

ÜLKER BİSKÜVİ SANAYİ A.Ş. AND ITS SUBSIDIARIES

**CONVENIENCE TRANSLATION INTO ENGLISH OF
CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
FOR THE INTERIM PERIOD 1 JANUARY - 30 SEPTEMBER 2016**

(ORIGINALLY ISSUED IN TURKISH)

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

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**CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS
FOR THE INTERIM PERIOD 1 JANUARY – 30 SEPTEMBER 2016**

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ÜLKER BİSKÜVİ SANAYİ A.Ş. AND ITS SUBSIDIARIES

**CONDENSED CONSOLIDATED BALANCE SHEETS AS OF 30 SEPTEMBER 2016 AND
31 DECEMBER 2015**

(Amounts expressed in Turkish Lira ("TRY") unless otherwise stated.)

		Unaudited Current Period 30 September 2016	Restated (*) Audited Previous Period 31 December 2015
ASSETS	Notes		
CURRENT ASSETS		2.958.663.883	3.464.818.108
Cash and Cash Equivalents	5	1.679.894.316	1.344.387.882
Financial Investments	6	629.562	704.437
Trade Receivables			
- Due From Related Parties	8-21	629.283.346	572.853.651
- Other Trade Receivables	8	142.358.540	190.547.613
Other Receivables			
- Due From Related Parties	9-21	1.777.934	786.329.934
- Other Receivables	9	23.761.107	37.263.138
Inventories	10	304.015.287	318.503.976
Prepayments			
- Prepayments to Related Parties		83.878.505	112.601.084
- Prepayments to Third Parties		48.480.604	55.441.210
Corporate Income Tax Assets		-	825.280
Other Current Assets		44.584.682	45.359.903
NON-CURRENT ASSETS		1.829.064.669	1.723.797.220
Financial Investments	6	764.675.053	765.334.184
Trade Receivables			
- Due From Related Parties	8-21	6.440.688	6.196.664
Other Receivables			
- Other Receivables	9	179.401	176.911
Investment Properties	11	12.893.377	12.904.161
Property, Plant and Equipment	12	999.889.969	891.477.307
Intangible Assets	13	1.323.561	1.808.877
Prepaid Expenses		27.055.066	28.562.343
Deferred Tax Assets	19	16.607.554	17.332.587
Other Non-Current Assets		-	4.186
TOTAL ASSETS		4.787.728.552	5.188.615.328

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

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ÜLKER BİSKÜVİ SANAYİ A.Ş. AND ITS SUBSIDIARIES

**CONDENSED CONSOLIDATED BALANCE SHEETS AS OF 30 SEPTEMBER 2016 AND
31 DECEMBER 2015**

(Amounts expressed in Turkish Lira ("TRY") unless otherwise stated.)

		Unaudited Current Period 30 September 2016	Restated (*) Audited Previous Period 31 December 2015
LIABILITIES	Notes		
CURRENT LIABILITIES		1.123.054.471	1.784.292.054
Short Term Financial Liabilities	7	350.292.101	924.954.546
Short Term Portion of Long-Term Financial Liabilities	7	206.354.138	34.835.819
Trade Payables			
- Due to Related Parties	8-21	249.303.790	309.288.490
- Other Trade Payables	8	168.309.899	284.598.178
Employee Benefit Obligations		24.179.275	27.331.047
Other Payables			
- Due to Related Parties	21	-	86.239.625
- Other Payables		5.671.638	4.598.311
Deferred Income		29.227.350	39.895.543
Current Tax Liabilities	19	15.667.241	9.514.388
Current Provisions			
- Current Provisions for Employee Benefits		27.139.545	27.381.056
- Other Current Provisions		34.223.015	23.881.447
Other Current Liabilities		12.686.479	11.773.604
NON-CURRENT LIABILITIES		1.920.641.249	1.807.684.924
Long Term Financial Liabilities	7	1.841.163.227	1.735.320.937
Long Term Provisions			
- Provisions for Employment Benefits		42.068.426	37.439.337
Deferred Tax Liabilities	19	37.409.596	34.924.650
SHAREHOLDERS' EQUITY		1.744.032.832	1.596.638.350
Equity Attributable To Equity Holders' of the Parent		1.522.191.889	1.386.766.049
Share Capital		342.000.000	342.000.000
Inflation Adjustments on Equity Items		108.056.201	108.056.201
Accumulated Other Comprehensive Income/Expense not to be Reclassified Under Profit/(Loss)			
- Gains/(Loss) on Revaluation and Remeasurement			
- Increases on Revaluation Plant, Property and Equipment		5.231.735	5.231.735
- Actuarial Loss on Post-Employment Termination Benefit Obligation		(1.099.321)	(410.636)
Accumulated Other Comprehensive Income/Expense to be Reclassified Under Profit/(Loss)			
- Currency Translation Adjustments		(1.470.903)	-
- Gains from Financial Assets Measured at Fair Value through Other Comprehensive Income		539.394.632	539.968.646
Restricted Reserves Appropriated from Profits		119.806.833	112.116.833
Retained Earnings		178.113.270	(17.983.954)
Net Profit For The Period		232.159.442	297.787.224
Non-Controlling Interest		221.840.943	209.872.301
TOTAL LIABILITIES AND EQUITY		4.787.728.552	5.188.615.328

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

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

ÜLKER BİSKÜVİ SANAYİ A.Ş. AND ITS SUBSIDIARIES

CONDENSED CONSOLIDATED STATEMENTS OF INCOME FOR THE INTERIM PERIODS ENDED 30 SEPTEMBER 2016 AND 2015

(Amounts expressed in Turkish Lira ("TRY") unless otherwise stated.)

		Unaudited Current Period 1 January – 30 September 2016	Unaudited Current Period 1 July - 30 September 2016	Restated (*) Unaudited Previous Period 1 January - 30 September 2015	Restated (*) Unaudited Previous Period 1 July – 30 September 2015
	Notes				
Revenue	15	2.795.281.065	814.735.695	2.737.589.358	821.802.466
Cost of Sales	15	(2.151.378.685)	(645.478.445)	(2.113.776.770)	(639.308.873)
GROSS PROFIT		643.902.380	169.257.250	623.812.588	182.493.593
General Administrative Expenses	16	(84.861.045)	(24.677.342)	(83.496.464)	(29.421.148)
Marketing, Sales and Distribution Expenses	16	(241.945.161)	(60.354.821)	(263.453.394)	(74.962.480)
Research and Development Expenses	16	(5.672.264)	(1.387.244)	(5.347.042)	(1.719.910)
Other Operating Income		49.666.288	13.993.149	84.482.575	27.882.915
Other Operating Expenses		(25.810.282)	(5.666.551)	(56.392.746)	(14.017.796)
PROFIT FROM OPERATING ACTIVITIES		335.279.916	91.164.441	299.605.517	90.255.174
Income from Investment Activities		220.384.526	91.237.011	767.952.197	398.104.440
Expenses from Investment Activities		(105.107.501)	(23.586.341)	(88.663.086)	(24.012.599)
OPERATING PROFIT BEFORE FINANCIAL INCOME AND EXPENSES		450.556.941	158.815.111	978.894.628	464.347.015
Financial Income	17	120.552.724	24.463.621	26.772.310	2.956.600
Financial Expenses	18	(257.371.123)	(115.811.779)	(779.590.590)	(408.143.062)
PROFIT FROM CONTINUING OPERATIONS BEFORE TAX		313.738.542	67.466.953	226.076.348	59.160.553
Tax Expense, Continuing Operations	19	(60.232.149)	(12.209.692)	(33.945.069)	(5.326.433)
Current Period Tax Expense		(56.813.314)	(9.511.742)	(47.402.954)	(10.919.930)
Deferred Tax (Expense) / Income		(3.418.835)	(2.697.950)	13.457.885	5.593.497
PROFIT FOR THE PERIOD		253.506.393	55.257.261	192.131.279	53.834.120
Distribution of the Profit for the Period					
Non-Controlling Interests		21.346.951	1.090.213	21.183.948	4.931.676
Equity Holders of the Parent		232.159.442	54.167.048	170.947.331	48.902.444
Earnings Per Share	20	0,68	0,16	0,50	0,14

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

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ÜLKER BİSKÜVİ SANAYİ A.Ş. AND ITS SUBSIDIARIES

CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME FOR THE INTERIM PERIODS ENDED 30 SEPTEMBER 2016 AND 2015

(Amounts expressed in Turkish Lira ("TRY") unless otherwise stated.)

	Unaudited Current Period 1 January - 30 September 2016	Unaudited Current Period 1 July - 30 September 2016	Restated (*) Unaudited Previous Period 1 January - 30 September 2015	Restated (*) Previous Period 1 July - 30 September 2015
PROFIT FOR THE PERIOD	253.506.393	55.257.261	192.131.279	53.834.120
OTHER COMPREHENSIVE INCOME:				
Other Comprehensive Income that will not be Reclassified to Profit or Loss	(703.594)	365.969	501.719	283.649
Actuarial Gain/(Loss) on Post-Employment Termination Benefit Obligation	(879.493)	457.461	627.149	354.561
Taxes Relating To Components Of Other Comprehensive Income that will Not Be Reclassified To Profit Or Loss				
Actuarial Gain/(Loss) on Post-Employment Termination Benefit Obligation, Deferred Tax Effect	175.899	(91.492)	(125.430)	(70.912)
Other Comprehensive Income That Will Be Reclassified to Profit or Loss	(4.582.984)	4.799.268	2.106.223	3.244.722
Exchange Differences on Translation	(3.956.810)	8.214.765	-	-
Other Comprehensive Income (Loss) Related with Financial Assets Measured at Fair Value through Other Comprehensive Income	(659.131)	(3.595.260)	2.217.077	3.415.497
Taxes Relating to Components of Other Comprehensive Income that will be Reclassified to Profit or Loss				
Other Comprehensive Income (Loss) Related with Financial Assets Measured at Fair Value through Other Comprehensive Income, Deferred Tax Effect	32.957	179.763	(110.854)	(170.775)
OTHER COMPREHENSIVE (EXPENSE)/INCOME	(5.286.578)	5.165.237	2.607.942	3.528.371
TOTAL COMPREHENSIVE INCOME	248.219.815	60.422.498	194.739.221	57.362.491
Distribution of Total Comprehensive Income				
Non-Controlling Interest	18.793.975	5.133.072	21.406.912	5.184.991
Equity Holders of the Parent	229.425.840	55.289.426	173.332.309	52.177.500

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

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ÜLKER BİSKÜVİ SANAYİ A.Ş. AND ITS SUBSIDIARIES

CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY FOR THE PERIOD ENDED 30 SEPTEMBER 2016 AND 2015

(Amounts expressed in Turkish Lira ("TRY") unless otherwise stated.)

					Accumulated Other Comprehensive Income/Expenses To Be Reclassified Under Profit And Loss	Other Comprehensive Income/Expenses Not To Be Reclassified Under Profit And Loss				Accumulated Profit		
	Share Capital	Inflation Adjustments to Share Capital	Financial Assets Measured at Fair Value	Currency Translation Adjustments	Revaluation Plant, Property and Equipment	Actuarial Loss on Post-Employment Termination Benefit Obligation	Restricted Reserves Appropriate d from Profits	Net Profit for the Period	Retained Earnings	Equity Attributable to Equity Holders of the Parent	Non-Controlling Interest	Total Equity
As of 1 January 2015	342.000.000	108.056.201	315.553.570	-	5.231.735	(695.347)	104.901.091	211.712.640	50.843.109	1.137.602.999	92.365.694	1.229.968.693
Total comprehensive income	-	-	1.930.775	-	-	454.203	-	170.947.331	-	173.332.309	21.406.912	194.739.221
Dividend paid (*)	-	-	-	-	-	-	-	-	(94.000.000)	(94.000.000)	(5.158.667)	(99.158.667)
Transfer	-	-	-	-	-	-	7.215.742	(211.712.640)	204.496.898	-	-	-
As of 30 September 2015	342.000.000	108.056.201	317.484.345	-	5.231.735	(241.144)	112.116.833	170.947.331	161.340.007	1.216.935.308	108.613.939	1.325.549.247
As of 1 January 2016 (Restated)	342.000.000	108.056.201	539.968.646	-	5.231.735	(410.636)	112.116.833	297.787.224	(17.983.954)	1.386.766.049	209.872.301	1.596.638.350
Total comprehensive income	-	-	(574.014)	(1.470.903)	-	(688.685)	-	232.159.442	-	229.425.840	18.793.975	248.219.815
Dividend paid (**)	-	-	-	-	-	-	-	-	(94.000.000)	(94.000.000)	(6.825.333)	(100.825.333)
Transfer	-	-	-	-	-	-	7.690.000	(297.787.224)	290.097.224	-	-	-
As of 30 September 2016	342.000.000	108.056.201	539.394.632	(1.470.903)	5.231.735	(1.099.321)	119.806.833	232.159.442	178.113.270	1.522.191.889	221.840.943	1.744.032.832

(*) At the General Assembly Meeting for the year of 2014 held on 26 March 2015, it has been resolved to distribute TRY 94.000.000 as cash and fully funded by the profit for the year and started to be distributed as of April 7th 2015.

(**) At the General Assembly Meeting for the year of 2015 held on 24 March 2016, it has been resolved to distribute TRY 94.000.000 as cash and fully funded by the profit for the year and started to be distributed as of April 5th 2016.

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ÜLKER BİSKÜVİ SANAYİ A.Ş. AND ITS SUBSIDIARIES

**CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS FOR THE PERIOD
ENDED 30 SEPTEMBER 2016 AND 2015**

(Amounts expressed in Turkish Lira ("TRY") unless otherwise stated.)

	Notes	Unaudited Current Period 1 January-30 September 2016	Restated Unaudited Previous Period 1 January-30 September 2015
CASH FLOWS FROM OPERATING ACTIVITIES			
Net profit for the period		253.506.393	192.131.279
Adjustments to reconcile net profit / (loss) to net cash provided by operating activities			
Adjustments for depreciation and amortisation expense			
Depreciation expenses of tangible assets	11-12	59.812.836	54.468.182
Amortization expenses of intangible assets	13	662.027	724.666
Adjustments for Impairment Loss (Reversal of Impairment Loss)			
Adjustments for Impairment Loss of Other Financial Assets or Investments		74.875	(61.920)
Adjustments for Impairment Loss of Inventories	10	3.318.004	3.189.301
Adjustment for provisions			
Adjustments for (Reversal of) Provisions Related with Employee Benefits			
Provision for employment benefits		21.073.904	11.774.210
Provision for unused vacation rights		9.180.959	6.937.893
Performance premium provision		10.444.553	6.419.218
Adjustments for Lawsuit Provisions		1.253.270	610.314
Adjustments for (Reversal of) Other Provisions			
Allowance for doubtful receivables	8	536.083	140.629
Provision for sales return		(4.007.038)	6.549.099
Change in other provisions (net)		13.098.224	15.756.574
Adjustments for Dividend Income		(384.081)	(443.081)
Adjustments for Interest (Income)/Expenses			
Adjustments for Interest Income		(56.695.922)	(44.914.215)
Adjustments for Interest Expenses			
Discount expenses (net)		899.636	4.123.524
Interest expenses		54.531.237	52.513.553
Adjustments for Tax Expenses	19	60.232.149	33.945.069
Adjustment for Losses (Gains) on Disposal of Non-Current Assets			
Adjustments for Gains Arised From Sale of Tangible Assets		(488.214)	(54.020)
Other adjustments for which cash effects are investing or financing cash flow			
Change in foreign currency of financial liabilities (net)		80.628.638	695.957.808
Change in foreign currency from investing activities (net)		(52.705.172)	(651.452.826)
Commission expenses and finance service income (net)		1.658.524	4.346.919
Other adjustments to reconcile profit (loss)			
Rent income		(5.722.530)	(5.862.956)
Net Operating cash flows provided before changes in working capital		450.908.355	386.799.220

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**CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS FOR THE PERIOD
ENDED 30 SEPTEMBER 2016 AND 2015**

(Amounts expressed in Turkish Lira ("TRY") unless otherwise stated.)

		Unaudited Current Period 1 January-30 September 2016	Restated Unaudited Previous Period 1 January-30 September 2015
Changes in Working Capital			
Decrease in trade receivables		50.449.215	21.746.103
Decrease in trade receivables from related parties		(56.150.211)	(68.183.825)
Decrease/ (Increase) in inventories		11.170.685	(28.193.212)
Decrease in other receivables and other current assets		51.469.410	31.196.061
Decrease in trade payables		(117.069.558)	(43.220.697)
Decrease in trade payables to related parties		(60.307.222)	(52.473.845)
Decrease in other payables and liabilities		(10.989.625)	(24.068.462)
Net cash generated from operations		319.481.049	223.601.343
Payments related with provisions for employee benefits			
Employment termination benefit paid		(17.233.417)	(8.430.933)
Unused vacation rights paid		(8.413.317)	(5.748.402)
Performance premium paid		(12.297.844)	(7.540.952)
Lawsuits provision paid		(2.888)	(356.371)
Taxes paid		(49.835.181)	(38.040.411)
Collections from doubtful trade receivables	8	8.450	8.655
Net cash generated from operating activities		231.706.852	163.492.929
CASH FLOWS FROM INVESTING ACTIVITIES			
Proceeds from sales of property, plant and equipment and intangible assets		8.274.648	2.341.705
Purchase of property, plant and equipment	12	(183.237.903)	(105.362.170)
Purchase of intangible assets	13	(111.675)	(257.819)
Changes in non-trade receivables from related parties		784.552.001	13.474.734
Dividend received		384.081	443.081
Interest received		56.695.922	44.914.215
Rent income		5.722.530	5.862.956
Net cash received from/(used in) investing activities		672.279.604	(38.583.298)
CASH FLOWS FROM FINANCING ACTIVITIES			
Loans acquired		575.628.255	176.767.404
Loan repayments		(970.633.972)	(95.494.800)
Change in leasing liabilities		(267.932)	(59.895)
Dividend paid		(100.825.333)	(99.158.667)
Interest paid		(38.846.587)	(32.691.593)
Changes in non-trade payables to related parties		(86.239.625)	-
Net cash used in financing activities		(621.185.194)	(50.637.551)
NET CHANGE IN CASH AND CASH EQUIVALENTS		282.801.262	74.272.080
THE EFFECT OF FOREIGN EXCHANGE RATE CHANGE ON CASH AND CASH EQUIVALENTS		52.705.172	288.770.218
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE PERIOD	5	1.344.387.882	1.033.829.882
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD	5	1.679.894.316	1.396.872.180

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**NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR
THE INTERIM PERIOD ENDED 30 SEPTEMBER 2016**

(Amounts expressed in Turkish Lira ("TRY") unless otherwise stated.)

1. ORGANIZATION AND OPERATIONS OF THE GROUP

Ülker Bisküvi Sanayi A.Ş. ("the Company") and its subsidiaries (all together "the Group"), comprises of the parent Ülker Bisküvi Sanayi A.Ş. ("the Company") and ten subsidiaries in which the Company owns the majority share of the capital or which are controlled by the Company (2015: four).

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

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

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

As of 30 September 2016, the total number of people employed by the Group is 8.596, which contains 1.026 employees who worked as subcontractors (31 December 2015: 7.341, subcontractor: 811).

The ultimate parent and the controlling party of the Group is Yıldız Holding A.Ş. The ultimate parent of Yıldız Holding A.Ş. is managed by Ülker Family.

As of 30 September 2016 and 31 December 2015, the names and percentages of the shareholders holding more than 10% of the Company's share capital are as follows:

Name of the Shareholders	30 September 2016		31 December 2015	
	Share	Percentage	Share	Percentage
Yıldız Holding A.Ş.	168.124.482	49,16%	168.124.482	49,16%
Yıldız Holding A.Ş. Subsidiaries and Ülker Family	27.738.115	8,11%	27.738.115	8,11%
Other	146.137.403	42,73%	146.137.403	42,73%
	342.000.000	100,00%	342.000.000	100,00%

As of 30 September 2016 and 31 December 2015, the details of the subsidiaries under full consolidations in terms of direct and effective share of ownership and principal business activities are as follows:

Subsidiaries	30 September 2016		31 December 2015		Nature of Operations
	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
Istanbul Gıda Dış Ticaret A.Ş. (*)	100,0%	100,0%	-	-	Export
UI Egypt B.V. (**)	51,0%	51,0%	-	-	Investing
Hi-Food for Advanced Food Industries (**)	-	45,9%	-	-	Manufacturing
Sabourne Investments Ltd (***)	100,0%	100,0%	-	-	Investing
Food Manufacturers' Company (***)	-	55,0%	-	-	Manufacturing
Food Manufacturers' Company for Distribution (***)	-	52,3%	-	-	Export

(*) The Company purchased 20.250.000 shares of İstanbul Gıda Dış Ticaret A.Ş. from Yıldız Holding A.Ş., who is 100% shareholder, for an amount of TRY 43 million as of 31 March 2016.

(**) The Company purchased 51.0% shares of UI Egypt B.V., operating in Netherlands, from Yıldız Holding A.Ş. for an amount of USD 30 million as of 31 March 2016. As a result of the transaction, the Company has gained the controlling power in UI Egypt B.V. and Hi Food for Advanced Food Industries, which UI Egypt B.V. has 90% shares.

(***) The Company purchased 100.0% shares of Sabourne Investments Limited., from Yıldız Holding A.Ş. for an amount of USD 50 million as of 27 June 2016. As a result of the transaction, the Company has gained the controlling power in Food Manufacturers' Company, which Sabourne Investments Limited has 55.0% shares and the controlling power in Food Manufacturers' Company for Distribution, which Food Manufacturers' Company has 95.0% shares.

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**NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR
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(Amounts expressed in Turkish Lira ("TRY") unless otherwise stated.)

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

Dividend Paid:

The Company has paid a dividend amount of TRY 94.000.000 (2015: TRY 94.000.000) in the current period. Dividend per share is TRY 0.27 (2015: TRY 0.27).

Approval of Financial Statements:

The Board of Directors has approved the financial statements and given authorization for the issuance on 8 November 2016. The General Assembly has the authority to amend/modify the financial statements.

2. BASIS OF PRESENTATION OF FINANCIAL STATEMENTS

2.1 Basis of the presentation:

Principles for Preparation of Financial Statements and Significant Accounting Policies

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

The consolidated financial statements of the Group are prepared as per the CMB announcement of 7 June 2013 relating to financial statements presentations. Comparative figures are reclassified, where necessary, to conform to changes in the presentation of the current year's consolidated financial statements.

In accordance with the CMB resolution issued on 17 March 2005, listed companies operating in Turkey are not subject to inflation accounting effective from 1 January 2005. Therefore, the consolidated financial statements of the Group have been prepared accordingly.

The Company maintain their books of accounts and prepare their statutory financial statements in accordance with the Turkish Commercial Code ("TCC"), tax legislation, the Uniform Chart of Accounts issued by the Ministry of Finance and principles issued by CMB. The foreign subsidiaries maintain their books of account in accordance with the laws and regulations in force in the countries in which they are registered. These consolidated financial statements have been prepared under historical cost conventions except for financial assets and financial liabilities which are carried at fair value. The consolidated financial statements are based on the statutory records, which are maintained under historical cost conventions, with the required adjustments and reclassifications reflected for the purpose of fair presentation in accordance with TAS.

In accordance with the TAS, the entities are allowed to prepare a complete or condensed set of interim financial statements in accordance with TAS 34, "Interim Financial Reporting". In this respect the Group preferred to present its interim condensed consolidated financial statements. The Group's interim condensed consolidated financial statement does not include all disclosures and notes that should be included at year-end financial statements. Therefore the interim condensed consolidated financial statements should be examined together with the year-end financial statements.

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

2.1 Basis of the presentation (cont'd)

Principles for Preparation of Financial Statements and Significant Accounting Policies

Functional and presentation currency

Financial statements of each subsidiary of the Group are presented in the currency of the primary economic environment in which the entities operate (its functional currency). The results and financial position of the each subsidiary are expressed in Turkish Lira, which is the functional and presentation currency of the Group.

As of 30 September 2016, rates declared by Central Bank of Republic of Turkey are; 1 Euro = TRY 3,3608, 1 USD = TRY 2,9959 (31 December 2015: 1 Euro = TRY 3,1776, 1 USD = TRY 2,9076). For the period between January 1, 2016 and September 30 2016, average rates declared by Central Bank of Republic of Turkey are 1 Euro = TRY 3,2710, 1 USD = TRY 2,9309 (January 1, 2015 and September 30, 2015: 1 Euro = TRY 2,9626, 1 USD = TRY 2,6562).

2.2 **Adoption of New and Revised International Financial Reporting Standards:**

The Group has implemented new and revised standards, amendments and interpretations which were effective from 1 January 2016 and related with own activity.

Standards, amendments and interpretations applicable as at 30 September 2016:

- Amendment to IFRS 11, "Joint arrangements" on acquisition of an interest in a joint operation, effective from annual periods beginning on or after 1 January 2016. This amendment adds new guidance on how to account for the acquisition of an interest in a joint operation that constitutes a business. The amendments specify the appropriate accounting treatment for such acquisitions.
- Amendments to IAS 16 "Property, plant and equipment", and IAS 41, "Agriculture", regarding bearer plants, effective from annual periods beginning on or after 1 January 2016. These amendments change the financial reporting for bearer plants, such as grape vines, rubber trees and oil palms. It has been decided that bearer plants should be accounted for in the same way as property, plant and equipment because their operation is similar to that of manufacturing. Consequently, the amendments include them within the scope of IAS 16, instead of IAS 41. The produce growing on bearer plants will remain within the scope of IAS 41.
- Amendment to IAS 16, "Property, plant and equipment" and IAS 38, "Intangible assets", on depreciation and amortisation, effective from annual periods beginning on or after 1 January 2016. In this amendment the it has clarified that the use of revenue based methods to calculate the depreciation of an asset is not appropriate because revenue generated by an activity that includes the use of an asset generally reflects factors other than the consumption of the economic benefits embodied in the asset. It is also clarified that revenue is generally presumed to be an inappropriate basis for measuring the consumption of the economic benefits embodied in an intangible asset.
- IFRS 14 "Regulatory deferral accounts", effective from annual periods beginning on or after 1 January 2016. IFRS 14, "Regulatory deferral accounts" permits first-time adopters to continue to recognise amounts related to rate regulation in accordance with their previous GAAP requirements when they adopt IFRS. However, to enhance comparability with entities that already apply IFRS and do not recognise such amounts, the standard requires that the effect of rate regulation must be presented separately from other items.
- Amendments to IAS 27, "Separate financial statements" on the equity method, effective from annual periods beginning on or after 1 January 2016. These amendments allow entities to use the equity method to account for investments in subsidiaries, joint ventures and associates in their separate financial statements.
- Amendment to IFRS 10 "Consolidated financial statements" and IAS 28, "Investments in associates and joint ventures", effective from annual periods beginning on or after 1 January 2016. These amendments clarify the application of the consolidation exception for investment entities and their subsidiaries.

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

2.2 Adoption of New and Revised International Financial Reporting Standards:

Standards, amendments and interpretations applicable as at 30 September 2016 (cont'd)

- Annual improvements 2014, effective from annual periods beginning on or after 1 January 2016. These set of amendments impacts four standards:

IFRS 5, "Non-current assets held for sale and discontinued operations" regarding methods of disposal.

IFRS 7, "Financial instruments: Disclosures", (with consequential amendments to IFRS 1) regarding servicing contracts.

IAS 19, "Employee benefits" regarding discount rates.

IAS 34, "Interim financial reporting" regarding disclosure of information.

- Amendment to IAS 1, "Presentation of financial statements" on the disclosure initiative, effective from annual periods beginning on or after 1 January 2016, these amendments are as part of the IASB initiative to improve presentation and disclosure in financial reports.

Standards, amendments and interpretations effective after 30 September 2016:

- Amendments to IAS 7 "Statement of cash flows" on disclosure initiative, effective from annual periods beginning on or after 1 January 2017. These amendments introduce an additional disclosure that will enable users of financial statements to evaluate changes in liabilities arising from financing activities. The amendment is part of the IASB's Disclosure Initiative, which continues to explore how financial statement disclosure can be improved.

- Amendments IAS 12 "Income Taxes", effective from annual periods beginning on or after 1 January 2017. The amendments clarify the accounting for deferred tax where an asset is measured at fair value and that fair value is below the asset's tax base. It also clarify certain other aspects of accounting for deferred tax assets.

- Amendments to IFRS 2, "Share based payments" on clarifying how to account for certain types of share-based payment transactions, effective from annual periods beginning on or after 1 January 2018. This amendment clarifies the measurement basis for cash-settled, share-based payments and the accounting for modifications that change an award from cash-settled to equity-settled. It also introduces an exception to the principles in IFRS 2 that will require an award to be treated as if it was wholly equity-settled, where an employer is obliged to withhold an amount for the employee's tax obligation associated with a share-based payment and pay that amount to the tax authority.

- IFRS 15 "Revenue from contracts with customers", effective from annual periods beginning on or after 1 January 2018. IFRS 15, "Revenue from contracts with customers" is a converged standard from the IASB and FASB on revenue recognition. The standard will improve the financial reporting of revenue and improve comparability of the top line in financial statements globally.

- Amendment to IFRS 15, "Revenue from contracts with customers", effective from annual periods beginning on or after 1 January 2018. These amendments comprise clarifications of the guidance on identifying performance obligations, accounting for licences of intellectual property and the principal versus agent assessment (gross versus net revenue presentation). New and amended illustrative examples have been added for each of those areas of guidance. The IASB has also included additional practical expedients related to transition to the new revenue standard.

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

2.2 Adoption of New and Revised International Financial Reporting Standards:

Standards, amendments and interpretations effective after 30 September 2016: (cont'd)

- IFRS 9 "Financial instruments", effective from annual periods beginning on or after 1 January 2018. This standard replaces the guidance in IAS 39. It includes requirements on the classification and measurement of financial assets and liabilities; it also includes an expected credit losses model that replaces the current incurred loss impairment model.
- IFRS 16 "Leases", effective from annual periods beginning on or after 1 January 2019. This standard replaces the current guidance in IAS 17 and is a far-reaching change in accounting by lessees in particular. Under IAS 17, lessees were required to make a distinction between a finance lease (on balance sheet) and an operating lease (off balance sheet). IFRS 16 now requires lessees to recognise a lease liability reflecting future lease payments and a "right-of-use asset" for virtually all lease contracts. The IASB has included an optional exemption for certain short-term leases and leases of low-value assets; however, this exemption can only be applied by lessees. For lessors, the accounting stays almost the same. However, as the IASB has updated the guidance on the definition of a lease (as well as the guidance on the combination and separation of contracts), lessors will also be affected by the new standard. At the very least, the new accounting model for lessees is expected to impact negotiations between lessors and lessees. Under IFRS 16, a contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.
- Amendments to IFRS 4 "Insurance contracts" regarding the Implementation of IFRS 9 'Financial Instruments', effective from annual periods beginning on or after 1 January 2018. These amendments introduce two approaches: an overlay approach and a deferral approach. The amended standard will:
 - give all companies that issue insurance contracts the option to recognise in other comprehensive income, rather than profit or loss, the volatility that could arise when IFRS 9 is applied before the new insurance contracts standard is issued; and
 - give companies whose activities are predominantly connected with insurance an optional temporary exemption from applying IFRS 9 until 2021. The entities that defer the application of IFRS 9 will continue to apply the existing financial instruments standard, IAS 39.

2.3 Comparative Information and Restatement of Prior Period Consolidated Financial Statements

In order to allow the determination of financial position and performance, the Group's condensed consolidated financial statements are prepared in comparison with the previous period. In order to comply with the presentation of condensed consolidated financial statements the current period when deemed necessary, comparative information is restated, and material differences are presented. The Group has made some restatements regarding "Transaction Under Common Control" in order to conform to current period financial statements for prior periods. The nature of the restatement and amounts are as follows:

As per the principle related to "Accounting for business combinations under common control" the Public Oversight Accounting and Auditing Standards Authority issued in the Official Gazette dated 21 July 2013, business combinations under common control shall be accounted through restating previous period's financial statements via the pooling of interest method. The Group management restated only its condensed consolidated balance sheet as at 31 December 2015 and the interim condensed consolidated statements of comprehensive income and cash flows for the nine-months period ended at 30 September 2015 for the transactions made under common control (details explained in Note 1) to fulfil the economic decision-making needs of financial statement users, because of the impracticability, within the scope of TAS 8. Effect of the restatements are shown below.

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

2.3 Comparative Information and Restatement of Prior Period Consolidated Financial Statements (cont'd)

	Reported Previous Period 31 December 2015	Effects of Restatement	Restated Previous Period 31 December 2015
Current Assets	2.418.802.807	1.046.015.301	3.464.818.108
Cash and Cash Equivalents	1.319.138.698	25.249.184	1.344.387.882
Financial Investments	704.437	-	704.437
Trade Receivables	648.516.627	114.884.637	763.401.264
Other Receivables	30.821.174	792.771.898	823.593.072
Inventories	234.137.771	84.366.205	318.503.976
Prepaid Expenses	149.529.118	18.513.176	168.042.294
Corporate Income Tax Assets	-	825.280	825.280
Other Current Assets	35.954.982	9.404.921	45.359.903
Non-Current Assets	1.507.784.747	216.012.473	1.723.797.220
Financial Investments	765.334.184	-	765.334.184
Trade Receivables	6.196.664	-	6.196.664
Other Receivables	173.437	3.474	176.911
Investment Properties	11.865.000	1.039.161	12.904.161
Property, Plant and Equipment	678.525.362	212.951.945	891.477.307
Intangible Assets	1.495.673	313.204	1.808.877
Prepaid Expenses	28.562.349	(6)	28.562.343
Deferred Tax Assets	15.627.892	1.704.695	17.332.587
Other Non-Current Assets	4.186	-	4.186
TOTAL ASSETS	3.926.587.554	1.262.027.774	5.188.615.328

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

2.3 Comparative Information and Restatement of Prior Period Consolidated Financial Statements (cont'd)

	Reported Previous Period 31 December 2015	Effects of Restatement	Restated Previous Period 31 December 2015
Current Liabilities	653.505.104	1.130.786.950	1.784.292.054
Short Term Financial Liabilities	92.987.409	831.967.137	924.954.546
Short Term Portion of Long-Term Financial Liabilities	19.921.073	14.914.746	34.835.819
Trade Payables	474.424.217	119.462.451	593.886.668
Employee Benefit Related Liabilities	20.844.357	6.486.690	27.331.047
Other Payables	1.375.545	89.462.391	90.837.936
Current Income Tax Liabilities	8.251.757	1.262.631	9.514.388
Short Term Provisions	25.272.122	25.990.381	51.262.503
Other Current Liabilities	10.428.624	41.240.523	51.669.147
Non-Current Liabilities	1.633.652.466	174.032.458	1.807.684.924
Long Term Financial Liabilities	1.570.188.333	165.132.604	1.735.320.937
Long Term Provisions	28.539.483	8.899.854	37.439.337
Deferred Tax Liabilities	34.924.650	-	34.924.650
SHAREHOLDERS' EQUITY	1.639.429.984	(42.791.634)	1.596.638.350
Equity Attributable To Equity Holders' of the Parent	1.528.628.848	(141.862.799)	1.386.766.049
Share Capital	342.000.000	-	342.000.000
Inflation Adjustments on Equity Items	108.056.201	-	108.056.201
Accumulated Other Comprehensive Income not to be Reclassified Under Profit and Loss			
- Actuarial Loss on Post-Employment Termination	(373.480)	(37.156)	(410.636)
- Investment Property Valuation Funds	5.231.735	-	5.231.735
Accumulated Other Comprehensive Income to be Reclassified Under Profit and Loss			
- Financial Assets Valuation Fund	539.968.646	-	539.968.646
Restricted Reserves Appropriated from Profits	112.116.833	-	112.116.833
Retained Earnings	161.340.007	(179.323.961)	(17.983.954)
Net Profit For The Period	260.288.906	37.498.318	297.787.224
Non-Controlling Interest	110.801.136	99.071.165	209.872.301
TOTAL LIABILITIES AND EQUITY	3.926.587.554	1.262.027.774	5.188.615.328

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

2.3 Comparative Information and Restatement of Prior Period Consolidated Financial Statements (cont'd)

1 January-30 September 2015 Statements of income	Reported Previous Period 1 January- 30 September 2015	Effects of Restatement	Restated Previous Period 1 January- 30 September 2015
Revenue	2.215.147.956	522.441.402	2.737.589.358
Cost of Sales	(1.727.400.656)	(386.376.114)	(2.113.776.770)
GROSS PROFIT FROM OPERATIONS	487.747.300	136.065.288	623.812.588
Research and Development Expenses	(5.160.000)	(187.042)	(5.347.042)
Marketing, Sales and Distribution Expenses	(175.803.777)	(87.649.617)	(263.453.394)
General Administrative Expenses	(55.646.405)	(27.850.059)	(83.496.464)
Other Operating Income	67.087.729	17.394.846	84.482.575
Other Operating Expenses	(46.389.158)	(10.003.588)	(56.392.746)
OPERATING PROFIT FROM MAIN OPERATIONS	271.835.689	27.769.828	299.605.517
Income from Investment Activities	423.237.926	344.714.271	767.952.197
Expenses from Investment Activities	(88.661.517)	(1.569)	(88.663.086)
OPERATING PROFIT BEFORE FINANCIAL INCOME AND EXPENSES	606.412.098	372.482.530	978.894.628
Financial Income	27.428.883	(656.573)	26.772.310
Financial Expenses	(439.889.721)	(339.700.869)	(779.590.590)
PROFIT BEFORE TAX	193.951.260	32.125.088	226.076.348
Tax Expense	(27.834.075)	(6.110.994)	(33.945.069)
Tax on Income	(40.701.334)	(6.701.620)	(47.402.954)
Deferred Tax Income	12.867.259	590.626	13.457.885
PROFIT FOR THE PERIOD	166.117.185	26.014.094	192.131.279

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

2.3 Comparative Information and Restatement of Prior Period Consolidated Financial Statements (cont'd)

1 July-30 September 2015 Statements of income	Reported Previous Period 1 July- 30 September 2015	Effects of Restatement	Restated Previous Period 1 July-30 September 2015
Revenue	704.239.573	117.562.893	821.802.466
Cost of Sales	(558.132.452)	(81.176.421)	(639.308.873)
GROSS PROFIT FROM OPERATIONS	146.107.121	36.386.472	182.493.593
Research Expenses (-)	(1.591.577)	(128.333)	(1.719.910)
Marketing, Sales and Distribution Expenses	(47.952.292)	(27.010.188)	(74.962.480)
General Administrative Expenses	(17.289.975)	(12.131.173)	(29.421.148)
Other Operating Income	25.483.302	2.399.613	27.882.915
Other Operating Expenses	(19.919.356)	5.901.560	(14.017.796)
OPERATING PROFIT FROM MAIN OPERATIONS	84.837.223	5.417.951	90.255.174
Income from Investment Activities	222.756.371	175.348.069	398.104.440
Expenses from Investment Activities	(24.012.630)	31	(24.012.599)
OPERATING PROFIT BEFORE FINANCIAL INCOME AND EXPENSES	283.580.964	180.766.051	464.347.015
Financial Income	3.613.173	(656.573)	2.956.600
Financial Expenses	(235.053.917)	(173.089.145)	(408.143.062)
PROFIT BEFORE TAX	52.140.220	7.020.333	59.160.553
Tax Expense	(2.053.036)	(3.273.397)	(5.326.433)
Tax on Income	(7.452.336)	(3.467.594)	(10.919.930)
Deferred Tax Income	5.399.300	194.197	5.593.497
PROFIT FOR THE PERIOD	50.087.184	3.746.936	53.834.120

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**NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR
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3. BUSINESS COMBINATIONS

The Company purchased 20.250.000 shares of İstanbul Gıda Dış Ticaret A.Ş. from Yıldız Holding A.Ş., who is 100% shareholder, for an amount of TRY 43 million as of 31 March 2016. The net assets acquired and the effects of transaction in equity are presented as follows:

Net Assets within the Scope of Consolidation	Asset/(Liability)
Current Assets	
Cash and cash equivalents	2.107.616
Trade receivables	180.630.937
Other receivables	1.061.196.715
Other current assets	21.474.982
Non-Current Assets	
Tangible and intangible assets (Net)	2.882.635
Other non-current assets	1.707.255
Current Liabilities	
Financial liabilities	(877.541.939)
Trade payables	(155.346.116)
Other current liabilities	(57.421.414)
Non-Current Liabilities	
Financial liabilities	(145.809.229)
Other non-current liabilities	(4.132.149)
Net Assets added into the scope of consolidation	29.749.293
Total share of the Group ownership	100,0%
The portion of the net assets to Group	29.749.293
Cash paid for the acquisition	(43.000.000)
Net Equity Impact from the acquisition of subsidiary	(13.250.707)

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3. BUSINESS COMBINATIONS (cont'd)

The Company purchased 51.0% shares of UI Egypt B.V., operating in Netherlands, from Yıldız Holding A.Ş. for an amount of USD 30 million as of 31 March 2016. As a result of the transaction, the Company has gained the controlling power in UI Egypt B.V. and Hi Food for Advanced Food Industries, which UI Egypt B.V. has 90% shares. The net assets acquired and the effects of transaction in equity are presented as follows:

Net Assets within the Scope of Consolidation	Asset/(Liability)
Current Assets	
Cash and cash equivalents	2.488.891
Trade receivables	10.833.046
Other receivables	5.195.245
Other current assets	36.779.487
Non-Current Assets	
Tangible and intangible assets (Net)	112.375.536
Current Liabilities	
Financial liabilities	(20.065.284)
Trade payables	(16.867.164)
Other current liabilities	(6.367.205)
Non-Current Liabilities	
Financial liabilities	(19.686.374)
Other non-current liabilities	(20.084.669)
Net Assets added into the scope of consolidation	84.601.509
Minority shares	8.481.038
Total share of the Group ownership	51,0%
The portion of the net assets to Group	38.821.440
Cash paid for the acquisition	(86.199.000)
Net Equity Impact from the acquisition of subsidiary	(47.377.560)

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ÜLKER BİSKÜVİ SANAYİ A.Ş. AND ITS SUBSIDIARIES

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3. BUSINESS COMBINATIONS (cont'd)

The Company purchased 100.0% shares of Sabourne Investments Limited from Yıldız Holding A.Ş. for an amount of USD 50 million as of 27 June 2016. As a result of the transaction, the Company has gained the controlling power in Food Manufacturers' Company, which Sabourne Investments Limited. has 55.0% shares and the controlling power in Food Manufacturers' Company for Distribution, which Food Manufacturers' Company has 95.0% shares. The net assets acquired and the effects of transaction in equity are presented as follows:

Net Assets within the Scope of Consolidation	Asset/(Liability)
Current Assets	
Cash and cash equivalents	20.739.660
Trade receivables	44.777.045
Other receivables	745.081
Other current assets	68.509.347
Non-Current Assets	
Tangible and intangible assets (Net)	99.047.045
Current Liabilities	
Financial liabilities	(7.063.661)
Trade payables	(75.796.136)
Other current liabilities	(27.658.240)
Non-Current Liabilities	
Other non-current liabilities	(5.968.579)
Net Assets added into the scope of consolidation	117.331.562
Minority shares	53.291.094
Total share of the Group ownership	100,0%
The portion of the net assets to Group	64.040.468
Cash paid for the acquisition	(145.275.000)
Net Equity Impact from the acquisition of subsidiary	(81.234.532)

4. SEGMENTAL INFORMATION

The Group's core business activities are manufacturing and marketing of biscuit, chocolate, chocolate coated biscuit, wafer, and cake. The reports reviewed routinely by the decision makers of the Group comprise consolidated numbers of Ülker Bisküvi Sanayi A.Ş. and its subsidiaries.

Since the Group has operations in only one production area and the magnitude of foreign operations is under limits which is mentioned TFRS 8 and the decision makers use the consolidated reports, segmental reporting in accordance with TFRS 8 have not been provided in the accompanying consolidated financial statements.

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5. CASH AND CASH EQUIVALENTS

	30 September 2016	31 December 2015
Cash	1.244.767	324.344
Demand deposits	39.771.482	28.881.703
Time deposits (*)	1.638.878.067	1.315.181.835
	1.679.894.316	1.344.387.882

(*) TL 1.578.960.067 of time deposits consist of overnights (31 December 2015: TRY 1.315.181.835).

Details of time deposits are shown below:

Currency Type	Annual Weighted Average Effective Interest Rate (%)	Maturity	30 September 2016
TRY	10,70%	October 2016	66.644.079
USD	1,01%	October 2016	1.336.942.378
EUR	1,85%	October 2016	235.291.610
			1.638.878.067

Currency Type	Annual Weighted Average Effective Interest Rate (%)	Maturity	31 December 2015
EUR	1,59%	January 2016	533.399.795
USD	2,47%	January 2016	781.782.040
			1.315.181.835

6. FINANCIAL INVESTMENTS

<u>Short Term Financial Investments:</u>	30 September 2016	31 December 2015
Available for sale financial assets	629.562	704.437
	629.562	704.437

<u>Long Term Financial Investments:</u>	30 September 2016	31 December 2015
Available for sales financial assets	764.675.053	765.334.184
	764.675.053	765.334.184

<u>Long Term Available for Sale Financial Investments</u>	%	30 September 2016	%	31 December 2015
G New, Inc	12,20%	196.711.611	12,20%	196.711.611
Godiva Belgium BVBA	19,23%	537.772.863	19,23%	537.772.863
BİM Birleşik Mağazalar A.Ş.	0,20%	29.990.461	0,20%	30.649.592
Other		200.118		200.118
		764.675.053		765.334.184

Available for sale financial assets are presented at their fair values. The after tax difference belonging to equity holder of TRY 539.394.632 as of 30 September 2016 (30 September 2015: TRY 317.484.345) in the fair values of such assets has directly been presented in other comprehensive income under equity.

As the expected value gaps for available for sale financial assets of TRY 200.118 (31 December 2015: TRY 200.118) that are not traded in an active market are high and expected values are not reliably measured, these have been presented at historical cost in accompanying consolidated financial statements.

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7. FINANCIAL LIABILITIES

	30 September 2016	31 December 2015
Short Term Liabilities	350.292.101	924.954.546
Short Term Portion of Long Term Liabilities	206.354.138	34.835.819
Long Term Liabilities	1.841.163.227	1.735.320.937
	2.397.809.466	2.695.111.302
<u>Short Term Liabilities</u>	<u>30 September 2016</u>	<u>31 December 2015</u>
Bank Loans	315.090.687	924.954.546
Non-Trade Payables to Related Parties (Note 21)	35.201.414	-
	350.292.101	924.954.546
<u>Short Term Portion of Long Term Liabilities</u>	<u>30 September 2016</u>	<u>31 December 2015</u>
Bank Loans	206.258.477	34.472.820
Financial Lease Payables	95.661	362.999
	206.354.138	34.835.819
<u>Long Term Liabilities</u>	<u>30 September 2016</u>	<u>31 December 2015</u>
Bank Loans	1.841.097.591	1.735.254.707
Financial Lease Payables	65.636	66.230
	1.841.163.227	1.735.320.937

The syndication loan has received as of 26 November 2014. Details of Group's syndication loans are as follows;

Syndication loan consists of two credit trenches which are USD 284.500.000 and EUR 211.823.840. 26 international banks joined to the syndication. Effective interest rate for both credit trenches is Libor + 2.75% and the maturity date is November 2017. Principal payments of the loans are repaid at maturity with semi-annual interest payments.

The covenants which belong to syndication loan are as follows:

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

b) **Interest Coverage:** Consolidated interest coverage ratio of the Group should be at least 3 to 1.

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

Bank Loans:

30 September 2016

<u>Currency</u>	<u>Maturity</u>	<u>Annual Effective Weighted Average Interest Rate (%)</u>	<u>Short Term</u>	<u>Long Term</u>
TRY	October 2016-January 2021	Spot-12,75%	48.843.684	203.500.000
EUR	November 2016-June 2020	2,76%	26.195.016	774.870.317
USD	October 2016-February 2019	3,46%	465.709.123	859.957.312
EGP	October 2016-October 2018	14,00%	1.906.698	2.769.962
SAR	January 2017	1,53%	13.896.057	-
			556.550.578	1.841.097.591

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7. FINANCIAL LIABILITIES (cont'd)

31 December 2015

<u>Currency</u>	<u>Maturity</u>	<u>Annual Effective Weighted Average Interest Rate (%)</u>	<u>Short Term</u>	<u>Long Term</u>
TRY	January 2016-July 2016	Spot	1.398.009	-
EUR	February 2016-June 2020	2,76%	84.733.636	750.209.544
USD	January 2016-November 2017	3,18%	855.399.919	978.876.603
EGP	November 2016-September 2019	14,00%	10.832.140	6.168.560
SAR	August 2016	1,43%	7.063.662	-
			<u>959.427.366</u>	<u>1.735.254.707</u>

The maturity detail of the bank loans is as follows:

	<u>30 September 2016</u>	<u>31 December 2015</u>
to be paid within 1 year	556.550.578	959.427.366
to be paid within 1-2 years	1.779.477.096	1.663.088.205
to be paid within 2-3 years	33.381.181	27.348.086
to be paid within 3-4 years	24.239.314	25.682.363
to be paid within 4-5 years	4.000.000	19.136.053
	<u>2.397.648.169</u>	<u>2.694.682.073</u>

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8. TRADE RECEIVABLES AND PAYABLES

	30 September 2016	31 December 2015
Short Term Due from Related Parties		
Due from related parties (Note 21) (net)	629.283.346	572.853.651
	629.283.346	572.853.651
Other Trade Receivables		
Trade receivables (net)	147.137.842	194.387.255
Notes receivables (net)	806.269	1.105.172
Provision for doubtful receivables	(5.585.571)	(4.944.814)
	142.358.540	190.547.613
Total Short Term Trade Receivables	771.641.886	763.401.264
	30 September 2016	31 December 2015
Long Term Due from Related Parties		
Due from related parties (Note 21)	6.440.688	6.196.664
Total Long Term Trade Receivables	6.440.688	6.196.664

Trade receivables are disclosed at discounted net realizable value using the effective yield method. Net realizable value has been calculated over discount rate of 11.5% (2015: 12.9%) based on the Group's cash sales. The provision for trade receivables is provided for based on the estimated irrecoverable amounts from the sale of goods, determined by reference to past default experience.

The movement of the allowance for doubtful receivables as of 30 September 2016 and 2015 is as follows:

	1 January- 30 September 2016	1 January- 30 September 2015
Opening balance	(4.944.814)	(1.550.365)
Charge for the period	(536.083)	(140.629)
Currency translation adjustments	(113.124)	-
Collections	8.450	8.655
Closing balance	(5.585.571)	(1.682.339)
	30 September 2016	31 December 2015
Short Term Trade Payables		
Due to related parties (Note 21) (net)	249.303.790	309.288.490
Trade payables (net)	168.309.899	284.598.178
	417.613.689	593.886.668

Trade payables are disclosed at discounted net realizable value using the effective yield method. Net realizable value has been calculated over discount rate of 11.5% (2015: 12.9%) based on the Group's cash sales.

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9. OTHER RECEIVABLES AND PAYABLES

	30 September 2016	31 December 2015
Short Term Other Receivables		
Due from related parties (Note 21)	1.777.934	786.329.934
Short term other receivables	23.761.107	37.263.138
	25.539.041	823.593.072
Other Short Term Receivables		
VAT receivables	12.345.663	15.463.094
Receivables from employees	1.558.436	1.278.441
Deposits and guarantees given	1.348.487	1.185.520
Insurance compensation receivables	-	13.319.191
Other	8.508.521	6.016.892
	23.761.107	37.263.138
Other Long Term Receivables		
Deposits and guarantees given	179.401	176.911
	179.401	176.911

10. INVENTORIES

Inventory details are as follows:

	30 September 2016	31 December 2015
Raw materials	122.206.392	134.649.764
Work in progress	14.151.904	11.270.572
Finished goods	148.783.342	158.396.641
Trade goods	4.835.220	-
Other inventories	22.860.752	22.970.612
Allowance for impairment on inventory (-)	(8.822.323)	(8.783.613)
	304.015.287	318.503.976

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

The movement of allowance for impairment on inventory for the periods ended 30 September 2016 and 2015 are below:

	1 January- 30 September 2016	1 January- 30 September 2015
Opening balance	(8.783.613)	(3.555.919)
Charge for the period	(3.318.004)	(3.189.301)
Provisions released	3.279.294	522.182
Closing balance	(8.822.323)	(6.223.038)

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11. INVESTMENT PROPERTIES

	1 January- 30 September 2016	1 January- 30 September 2015
Opening balance	12.904.161	12.056.876
Charge for the period	(10.784)	(12.008)
Closing balance	12.893.377	12.044.868

The fair value of the Group's investment properties at 31 December 2015 and 2014 have been calculated on the basis of a valuation carried out at that date by 31 December 2015 and 1 December 2014, by independent valuers not related to the Group. EVA Gayrimenkul Değerleme Danışmanlık A.Ş. is one of the accredited independent valuers by Capital Markets Board of Turkey, and has appropriate qualifications and recent experience in the valuation of properties in the relevant locations. The valuation, which conforms to International Valuation Standards, based on market evidence of transaction prices for similar properties.

As explained details in Note 1, the increase in fair value of additions arising from "Transaction Under Common Control" is expected not material impact on the condensed consolidated financial statements by Group management. The Group management will reevaluate fair value increase of additions at the year-end.

The rent income earned by the Group from its investment properties amounting to TRY 982.547 (30 September 2015: TRY 1.066.590) within the current period. Direct operating expenses arising from the investment properties in the current period amounting to TRY 39.467 (30 September 2015: TRY 58.137).

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12. PROPERTY, PLANT AND EQUIPMENT

Movements of tangible assets between 1 January 2016 – 30 September 2016 are as follows:

Cost	1 January 2016	Addition	Disposal	Transfers (Note 13)	Currency translation adjustments	30 September 2016
Land	16.458.202	163.277	-	-	(1.178.802)	15.442.677
Land improvements	7.803.257	112.437	-	137.695	-	8.053.389
Buildings	291.432.723	3.852.436	-	399.882	(735.103)	294.949.938
Machinery, plant and equipment	1.081.200.410	5.268.844	(11.690.232)	55.525.022	(3.132.905)	1.127.171.139
Vehicles	4.194.313	1.230.933	(375.879)	-	(100.404)	4.948.963
Furniture and fixtures	57.395.634	5.102.247	(161.179)	1.117.309	(14.779)	63.439.232
Leasehold improvements	19.930.469	2.011.986	-	2.429.007	-	24.371.462
Other tangible assets	4.847.122	1.169.878	-	-	169.860	6.186.860
Construction in progress	164.296.470	164.325.865	-	(59.673.951)	(2.683.828)	266.264.556
	1.647.558.600	183.237.903	(12.227.290)	(65.036)	(7.675.961)	1.810.828.216
Accumulated Depreciation	1 January 2016	Charge for the period	Disposal	Transfers	Currency translation adjustments	30 September 2016
Land improvements	(3.250.227)	(291.479)	-	-	-	(3.541.706)
Buildings	(98.063.139)	(7.138.831)	-	-	(242.697)	(105.444.667)
Machinery, plant and equipment	(592.709.768)	(45.852.350)	4.112.095	-	836.229	(633.613.794)
Vehicles	(3.149.816)	(271.500)	203.972	-	24.322	(3.193.022)
Furniture and fixtures	(43.818.632)	(4.239.641)	124.789	-	(18.671)	(47.952.155)
Leasehold improvements	(12.061.210)	(1.304.564)	-	-	-	(13.365.774)
Other tangible assets	(3.028.501)	(703.687)	-	-	(94.941)	(3.827.129)
	(756.081.293)	(59.802.052)	4.440.856	-	504.242	(810.938.247)
Net Book Value	891.477.307					999.889.969

From depreciation and amortization expenses, TRY 55.286.944 (30 September 2015: TRY 50.603.244) is included in cost of goods sold, TRY 225.022 (30 September 2015: TRY 226.726) is included in research and development expenses, TRY 1.120.185 (30 September 2015: TRY 1.635.858) is included in marketing and selling expenses and TRY 3.842.712 (30 September 2015: TRY 2.727.020) is included in general administrative expenses. There is no collateral or mortgage on fixed assets. There is no fixed assets acquired through leasing in the current period. In 2016, the Group has capitalized TRY 2.574.189 interest and TRY 7.163.466 foreign exchange losses with regards to borrowings and accounted for such borrowing costs under construction in progress (30 September 2015: TRY 2.456.909 interest, TRY 3.503.861 foreign exchange losses).

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

Movement of tangible assets between 1 January - 30 September 2015 are as follows:

Cost	1 January 2015	Addition	Disposal	Transfers (Note 13)	30 September 2015
Land	3.386.659	8.137.040	(10.000)	-	11.513.699
Land improvements	7.191.876	29.765	-	-	7.221.641
Buildings	240.912.607	347.396	(45.550)	307.002	241.521.455
Machinery, plant and equipment	789.041.606	5.724.456	(2.977.039)	25.291.641	817.080.664
Vehicles	931.045	-	(24.526)	41.584	948.103
Furniture and fixtures	47.871.465	2.249.255	(262.869)	732.986	50.590.837
Leasehold improvements	16.891.825	1.052.011	(125.920)	-	17.817.916
Other tangible assets	1.396	-	-	-	1.396
Construction in progress	49.810.642	87.822.247	(592.550)	(26.828.972)	110.211.367
	1.156.039.121	105.362.170	(4.038.454)	(455.759)	1.256.907.078
Accumulated Depreciation	1 January 2015	Charge for the period	Disposal	Transfers	30 September 2015
Land improvements	(2.893.688)	(352.033)	-	-	(3.245.721)
Buildings	(74.104.335)	(7.035.314)	-	-	(81.139.649)
Machinery, plant and equipment	(459.348.671)	(43.479.584)	1.472.587	-	(501.355.668)
Vehicles	(809.255)	(30.350)	11.753	-	(827.852)
Furniture and fixtures	(38.246.315)	(2.601.497)	192.808	-	(40.655.004)
Leasehold improvements	(10.918.860)	(957.396)	34.130	-	(11.842.126)
Other tangible assets	(1.396)	-	-	-	(1.396)
	(586.322.520)	(54.456.174)	1.711.278	-	(639.067.416)
Net Book Value	569.716.601				617.839.662

There is no fixed assets acquired through leasing in the related period. There is no collateral or mortgage on fixed assets.

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

The useful lives of tangible assets are as follows:

	Useful life
Land improvements	10 - 50 years
Buildings	25 - 50 years
Machinery and equipment	4 - 15 years
Vehicles	4 - 10 years
Furniture and fixtures	3 - 10 years
Other tangible assets	4 - 10 years
Leasehold improvements	During rent period

13. INTANGIBLE ASSETS

Movements of intangible assets between 1 January 2016 – 30 September 2016 are as follows:

Cost	1 January 2016	Addition	Disposals	Transfers (Note 12)	30 September 2016
Rights	2.442.307	78.250	-	65.036	2.585.593
Development costs	675.004	-	-	-	675.004
Other intangible assets	2.636.278	33.425	(53.625)	-	2.616.078
	5.753.589	111.675	(53.625)	65.036	5.876.675
Accumulated amortization	1 January 2016	Charge for the Period	Disposals	Transfers	30 September 2016
Rights	(2.028.211)	(178.236)	-	-	(2.206.447)
Development costs	(222.292)	(101.251)	-	-	(323.543)
Other intangible assets	(1.694.209)	(382.540)	53.625	-	(2.023.124)
	(3.944.712)	(662.027)	53.625	-	(4.553.114)
Net Book Value	1.808.877				1.323.561

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13. INTANGIBLE ASSETS (cont'd)

Movements of intangible assets between 1 January 2015 – 30 September 2015 are as follows:

Cost	1 January 2015	Addition	Disposals	Transfers (Note 12)	30 September 2015
Rights	2.444.195	-	(210.242)	-	2.233.953
Development costs	675.004	-	-	-	675.004
Other intangible assets	1.858.963	257.819	-	455.759	2.572.541
	4.978.162	257.819	(210.242)	455.759	5.481.498
Accumulated amortization	1 January 2015	Charge for the Period	Disposals	Transfers	30 September 2015
Rights	(1.928.752)	(216.065)	210.242	18.200	(1.916.375)
Development costs	(121.041)	(101.251)	-	-	(222.292)
Other intangible assets	(1.104.905)	(407.350)	-	(18.200)	(1.530.455)
	(3.154.698)	(724.666)	210.242	-	(3.669.122)
Net Book Value	1.823.464				1.812.376

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

	Useful Life
Rights	2 - 15 years
Other intangible assets	2 - 12 years

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14. PROVISIONS, CONTINGENT ASSETS AND LIABILITIES

Guarantees given:

(Foreign currency amounts are shown in original currencies)

	30 September 2016		31 December 2015	
	TRY	USD	TRY	USD
A) GPMs (Guarantees, Provisions and Mortgages) given for companies own legal personality	38.488.743	64.900	44.046.870	64.900
B) GPMs given on behalf of fully consolidated companies	-	-	-	-
C) GPMs given for continuation of its economic activities on behalf of third parties	-	-	-	-
D) Total amount of other GPMs	-	147.000.000	50.000.000	147.000.000
i. Total amount GPMs given on behalf of the majority shareholder	-	147.000.000	50.000.000	147.000.000
(*)				
ii. Total amount of GPMs given to on behalf of other group companies which are not in scope of B and C	-	-	-	-
iii. Total amount of GPMs given on behalf of third parties which are not in scope of consolidation	-	-	-	-
Total	38.488.743	147.064.900	94.046.870	147.064.900

(*) The GPMs provided on behalf of majority shareholder come from the bank loans obtained in previous years and the closing process for USD balance is still in progress as of balance sheet date considering the maturities of loans. Meanwhile, TRY balance has been closed at the current period. The ratio of other CPMs to the Group's equity as of 30 September 2016 is 29.0% (31 December 2015: 31.2%).

15. REVENUE AND COST OF SALES

The detail of the operational income is as follows:

	1 January- 30 September 2016	1 July- 30 September 2016	1 January- 30 September 2015	1 July- 30 September 2015
Domestic sales	3.072.741.776	931.674.485	2.886.731.360	899.345.120
Export sales	541.214.064	131.410.112	644.423.848	159.439.328
Sales returns and discounts (-)	(818.674.775)	(248.348.902)	(793.565.850)	(236.981.982)
Revenue (net)	2.795.281.065	814.735.695	2.737.589.358	821.802.466
Cost of goods sold (-)	(1.954.808.530)	(552.973.058)	(1.906.671.547)	(589.333.504)
Cost of trade goods sold (-)	(196.570.155)	(92.505.387)	(207.105.223)	(49.975.369)
Cost of Sales	(2.151.378.685)	(645.478.445)	(2.113.776.770)	(639.308.873)
Gross Profit	643.902.380	169.257.250	623.812.588	182.493.593

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16. EXPENSES BY NATURE

The detail of operating expenses is as follows:

	1 January- 30 September 2016	1 July- 30 September 2016	1 January- 30 September 2015	1 July- 30 September 2015
Research Expenses				
Personnel expenses	(2.638.030)	(723.887)	(2.657.764)	(791.410)
Materials used	(1.373.626)	(277.394)	(980.850)	(298.908)
Depreciation and amortization expenses	(225.022)	(72.955)	(226.726)	(76.481)
Other	(1.435.586)	(313.008)	(1.481.702)	(553.111)
	(5.672.264)	(1.387.244)	(5.347.042)	(1.719.910)
Marketing Expenses				
Marketing operating expenses	(185.278.376)	(43.915.947)	(212.903.950)	(54.382.920)
Personnel expenses	(37.278.220)	(10.080.379)	(38.494.907)	(16.165.365)
Rent expenses	(4.957.542)	(1.701.494)	(4.354.863)	(1.449.918)
Depreciation and amortization expenses	(1.120.185)	(389.817)	(1.635.858)	(507.541)
Other	(13.310.838)	(4.267.184)	(6.063.816)	(2.456.736)
	(241.945.161)	(60.354.821)	(263.453.394)	(74.962.480)
General Administration Expenses				
Personnel expenses	(37.073.822)	(10.454.599)	(39.065.650)	(12.840.433)
Operating expenses (*)	(29.437.503)	(8.688.014)	(31.194.276)	(11.351.937)
Depreciation and amortization expenses	(3.842.712)	(1.497.570)	(2.727.020)	(1.012.882)
Consultancy expenses	(3.717.618)	(1.459.438)	(2.557.476)	(1.499.690)
Other	(10.789.390)	(2.577.721)	(7.952.042)	(2.716.206)
	(84.861.045)	(24.677.342)	(83.496.464)	(29.421.148)

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

17. FINANCIAL INCOME

	1 January- 30 September 2016	1 July- 30 September 2016	1 January- 30 September 2015	1 July- 30 September 2015
Foreign exchange gain	117.376.250	23.607.172	26.772.310	2.956.600
Other	3.176.474	856.449	-	-
	120.552.724	24.463.621	26.772.310	2.956.600

18. FINANCIAL EXPENSES

	1 January- 30 September 2016	1 July- 30 September 2016	1 January- 30 September 2015	1 July- 30 September 2015
Foreign exchange losses from financing	(198.004.888)	(100.134.946)	(722.730.118)	(387.414.541)
Interest expenses	(54.531.237)	(14.081.440)	(52.513.553)	(20.299.703)
Other	(4.834.998)	(1.595.393)	(4.346.919)	(428.818)
	(257.371.123)	(115.811.779)	(779.590.590)	(408.143.062)

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19. TAX ASSETS AND LIABILITIES

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

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

The rate applied in the calculation of deferred tax assets and liabilities for entities in Turkey and Saudi Arabia is 20% (2015: 20%) for entity in Egypt 25% (2015: 25%).

Deferred tax bases:

	30 September 2016	31 December 2015	30 September 2016	31 December 2015
Indexation and useful life differences of tangible and intangible assets	-	-	173.431.311	163.530.691
Investment properties valuation differences	-	-	11.308.157	11.284.955
Marketable securities valuation differences	-	-	568.627.288	569.361.288
Profit margin elimination on inventories	(1.401.200)	(121.610)	-	-
Discount of trade receivables / payables (net)	(2.759.850)	(1.773.475)	-	-
Allowance of employee termination benefits	(33.227.456)	(29.412.870)	-	-
Provision of doubtful receivables	(629.175)	(444.845)	-	-
Previous year losses	(832.325)	(2.305.687)	-	-
Provision for lawsuits	(5.562.926)	(4.312.538)	-	-
Impairment on inventories	(5.132.320)	(5.312.140)	-	-
Unused vacation provision	(10.712.703)	(9.771.720)	-	-
Other	(7.595.539)	(17.863.961)	11.816.836	14.534.512
	(67.853.494)	(71.318.846)	765.183.592	758.711.446

Deferred tax (assets) / liabilities:

	30 September 2016	31 December 2015	30 September 2016	31 December 2015
Indexation and useful life differences of tangible and intangible assets	-	-	34.686.262	32.706.138
Investment properties valuation differences	-	-	565.408	564.248
Marketable securities valuation differences	-	-	28.431.364	28.468.064
Profit margin elimination on inventories	(280.240)	(24.322)	-	-
Discount of trade receivables / payables (net)	(551.970)	(354.695)	-	-
Allowance of employee termination benefits	(6.645.491)	(5.882.574)	-	-
Provision of doubtful receivables	(125.835)	(88.969)	-	-
Previous year losses	(166.465)	(461.137)	-	-
Provision for lawsuits	(1.112.585)	(862.508)	-	-
Impairment on inventories	(1.026.464)	(1.062.428)	-	-
Unused vacation provision	(2.142.541)	(1.954.344)	-	-
Investment allowance	(31.673.660)	(32.736.325)	-	-
Other	(1.519.108)	(3.572.792)	2.363.367	2.853.707
	(45.244.359)	(47.000.094)	66.046.401	64.592.157

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19. TAX ASSETS AND LIABILITIES (cont'd)

<u>Movement of Deferred Tax Liabilities:</u>	<u>1 January – 30 September 2016</u>	<u>1 January – 30 September 2015</u>
Opening balance	17.592.063	21.343.928
Taxes netted against funds recognised under equity	(208.856)	236.284
Deferred tax (loss)/gain	<u>3.418.835</u>	<u>(13.457.885)</u>
Closing balance	<u>20.802.042</u>	<u>8.122.327</u>

Corporate Tax

The Company and its Turkish subsidiaries are subject to Turkish corporate taxes. Provision is made in the accompanying financial statements for the estimated charge based on the Group's results for the period.

Corporate tax is applied on taxable corporate income, which is calculated from the statutory accounting profit by adding back non-deductible expenses, and by deducting dividends received from resident companies, other exempt income and investment incentives utilized.

The effective tax rate in 30 September 2016 is 20% (2015: 20%).

In Turkey, advance tax returns are filed on a quarterly basis. The advance corporate income tax rate is 20% in 2016 (31 December 2015: 20%).

Losses are allowed to be carried five years maximum to be deducted from the taxable profit of the following years. However, losses occurred cannot be deducted from the profit occurred in the prior years retroactively.

In Turkey, there is no procedure for a final and definitive agreement on tax assessments. Companies file their tax returns between 1st -25th of April following the close of the accounting year to which they relate. The companies with special accounting periods, file their tax returns between 1st-25th of fourth month after fiscal year end. Tax authorities may, however, examine such returns and the underlying accounting records and may revise assessments within five years.

In Turkey, the tax legislation does not permit to file a consolidated tax return. Therefore, provision for taxes, as reflected in the consolidated financial statements, has been calculated on a separate-entity basis.

Until 31 December 2018, Hi Food for Advanced Food Industries, the Group's subsidiary, is exempt from corporate tax for earnings gained from operating activities due to tax incentives made within the scope of foreign trade legislation. The corporation tax rate in Saudi Arabia where Food Manufacturers' Company, a subsidiary of the Group is 20% (2015: 20%).

Income withholding tax

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

Provision for taxation as of 30 September 2016 and 31 December 2015 are as follows:

	<u>30 September 2016</u>	<u>31 December 2015</u>
Total corporate tax provision	(56.813.314)	(53.251.248)
Prepaid taxes and funds	<u>41.146.073</u>	<u>43.736.860</u>
Taxation in the balance sheet	<u>(15.667.241)</u>	<u>(9.514.388)</u>
	<u>1 January - 30 September 2016</u>	<u>1 January - 30 September 2015</u>
Current year corporate tax provision	56.813.314	47.402.954
Deferred tax (expense)/income	<u>3.418.835</u>	<u>(13.457.885)</u>
Taxation in the income statement	<u>60.232.149</u>	<u>33.945.069</u>

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20. EARNINGS PER SHARE

A summary of the Group's weighted average number of shares outstanding as of 30 September 2016 and 30 September 2015 and computation of earnings per share set out here as follows:

	1 January - 30 September 2016	1 January - 30 September 2015
Weighted average number of common stock outstanding	34.200.000.000	34.200.000.000
Net profit	232.159.442	170.947.331
Basic Earnings Per Share (TRY 1 par value each)	0,68	0,50

21. BALANCES AND TRANSACTIONS WITH RELATED PARTIES

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

	30 September 2016	31 December 2015
Trade receivables	635.724.034	579.050.315
Non-trade receivables	1.777.934	786.329.934
	637.501.968	1.365.380.249

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

	30 September 2016		31 December 2015	
	Trade	Non-Trade	Trade	Non-Trade
<i>Principle Shareholders</i>				
Yıldız Holding A.Ş.	-	-	-	546.424.794
<i>Other Companies Controlled by the Principle Shareholder and Ülker Family</i>				
Horizon Hızlı Tük. Ür. Paz. Sat. ve Tic. A.Ş.	360.337.110	-	257.572.982	-
Pasifik Tük. Ürün. Satış Ve Ticaret A.Ş.	190.728.018	-	186.668.812	-
Teközel Gıda T.Sağ. Mrk. Hiz. San. Tic. A.Ş.	28.862.553	-	44.551.045	-
Misbis Gıda San. Tic. A.Ş.	1.990.685	1.656.101	3.608.941	7.297.899
Önem Gıda San. ve Tic. A.Ş.	308.137	-	363.154	-
Natura Gıda San. ve Tic. A.Ş.	1.342.011	-	427.371	-
Besler Gıda ve Kimya San. ve Tic. A.Ş.	-	-	-	232.607.241
Rekor Gıda Paz. San. ve Tic. A.Ş.	-	-	41.768.628	-
Other	52.155.520	121.833	44.089.382	-
	635.724.034	1.777.934	579.050.315	786.329.934

The Group's trade receivables from related parties mainly arise from sales to Horizon Hızlı Tüketim Ürünleri Pazarlama Satış ve Tic. A.Ş. and Pasifik Tük. Ürün. Satış ve Ticaret A.Ş. those make the sale and distribution of products throughout Turkey.

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

	30 September 2016	31 December 2015
Önem Gıda San. ve Tic. A.Ş.	83.878.505	112.601.084
	83.878.505	112.601.084

b) The detail of payables to related parties is as follows

	30 September 2016	31 December 2015
Trade payables	249.303.790	309.288.490
Non-trade payables	-	86.239.625
	249.303.790	395.528.115

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

The detail of payables to related parties is as follows:

	30 September 2016		31 December 2015	
	Trade	Non-Trade	Trade	Non-Trade
Principle Shareholder				
Yıldız Holding A.Ş.	14.323.138	-	20.751.901	-
Other Companies Controlled by the Principle Shareholder and Ülker Family				
Önem Gıda San. ve Tic. A.Ş.	170.017.664	-	199.902.805	-
Besler Gıda ve Kimya San. Tic. A.Ş.	32.037.017	-	42.355.406	-
Marsa Yağ San. ve Tic. A.Ş.	12.037.030	-	15.197.181	-
Maia International	-	-	-	86.199.000
CCC Gıda San. ve Tic. A.Ş.	5.841.458	-	10.295.813	-
Northstar Innovation A.Ş.	27.803	-	1.774.659	-
Other	15.019.680	-	19.010.725	40.625
	249.303.790	-	309.288.490	86.239.625

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

	30 September 2016	31 December 2015
Yıldız Holding A.Ş.	35.201.414	-
	35.201.414	-

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

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

	1 January - 30 September 2016		1 July - 30 September 2016		1 January - 30 September 2015		1 July - 30 September 2015	
	Purchases	Sales	Purchases	Sales	Purchases	Sales	Purchases	Sales
<i>Other Companies Controlled by the Principle Shareholder and Ülker Family</i>								
Önem Gıda San. ve Tic. A.Ş.	772.022.261	190.663	238.827.100	-	703.862.337	5.115.593	231.025.982	417.569
Besler Gıda ve Kimya San. ve Tic. A.Ş.	122.367.424	80.160	37.064.917	-	142.697.182	460.071	47.067.894	343.084
Marsa Yağ San. ve Tic. A.Ş.	39.243.369	352.228	11.564.494	119.681	39.722.580	500	12.599.229	500
Horizon Hızlı Tük. Ür. Paz. Sat. ve Tic. A.Ş.	1.179.607	1.246.949.969	984.483	388.197.485	-	1.099.375.103	-	356.187.076
Ak Gıda San. ve Tic. A.Ş. (*)	-	-	-	-	96.761.984	311.613	-	-
Pendik Nişasta San. A.Ş.	34.353.834	-	10.563.627	-	21.406.453	815	6.122.593	815
CCC Gıda San. ve Tic. A.Ş.	17.819.389	86.614	6.144.718	25.942	24.773.475	222.884	8.432.784	81.341
Teközel Gıda Tem. Sağ. Mark. Hizm. A.Ş.	85.360	109.070.096	79	26.875.925	-	135.763.646	-	39.477.475
Pasifik Tüketim Ürünleri Satış ve Tic. A.Ş.	32.000	620.578.808	32.000	189.969.456	1.228	545.345.102	-	167.039.290
Rekor Gıda Paz. San. ve Tic. A.Ş.	1.992.919	-	-	-	133.152	109.233.827	129.314	34.630.002
Other	47.590.610	168.137.362	1.107.588	51.626.105	55.128.045	56.228.569	11.982.332	19.089.549
	1.036.686.773	2.145.445.900	306.289.006	656.814.594	1.084.486.436	1.952.057.723	317.360.128	617.266.701

(*) Ak Gıda San. ve Tic. A.Ş. has been classified as third party due to sold by Yıldız Holding A.Ş. on 1 July 2015. For this reason; purchases and sales amounts between 1 January 2016 – 30 September 2016 reported as non-related party.

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

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

For the nine months period ended on 30 September 2016:

	Rent Income	Rent Expense	Service Income	Service Expense	Interest Income and Foreign exchange gain	Interest Expense and Foreign exchange loss
Principle Shareholder						
Yıldız Holding A.Ş.	44.592	(948)	29.775	(81.483.423)	207.987.882	(80.940.219)
Other Companies Controlled by the Principle Shareholder and Ülker Family						
Besler Gıda ve Kimya San. ve Tic. A.Ş.	-	-	43.675	(400.554)	5.053.070	(6.374.399)
Hüner Pazarlama San. ve Tic. A.Ş.	501.790	-	253.724	(78.009)	-	-
Horizon Hızlı Tük. Ür. Paz. Sat. ve Tic. A.Ş.	42.056	(111.703)	731.287	(7.536.486)	-	-
Önem Gıda San. ve Tic. A.Ş.	1.200.212	(16.273)	2.838.989	(23.321.845)	174.672	(2.422.147)
Marsa Yağ San. ve Tic. A.Ş.	5.253	-	31.300	-	125.733	(143.740)
Pasifik Tüketim Ürünleri Satış ve Tic. A.Ş.	119.722	-	48.752	(1.478.471)	-	-
Northstar Innovation A.Ş.	-	-	15.917	(153.343)	-	-
İzsal Gayrimenkul Geliştirme A.Ş.	22.464	(896.107)	9.383	(453.503)	-	-
Rekor Gıda Paz. San. ve Tic. A.Ş.	14.111	-	-	(34.933)	-	-
United Biscuits (UK) Ltd.	-	-	575.277	(149.509)	255.986	(74.151)
Other	11.548	(249.398)	728.898	(709.368)	4.502.536	(1.076.176)
	1.961.748	(1.274.429)	5.306.977	(115.799.444)	218.099.879	(91.030.832)

For the three months period between 1 July – 30 September 2016:

	Rent Income	Rent Expense	Service Income	Service Expense	Interest Income and Foreign exchange gain	Interest Expense and Foreign exchange loss
Principle Shareholder						
Yıldız Holding A.Ş.	14.864	-	16.080	(23.184.158)	94.511.414	(4.023.612)
Other Companies Controlled by the Principle Shareholder and Ülker Family						
Besler Gıda ve Kimya San. ve Tic. A.Ş.	-	-	9.454	-	103.981	(161.235)
Hüner Pazarlama San. ve Tic. A.Ş.	164.398	-	-	(54.305)	-	-
Horizon Hızlı Tük. Ür. Paz. Sat. ve Tic. A.Ş.	3.840	(28.032)	83.965	(806.559)	-	-
Önem Gıda San. ve Tic. A.Ş.	571.277	(3.654)	1.481.328	(6.976.416)	6.900	(1.254.743)
Marsa Yağ San. ve Tic. A.Ş.	1.765	-	11.214	-	-	(117.313)
Pasifik Tüketim Ürünleri Satış ve Tic. A.Ş.	40.841	-	4.586	(114.876)	-	-
Northstar Innovation A.Ş.	-	-	-	(24.309)	-	-
İzsal Gayrimenkul Geliştirme A.Ş.	7.488	(296.249)	5.649	(153.713)	-	-
İstanbul Gıda Dış Tic. A.Ş.	-	-	-	-	-	-
Rekor Gıda Paz. San. ve Tic. A.Ş.	-	-	-	(5.019)	-	-
United Biscuits (UK) Ltd.	-	-	6.631	(149.509)	255.986	-
Other	3.084	(39.503)	99.089	(190.885)	3.085.023	(183.341)
	807.557	(367.438)	1.717.996	(31.659.749)	97.963.304	(5.740.244)

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

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

For the nine months period ended on 30 September 2015:

	Rent Income	Rent Expense	Service Income	Service Income	Interest Income and Foreign exchange gain	Interest Expense and Foreign exchange loss
Principle Shareholder						
Yıldız Holding A.Ş.	79.239	(9.722)	1.113.385	(83.792.192)	537.337.024	(106.588.409)
Other Companies Controlled by the Principle Shareholder and Ülker Famil						
Besler Gıda ve Kimya San. ve Tic. A.Ş.	-	-	440.120	(1.590.261)	66.551.473	(1.246.015)
Hüner Pazarlama San. ve Tic. A.Ş.	477.942	-	279.200	(188.605)	-	-
Horizon Hızlı Tük. Ür. Paz. Sat. ve Tic. A.Ş.	37.520	(120.443)	239.556	(3.306.719)	-	-
Önem Gıda San. ve Tic. A.Ş.	1.059.728	(4.766)	4.041.310	(8.448.965)	45.126	(3.116.107)
Marsa Yağ San. ve Tic. A.Ş.	4.878	-	26.904	-	112.884	(1.873.386)
Pasifik Tüketim Ürünleri Satış ve Tic. A.Ş.	79.552	-	208.662	(862.807)	-	-
Northstar Innovation A.Ş.	-	-	62.954	(2.707)	-	-
İzsal Gayrimenkul Geliştirme A.Ş.	19.262	(902.612)	11.728	(480.089)	-	-
Rekor Gıda Paz. San. ve Tic. A.Ş.	138.034	-	453.743	(326.012)	-	-
Natura Gıda San. ve Tic. A.Ş.	-	-	62.110	-	-	-
Other	28.612	(859)	3.120.148	(1.298.543)	7.576.209	(4.782.926)
	1.924.767	(1.038.402)	10.059.820	(100.296.900)	611.622.716	(117.606.843)

For the three months period between 1 July – 30 September 2015:

	Rent Income	Rent Expense	Service Income	Service Income	Interest Income and Foreign exchange gain	Interest Expense and Foreign exchange loss
Principle Shareholder						
Yıldız Holding A.Ş.	15.976	(423)	99.129	(24.492.760)	288.318.118	(33.562.148)
Other Companies Controlled by the Principle Shareholder and Ülker Family						
Besler Gıda ve Kimya San. ve Tic. A.Ş.	-	-	17.820	(469.550)	37.005.654	(292.886)
Hüner Pazarlama San. ve Tic. A.Ş.	161.349	-	84.508	(47.077)	-	-
Horizon Hızlı Tük. Ür. Paz. Sat. ve Tic. A.Ş.	3.752	(43.387)	95.153	(1.108.600)	-	-
Önem Gıda San. ve Tic. A.Ş.	503.812	(2.400)	1.089.254	(6.634.426)	-	(2.346.692)
Marsa Yağ San. ve Tic. A.Ş.	1.638	-	13.180	-	-	(693.191)
Pasifik Tüketim Ürünleri Satış ve Tic. A.Ş.	27.426	-	70.784	(134.764)	-	-
Northstar Innovation A.Ş.	-	-	8.911	-	-	-
İzsal Gayrimenkul Geliştirme A.Ş.	6.510	(299.947)	3.551	(179.427)	-	-
Rekor Gıda Paz. San. ve Tic. A.Ş.	47.470	-	76.241	(135.830)	-	-
Natura Gıda San. ve Tic. A.Ş.	-	-	-	-	-	-
Other	10.430	(859)	1.094.573	(176.165)	2.804.745	(1.813.886)
	778.363	(347.016)	2.653.104	(33.378.599)	328.128.517	(38.708.803)

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

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

	30 September 2016	30 September 2015
Fees and other short term benefits	11.814.999	8.804.516
	11.814.999	8.804.516

22. NATURE AND LEVEL OF RISKS DERIVED FROM FINANCIAL INSTRUMENTS

Foreign currency risk management

As of balance sheet date, the foreign currency denominated assets and liabilities of monetary and non-monetary items are as follows:

	2016					
	TRY Equivalent	USD	EUR	GBP	CHF	DKK
1. Trade Receivables	121.727.036	26.225.488	11.081.850	1.520.012	-	-
2a. Monetary Financial Assets	1.582.453.347	448.172.159	70.548.625	658.841	28.308	53.137
2b. Non-Monetary Financial Assets	-	-	-	-	-	-
3. Other	7.550.698	1.336.857	1.051.808	2.748	-	-
4. CURRENT ASSETS	1.711.731.081	475.734.504	82.682.283	2.181.601	28.308	53.137
5. Trade receivables	6.440.688	2.149.834	-	-	-	-
6a. Monetary Financial Assets	89.704	29.830	100	-	-	-
6b. Non-Monetary Financial Assets	-	-	-	-	-	-
7. Other	11.046.621	319.832	2.987.541	12.313	-	-
8. NON-CURRENT ASSETS	17.577.013	2.499.496	2.987.641	12.313	-	-
9. TOTAL ASSETS	1.729.308.094	478.234.000	85.669.924	2.193.914	28.308	53.137
10. Trade Payables	86.786.342	18.070.932	9.211.950	417.012	21.297	-
11. Financial Liabilities	491.904.139	155.448.821	7.794.280	-	-	-
12a. Other Monetary Financial Liabilities	5.552.086	991.596	321.423	385.804	-	-
12b. Other Non-Monetary Financial Liabilities	9.999.335	2.617.448	640.306	1.486	-	-
13. SHORT-TERM LIABILITIES	594.241.902	177.128.797	17.967.959	804.302	21.297	-
14. Trade Payables	-	-	-	-	-	-
15. Financial Liabilities	1.634.827.629	287.044.732	230.561.270	-	-	-
16a. Other Monetary Financial Liabilities	-	-	-	-	-	-
16b. Other Non-Monetary Financial Liabilities	-	-	-	-	-	-
17. LONG-TERM LIABILITIES	1.634.827.629	287.044.732	230.561.270	-	-	-
18. TOTAL LIABILITIES	2.229.069.531	464.173.529	248.529.229	804.302	21.297	-
19. Net foreign currency asset/liability position	(499.761.437)	14.060.471	(162.859.305)	1.389.612	7.011	53.137
20. Net foreign currency asset / liability position of monetary items	(508.359.421)	15.021.230	(166.258.348)	1.376.037	7.011	53.137
(1+2a+5+6a-10-11-12a-14-15-16a)						

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22. NATURE AND LEVEL OF RISKS DERIVED FROM FINANCIAL INSTRUMENT (cont'd)

Foreign currency risk management (cont'd)

	2015					
	TRY Equivalent	USD	EUR	CHF	GBP	DKK
1. Trade Receivables	146.118.886	33.928.693	13.177.409	-	1.301.017	-
2a. Monetary Financial Assets	2.097.627.237	537.550.534	167.980.798	8.426	190.601	59.113
2b. Non-Monetary Financial Assets	704.436	242.274	-	-	-	-
3. Other	4.523.312	1.313.947	217.227	3.364	644	-
4. CURRENT ASSETS	2.248.973.871	573.035.448	181.375.434	11.790	1.492.262	59.113
5. Trade Receivables	6.196.663	2.131.195	-	-	-	-
6a. Monetary Financial Assets	88.636	30.375	100	-	-	-
6b. Non-Monetary Financial Assets	-	-	-	-	-	-
7. Other	25.028.612	1.634.213	5.997.235	416.750	-	-
8. NON-CURRENT ASSETS	31.313.911	3.795.783	5.997.335	416.750	-	-
9. TOTAL ASSETS	2.280.287.782	576.831.231	187.372.769	428.540	1.492.262	59.113
10. Trade Payables	82.868.802	11.694.730	13.568.610	61.322	1.295.150	-
11. Financial Liabilities	940.133.556	294.194.497	26.665.923	-	-	-
12a. Other Monetary Financial	89.009.301	136.555	27.557.348	-	243.222	-
12b. Other Non-monetary Financial	12.777.763	3.167.266	1.121.044	-	1.486	-
13. CURRENT LIABILITIES	1.124.789.422	309.193.048	68.912.925	61.322	1.539.858	-
14. Trade Payables	-	-	-	-	-	-
15. Financial Liabilities	1.729.086.145	336.661.371	236.093.134	-	-	-
16a. Other Monetary Financial	-	-	-	-	-	-
16b. Other Non-monetary Financial	-	-	-	-	-	-
17. NON-CURRENT LIABILITIES	1.729.086.145	336.661.371	236.093.134	-	-	-
18. TOTAL NON-CURRENT	2.853.875.567	645.854.419	305.006.059	61.322	1.539.858	-
19. Net foreign currency liability position	(573.587.785)	(69.023.188)	(117.633.290)	367.218	(47.596)	59.113
20. Net foreign currency of monetary items (1+2a+5+6a-10-11-12a-14-15-16a)	(591.066.382)	(69.046.356)	(122.726.708)	(52.896)	(46.754)	59.113

The Group's export and import balances for the nine months period are presented below:

	1 January – 30 September 2016	1 January – 30 September 2015
Total exports	541.214.064	644.423.848
Total imports	161.244.792	112.687.911

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22. NATURE AND LEVEL OF RISKS DERIVED FROM FINANCIAL INSTRUMENT (cont'd)

Foreign currency risk sensitivity

The Group is exposed to foreign exchange risk arising primarily from USD and EUR .In the table below, the foreign currency sensitivity of the Company arising from 10% change in US dollar and EUR rates. 10% is the rate used when reporting to senior management of the Company. This rate is the anticipated rate change of the Company's senior management. Sensitivity analysis includes only the monetary items in foreign currency at year end and shows the effect of 10% increase in USD and in EUR foreign currency rates. Negative value implies the effect of 10% increase in USD and in EUR foreign currency rates against TRY on the decrease in the net profit.

	30 September 2016		30 September 2015	
	Income / Expense		Income / Expense	
	<u>Appreciation of foreign currency</u>	<u>Depreciation of foreign currency</u>	<u>Appreciation of foreign currency</u>	<u>Depreciation of foreign currency</u>
In case of 10% appreciation of USD against TRY				
1 - US Dollar net asset / liability	4.500.210	(4.500.210)	53.351.312	(53.351.312)
2- Part of hedged from US Dollar risk (-)	-	-	-	-
3- US Dollar net effect (1 +2)	<u>4.500.210</u>	<u>(4.500.210)</u>	<u>53.351.312</u>	<u>(53.351.312)</u>
In case of 10% appreciation of EUR against TRY				
4 – Euro net asset / liability	(55.876.106)	55.876.106	(80.360.948)	80.360.948
5 – Part of hedged from Euro risk (-)	-	-	-	-
6- Euro net effect (4+5)	<u>(55.876.106)</u>	<u>55.876.106</u>	<u>(80.360.948)</u>	<u>80.360.948</u>
Total (3 + 6)	(51.375.896)	51.375.896	(27.009.636)	27.009.636

23. FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT

Fair Value of Financial Assets

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

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

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23. FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT (cont'd)

Fair Value of Financial Assets (cont'd)

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

	30 September 2016	Level of fair value as of reporting date		
		Level 1 TRY	Level 2 TRY	Level 3 TRY
Financial assets				
Financial assets for which fair value differences reflected through profit and loss				
- Shares	629.562	629.562	-	-
Financial assets for which fair value differences reflected through comprehensive income statement				
- Shares	764.474.935	29.990.461	734.484.474	-
Total	765.104.497	30.620.023	734.484.474	-

	31 December 2015	Level of fair value as of reporting date		
		Level 1 TRY	Level 2 TRY	Level 3 TRY
Financial assets				
Financial assets for which fair value differences reflected through profit and loss				
- Shares	704.437	704.437	-	-
Financial assets for which fair value differences reflected through comprehensive income statement				
- Shares	765.134.066	30.649.592	734.484.474	-
Total	765.838.503	31.354.029	734.484.474	-

24. EVENTS AFTER THE BALANCE SHEET DATE

There is no event after balance sheet date.

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