as a Local Industry Specialist at the Ministry of Industry and Trade. Between 1987 and 1996, he served as Production Manager, Business Manager and General Manager, respectively, at Best Rothmans Entegre Sigara ve Tütün Sanayi A.Ş. Mr. Tütüncü joined the Group in 1996 as Facilities Coordinator, and later served as General Manager of Ülker Bisküvi and Çikolata production facilities in 1998; in 2000, he became the Deputy Chairman of the Ülker Group. Mr. Tütüncü is a graduate of Gazi University, Faculty of Engineering, and Mechanical Engineering Department. In 1987, he won the IRI scholarship and studied Production, Quality Control and Maintenance Procedures in Italy. He also holds a Master of Science degree in the field of Industrial and Organizational Psychology.

From 1993 until 1994, Mr. Tütüncü attended the Business Administration Training Program at Boğaziçi University where he studied Marketing Techniques, International Marketing, Factory Organization and Management. He also completed the Strategic Marketing Program at Harvard Business School and attended several training programs at IMD/Switzerland and Insead/Singapore. Mr. Tütüncü speaks English and is a member of TÜSİAD (Turkish Industrialists' and Businessmen's Association). Mr. Tütüncü was born in 1958. He is married and has three children.

Ali ÜLKER

Board Member

Ali Ülker graduated from Boğaziçi University, Faculty of Economics and Administrative Sciences, Department of Economics and Business Administration. He also attended various academic programs at IMD, Harvard and Wharton. Mr. Ülker took part in the De Boccard & Yorke Consultancy Company's Internal Kaizen Study (1992) and the IESC Sales System Improvement and Internal Organization Project (1997). He began his professional career in 1985 as a trainee in the Quality Control Department of Ülker Gıda A.Ş. Later, he served as trainee, Sales Executive, Sales Coordinator, Product Group Coordinator and Product Group Manager between 1986 and 1998 at the chocolate production facilities and at Atlas Gıda Pazarlama A.Ş. He then served as General Manager of Atlas Gıda Pazarlama in 1998, Deputy Chairman of the Consumer Group for Marketing and responsible for Chain Stores in 2000, General Manager of Merkez Gıda Pazarlama A.Ş. in 2001 and Deputy Chairman of the Organized Retail Food Group in 2002. In 2005, he was appointed Chairman of Ülker (Biscuit, Chocolate, Candy) Group. Mr. Ülker speaks English and German; his hobbies include fishing, watching movies, reading books, and playing basketball and billiards.

Ahmet ÖZOKUR

Board Member

Ahmet Özokur studied Business Administration and Marketing at Indiana University, Department of Business Administration and at the European Business School. He began his professional career in 2004 as Executive Board Member at Hızlı Sistem A.Ş. In 2005, he was appointed General Manager of Datateknik, and he was promoted to the position of CEO of Datateknik Informatics Group within the same year. Post-merger in 2006, Datateknik Informatics Group became a fully integrated group engaged in systems integration, distribution of computer components, software development and distribution, development of interactive applications, manufacturing and distribution of Expert branded products; it was a pioneering and innovative company in its sector. In 2008, with the restructuring of Datateknik Informatics Group under the umbrella of Yıldız Holding, Mr. Özokur was appointed Assistant to the Chairman. Within the same year, he was also appointed Project Leader at Yıldız Holding Real Estate Investment Group and Executive Member of Beta Marina İşletmeciliği A.Ş. Subsequently, Mr. Özokur also served as the General Manager of Sağlık Real Estate Investment Trust which eventually merged with SAF REIT. Mr. Özokur has an interest in aquatic sports. He is married and has two children.

İbrahim TAŞKIN

Board Member

Born in Trabzon in 1965, İbrahim Taşkin completed his primary education in Artvin, and his secondary education in İstanbul. He graduated from the Faculty of Law at İstanbul University in 1986. He served as an officer at the Disciplinary Court in Şanlıurfa, and completed his compulsory military service in 1988. As a self-employed lawyer, he has been a member of the İstanbul Bar Association since 1989. Between 1990 and 1994, he lectured on Constitutional Law, Criminal Law, Criminal Proceedings Law and Occupational Legislation of the Police Forces at the Florya Police Training Center of the General Directorate of Security in Turkey. From 1996 to 2004 he was involved in politics in addition to practicing law. He has been responsible for legal affairs at Yıldız Holding since 2004, and currently serves as the Head of Global Legal Affairs at Yıldız Holding. He also serves as a board member for several companies, and works for various associations and foundations in the capacity of founder, manager or member. In addition to his responsibilities in the affiliated companies of the Holding, he also serves as Chairman of the Honor Board and Chairman of the Board of Food Security and Defense. Mr. Taşkin is married with four children, and he speaks English.

Cengiz SOLAKOĞLU

Board Member

Cengiz Solakoğlu graduated from the İstanbul Academy of Economic and Business Studies in 1964, and began his professional career in sales at Beko Ticaret A.Ş. He was promoted to Regional Sales Manager in 1969 and to Sales Director in 1975. After serving as the General Manager of Beko Ticaret from 1977 to 1983, he was appointed General Manager of Atılım A.Ş., another Koç Group company. During his eight year tenure in that position, he pioneered the efforts to strengthen the Arçelik Authorized Dealer System. In 1991, Mr. Solakoğlu was appointed Deputy Chairman of the Consumption Group of Koç Holding; he was also a Member of the Executive Committee of the Group between 1996 and 1998. In 2002, he was appointed Chairman of the Durable Consumer Goods Group of Koç Holding. Having worked at the Koç Group continuously for more than 37 years, Mr. Solakoğlu retired due to the Group's policy of mandatory retirement at age 60. He is among the founders of the Educational Volunteers Foundation of Turkey (TEGV) and the 1907 Fenerbahçe Association. Mr. Solakoğlu was named a Leader of Civil Society by Ekonomist magazine in 2003. He is married and has two children.

Ahmet Murat YALNIZOĞLU

Board Member (Independent)

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

Halil Bülent ÇORAPÇI

Board Member (Independent)

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

Mehmet Aydın MÜDERRİSOĞLU

Board Member (Independent)

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

Name Surname	Position	Executive Direct	Term of Office
Murat ÜLKER	Chairman of the Board	No	31.3.2017-31.3.2020
Mehmet TÜTÜNCÜ	Vice Chairman of the Board & CEO	Yes	31.3.2017-31.3.2020
Ali ÜLKER	Member of the Board	Yes	31.3.2017-31.3.2020
Ahmet ÖZOKUR	Member of the Board	No	31.3.2017-31.3.2020
İbrahim Taşkın	Member of the Board	Yes	31.3.2017-31.3.2020
Cengiz SOLAKOĞLU	Member of the Board	No	31.3.2017-31.3.2020
Ahmet Murat YALNIZOĞLU	Member of the Board (Independent Member)	Board No	31.3.2017-31.3.2020
Mehmet MÜDERRİSOĞLU (*)	Aydın Member of the Board (Independent Member)	Board No	07.9.2017-27.3.2017
Halil Bülent ÇORAPÇI	Member of the Board (Independent Member)	Board No	31.3.2017-31.3.2020

(*) At the Extraordinary General Assembly held on the 7th of September 2017, a decision was taken by majority vote to appoint Mehmet Aydın Müderrisoğlu; (i) as the 9th member of the Board of Directors and 3rd independent member of the Board of Directors for the vacant position of late Duran Akbulut who passed away on the 23rd of March 2017, and (ii) to serve until the date of re-electing the all the other members of the Board of Directors.

We have no female members among the members of the Board of Directors and we are working on the issue.

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

The duties assumed by our Directors outside of our Company in 2017 are indicated below;

Name Surname	Position	Duties Assumed Elsewhere in 2016
Murat ÜLKER	Chairman of the Board	Chairman of the BoD of Group companies
Mehmet TÜTÜNCÜ	Vice Chairman of the Board & CEO	Member of the BoD of Group companies
Ali ÜLKER	Member of the Board	Member of the BoD of Group companies
Ahmet ÖZOKUR	Member of the Board	Member of the BoD of Group companies
Ibrahim TAŞKIN	Member of the Board	Member of the BoD of Group companies
Cengiz SOLAKOĞLU	Member of the Board	Member of the BoD of Group companies
Mehmet Aydın Müderrisoğlu	Member of the Board (Independent Member)	Member of the BoD of Group companies Consultant in Ankon Consulting
Halil Bülent ÇORAPÇI	Member of the Board (Independent Member)	Member of BoD in; AŞ, Astay Gayrimenkul A.Ş., Atıkpaşa Turizm A.Ş., Sultanahmet (Four Seasons Otelleri) A.Ş., Pilen Pak A.Ş., Martı GYO, Kerevitaş (Super Fresh) A.Ş. Bağımsız Senapa Stampa Plastik A.Ş.
Ahmet Murat YALNIZOĞLU	Member of the Board (Independent Member)	Member of the BoD in IELEV Eğitim Kurumları AŞ. Managing Partner in Pruva Yönetim Danışmanlığı Ltd.

5.2. RULES OF CONDUCT OF THE BOARD OF DIRECTORS

The Company's Board of Directors held 31 meetings in the period of January – December 2016. Due consideration was given when setting the meeting dates and times so that each and every member is able to attend the meeting. The Board of Directors meets regularly and as often as necessary to conduct its business and affairs effectively. The Board of Directors shall convene once a month when it is deemed necessary due to the Company operations and transactions. The Board of Directors must also convene when it is deemed necessary by the Chairman or one-third of the Board members. The meetings of the Board of Directors may be held at the headquarters of the Company or at a convenient location in the city where the headquarters is located or in another city by resolution of the Board of Directors. The Board of Directors may, upon resolution, determine whether or not they will have a distribution of responsibilities among the Board members. An invitation for the meeting must be made by a seven-day prior notice and includes the agenda and documentations related to the call for the meeting. In principle, members participate in a Board of Directors meeting in person. However, it is possible that Board members may participate in a Board of Directors meeting by means of electronic communication. Written stipulations of a member who does not participate in a Board meeting but submits his/her comments on the agenda in writing shall be presented to the other members.

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

www.ulkerbiskuvi.com.tr.

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

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

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

AUDIT COMMITTEE

The Audit Committee, which was established by a resolution of the Board of Directors on May 22, 2006, was restructured by a resolution of the Board of Directors dated August 5, 2008 in accordance with Communiqué No. 22 Serial No.: X of the Capital Markets Board. The Audit Committee ensures that the Company's financial and operational functions are monitored in a reliable manner. The purpose of the Committee, which reports directly to the Board of Directors, is to oversee the Company's accounting system, audit and disclosure of financial information, and the functioning and effectiveness of the internal audit system. This Committee meets as necessary, but at least four times each year. In 2017, Audit Committee had 4 meetings, and meeting minutes and reports were presented to the Board of Directors.

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

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

CORPORATE GOVERNANCE COMMITTEE:

The Company established a Corporate Governance Committee by resolution of the Board of Directors dated August 5, 2008 in accordance with the Corporate Governance Principles published by the Capital Markets Board. This Committee reports directly to the Board of Directors and meets as necessary but at least three times each year. In 2016, Corporate Governance Committee had 4 meetings, and meeting minutes and reports were presented to the Board of Directors.

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

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

RISK COMMITTEE

The Company established a Risk Committee in accordance with the Corporate Governance Principles published by the Capital Markets Board. This Committee reports directly to the Board of Directors and meets as necessary. In 2016, Risk Committee had 6 meetings, and meeting minutes and reports were presented to the Board of Directors.

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

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

5.4. RISK MANAGEMENT AND INTERNAL AUDIT MECHANISM

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

5.5. STRATEGIC OBJECTIVES OF THE COMPANY

Mission, Vision, and Strategic Objectives of the Company

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

5.6. REMUNERATION

Remuneration of the members of the Board of Directors is determined – separately for each member – by the General Assembly according to the financial situation of the Company. In the General Assembly dated March 30, 2017, it was decided; to pay a net salary of TL 5.000 to Ahmet Murat Yalnizoğlu and Halil Bülent Çorapçı until the next ordinary general assembly and; not to pay any salaries – for the tasks the Board members carry out in the committees – to the members of the Board of Directors who assume tasks in the committees established within the Company.

In the General Assembly dated September 7, 2017, it was decided; to pay a net salary of TL 5.000 to Mehmet Aydın Müderresoğlu until the next ordinary general assembly and; not to pay any salaries – for the tasks the Board members carry out in the committees – to the members of the Board of Directors who assume tasks in the committees established within the Company. No loan was extended to any member or executive officer during the period, nor extended, directly or through a third party, any personal loan or given any collateral on their behalf, such as a surety. Principles for remuneration regarding interests of executive management and the Board of Directors are explained in detail on the website: www.ulkerbiskuvi.com.tr and <http://ulkerbiskuyatirimciliskileri.com/default.aspx>

RISK MANAGEMENT

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

While a potential risk may present a negative factor which must be taken under control, for companies that implement Corporate Risk Management it creates important opportunities. In the past, risks were managed by individual departments; however, in line with the changes in the overall risk management concept, risks are now tackled as a whole and assessed on the basis of each company. Previously, risk assessment was carried out by the internal audit departments of companies, measurements were evaluated in a subjective manner, and risk management functions were unstructured and inconsistent. However, at companies which adopt the principles of Corporate Risk Management, a risk committee ensures effective risk management as imposed by the Board of Directors, and thus risks can be properly measured. Additionally, risk management is structured to cover all management systems of companies.

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

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

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

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

INVESTOR RELATIONS

The Ülker Bisküvi Investor Relations Department always seeks to establish more effective, transparent, equal and timely communications with investors. The Company strives to carry out such processes in strict compliance with applicable laws, rules and regulations, and on par with global best practices.

In 2017, Ülker Bisküvi held a total of 212 meetings in Turkey and overseas (including the meetings held at the Head Office) with 184 investors and 24 analysts. (Number of meetings in 2016: 206.) The Company also participated in conferences in New York and London. At these conferences and meetings, Ülker Bisküvi provided information to shareholders and prospective investors, and regularly received requests for information.

The number of analysts covering Ülker Bisküvi totaled 23 in 2017 (2016: 22 corporation).

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

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

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

Tasks of the Unit are as follows:

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

OTHER ISSUES

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

In 2017, our shareholders did not make any request for a private audit on our Company.

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

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

EXPLANATIONS REGARDING THE ADMINISTRATIVE OR JUDICIAL PENALTIES GIVEN TO THE COMPANY AND THE MEMBERS OF THE BOARD DUE TO BREACH OF LEGISLATION

In 2017, no administrative or judicial penalty for any breach of Legislation provisions was given to our Company or the Members of the Board of Directors of our Company.

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

N/A.

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

N/A.

STATEMENT OF RESPONSIBILITY REGARDING THE ANNUAL REPORT

STATEMENT OF RESPONSIBILITY ISSUED AS PER 9TH ARTICLE OF THE CAPITAL MARKETS BOARD COMMUNIQUÉ n.II-14.1

January 1, 2016 - December 31, 2016 accounting period's consolidated financial statements; (i) approved by our Board of Directors' decision 2018/01 on the 6th of March 2018, (ii) issued in line with the Capital Markets Board Communiqué n.II-14.1, and our Board of Directors' Annual Report are given in the annex. Thus, we do declare that;

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

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

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

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

An Extraordinary General Assembly meeting was held by our Company on the 7th of September 2017, and following decisions were taken. Decisions taken at our Company's Extraordinary General Assembly Meeting held on the on the 7th of September 2017 were registered via Istanbul Trade Registry Office on the 15th of September 2017.

1)A decision was taken to; (i) elect Mehmet Aydın Müderrisoğlu, with Capital Markets Board consent, as the 9th member of the Board of Directors and 3rd independent member of the Board of Directors (*in addition to the existing members of the Board of Directors*) to serve until the date of re-electing the all the other members of the Board of Directors, and; (ii) pay him a remuneration of net 5,000 TL.

2)A decision was taken to authorize the members of the Board of Directors in conformity with the Turkish Code of Commerce Article n.395 that stipulates the competition ban.

SUBSIDIARY COMPANY REPORT RESULTS

As per the 199th Article of the Turkish Code of Commerce n.6102 that entered into force on the 1st of July 2012; Ülker Bisküvi Sanayi A.Ş. Board of Directors is responsible for; (i) issuing a report in 2017 activity period about the relations between Ülker Bisküvi Sanayi A.Ş. and the Company's controlling shareholder and the affiliates of the controlling shareholders in the previous activity period, and; (ii) include conclusion of this report in the Annual Report. Necessary explanations about Ülker Bisküvi Sanayi A.Ş.'s transactions with the related parties are given in footnote n.34 of the financial report.

The report issued by Ülker Bisküvi Sanayi A.Ş. Board of Directors states: "We have reached the conclusion based on the circumstances we knew about at the time of making the transaction or taking the measure or avoiding the measure; in all transactions between Ülker Bisküvi Sanayi A.Ş. and its controlling shareholders, and the affiliates of the controlling shareholders in 2015, i) appropriate consideration was provided in each transaction, and ii) there were no measures, taken or avoided, that could cause loss for the company, and iii) within this scope there were no transactions or measures that would require offsetting".