

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

**CONVENIENCE TRANSLATION INTO ENGLISH OF
CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2016
TOGETHER WITH INDEPENDENT AUDITOR'S REPORT**

(ORIGINALLY ISSUED IN TURKISH)



**CONVENIENCE TRANSLATION INTO ENGLISH OF
INDEPENDENT AUDITOR'S REPORT
ORIGINALLY ISSUED IN TURKISH**

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of Ülker Bisküvi Sanayi A.Ş.

Report on the Consolidated Financial Statements

1. We have audited the accompanying consolidated financial statements of Ülker Bisküvi Sanayi A.Ş. (the "Company") and its subsidiaries (collectively referred to as the "Group"), which comprise the consolidated balance sheet as at 31 December 2016 and the consolidated statement of profit or loss, consolidated statement of other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the period then ended and a summary of significant accounting policies and other explanatory notes.

Management's Responsibility for the Consolidated Financial Statements

2. The Group's management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with Turkish Accounting Standards ("TAS") and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Independent Auditor's Responsibility

3. Our responsibility is to express an opinion on these consolidated financial statements based on our audit. Our audit was conducted in accordance with standards on auditing issued by the Capital Markets Board of Turkey ("CMB") and Independent Auditing Standards that part of Turkish Standards on Auditing issued by the Public Oversight Accounting and Auditing Standards Authority ("POA"). Those standards require that ethical requirements are complied with and that the audit is planned and performed to obtain reasonable assurance whether the consolidated financial statements are free from material misstatement.

An independent audit involves performing procedures to obtain evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on independent auditor's professional judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to error or fraud. In making those risk assessments, the independent auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An independent audit includes also evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the independent audit evidence we have obtained during our audit is sufficient and appropriate to provide a basis for our audit opinion.



Opinion

4. In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of Ülker Bisküvi Sanayi A.Ş. and its subsidiaries as at 31 December 2016 and their financial performance and cash flows for the period then ended in accordance with Turkish Accounting Standards.

Other Responsibilities Arising From Regulatory Requirements

5. In accordance with subparagraph 4 of Article 398 of the Turkish Commercial Code ("TCC") No: 6102; auditor's report on the early risk identification system and committee has been submitted to the Company's Board of Directors on 7 March 2017.
6. In accordance with subparagraph 4 of Article 402 of the TCC; no significant matter has come to our attention that causes us to believe that the Company's bookkeeping activities for the period 1 January - 31 December 2016 is not in compliance with the code and provisions of the Company's articles of association in relation to financial reporting.
7. In accordance with subparagraph 4 of Article 402 of the TCC; the Board of Directors submitted to us the necessary explanations and provided required documents within the context of audit.

PwC Bağımsız Denetim ve
Serbest Muhasebeci Mali Müşavirlik A.Ş.

Mert Tüten, SMMM
Partner

Istanbul, 7 March 2017

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ÜLKER BİSKÜVİ SANAYİ A.Ş. AND ITS SUBSIDIARIES
CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2016**

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ÜLKER BİSKÜVİ SANAYİ A.Ş. AND ITS SUBSIDIARIES
CONSOLIDATED BALANCE SHEET FOR THE YEAR ENDED 31 DECEMBER 2016, 2015 AND 2014**

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

ASSETS	Notes	Audited Current Period 2016	Restated (*) Audited Previous Period 2015	Restated (*) Audited Previous Period 2014
Current Assets		3.501.795.901	3.477.399.742	3.262.280.793
Cash and Cash Equivalents	5	2.169.912.611	1.344.388.200	1.055.071.051
Financial Investments	6	754.935	704.437	778.877
Trade Receivables				
- Due from related parties	8-32	602.050.480	572.655.892	527.891.860
- Other trade receivables	8	170.895.789	190.547.613	184.892.563
Other Receivables				
- Due from related parties	9-32	1.618.637	802.126.831	984.706.867
- Other receivables	9	20.067.395	36.102.814	20.591.448
Inventories	10	361.942.164	315.486.154	274.795.357
Prepaid Expenses				
- Due to related parties	18-32	78.046.637	112.601.084	116.813.193
- Other prepaid expenses	18	37.326.851	56.601.534	45.760.424
Current Income Tax Assets		11.063.641	825.280	967.014
Other Current Assets	20	48.116.761	45.359.903	50.012.139
Non-Current Assets		2.024.393.048	1.724.400.850	1.305.361.800
Financial Investments	6	928.800.295	765.334.184	529.090.164
Trade Receivables				
- Due from related parties	8-32	65.491	6.196.664	5.016.739
Other Receivables				
- Other receivables	9	185.292	176.911	173.841
Investment Properties	11	14.587.592	12.904.161	11.971.843
Tangible Assets	12	1.032.162.499	891.477.307	721.432.631
Intangible Assets	13	1.573.673	1.808.877	1.823.464
Prepaid Expenses	18	14.160.059	28.562.343	25.993.023
Deferred Tax Assets	30	32.858.147	17.936.217	9.855.909
Other Non-Current Assets		-	4.186	4.186
TOTAL ASSETS		5.526.188.949	5.201.800.592	4.567.642.593

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

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CONSOLIDATED BALANCE SHEET FOR THE YEAR ENDED 31 DECEMBER 2016, 2015 AND 2014**

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

	Notes	Audited Current Period 2016	Restated (*) Audited Previous Period 2015	Restated (*) Audited Previous Period 2014
Current Liabilities		3.169.041.952	1.785.736.307	1.659.870.610
Short Term Financial Liabilities	7	544.791.623	932.018.207	805.663.027
Short Term Portion of Long Term Financial Liabilities	7	1.815.280.366	27.772.158	47.498.415
Trade Payables				
- Due to related parties	8-32	335.895.278	311.000.386	322.557.410
- Other trade payables	8	302.086.015	284.456.228	282.083.463
Employee Benefit Related Liabilities	19	30.593.339	27.331.047	19.777.216
Other Payables				
- Due to related parties	9-32	-	86.239.625	57.719.971
- Other payables	9	8.431.010	4.472.618	45.380.378
Deferred Revenue	21	48.439.307	39.895.543	19.276.761
Current Income Tax Liabilities	30	14.818.549	9.514.388	9.951.871
Short Term Provisions				
- Provisions for employee benefits	17	32.320.259	27.251.246	21.823.994
- Other short term provisions	15	24.095.936	24.011.257	18.887.221
Other Current Liabilities	20	12.290.270	11.773.604	9.250.883
Non-Current Liabilities		502.550.519	1.807.684.924	1.790.276.343
Long Term Financial Liabilities	7	384.844.123	1.735.320.937	1.705.163.759
Other Payables				
- Due to related parties	32	-	-	21.262.355
Long Term Provisions				
- Provisions for employee benefits	17	72.356.363	37.439.337	32.650.452
Deferred Tax Liabilities	30	45.350.033	34.924.650	31.199.777
SHAREHOLDERS' EQUITY	22	1.854.596.478	1.608.379.361	1.117.495.640
Equity Attributable To Equity Holders' of the Parent		1.649.206.349	1.398.657.101	974.710.579
Share Capital		342.000.000	342.000.000	342.000.000
Inflation Adjustments to Share Capital		108.056.201	108.056.201	108.056.201
Effect of Business Combinations Under Common Control		(141.862.799)	(161.872.759)	(161.872.759)
Other Comprehensive Income/Expense not to be Reclassified to Profit and Loss				
-Gains and Losses from Revaluation Funds				
- Increases on Revaluation of Plant, Property and Equipment		5.231.735	5.231.735	5.231.735
- Actuarial loss on post employment termination benefit obligation		(16.686.755)	(430.543)	(752.410)
Other Comprehensive Income/Expense to be Reclassified to Profit and Loss				
-Currency Translation Adjustments		3.215.880	1.080.204	-
- Gains on Revaluation Funds				
- Gains from Financial Assets Measured at Fair Value through Other Comprehensive Income		695.363.441	539.968.646	315.553.570
Restricted Reserves Appropriated from Profits		119.806.833	112.116.833	104.901.091
Retained Earnings		303.710.250	160.377.409	45.911.283
Net Profit for the Period		230.371.563	292.129.375	215.681.868
Non-Controlling Interest		205.390.129	209.722.260	142.785.061
TOTAL LIABILITIES AND EQUITY		5.526.188.949	5.201.800.592	4.567.642.593

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

CONVENIENCE TRANSLATION INTO ENGLISH OF CONSOLIDATED FINANCIAL STATEMENTS
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 ÜLKER BİSKÜVİ SANAYİ A.Ş. AND ITS SUBSIDIARIES
 CONSOLIDATED STATEMENTS OF INCOME FOR THE YEAR ENDED 31 DECEMBER 2016 AND 2015

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

	Notes	Audited Current Period 2016	Restated (*) Audited Previous Period 2015
Revenue	23	3.921.686.855	3.793.737.272
Cost of Sales (-)	23	(2.999.732.967)	(2.924.617.090)
GROSS PROFIT FROM OPERATIONS		921.953.888	869.120.182
General Administrative Expenses (-)	24-25	(116.580.651)	(112.724.354)
Marketing, Selling and Distribution Expenses (-)	24-25	(366.845.974)	(344.441.814)
Research and Development Expenses (-)	24-25	(8.733.516)	(9.188.838)
Other Operating Income	26	86.622.093	115.378.374
Other Operating Expenses (-)	26	(51.651.473)	(87.196.234)
OPERATING PROFIT FROM MAIN OPERATION		464.764.367	430.947.316
Income from Investment Activities	27	443.595.719	798.074.110
Expenses from Investment Activities (-)	27	(113.224.762)	(233.809.590)
OPERATING PROFIT BEFORE FINANCIAL INCOME AND EXPENSES		795.135.324	995.211.836
Financial Income	28	135.086.029	184.768.227
Financial Expenses (-)	29	(637.981.038)	(818.419.023)
PROFIT BEFORE TAX		292.240.315	361.561.040
Tax Expense	30	(50.235.585)	(38.746.904)
Corporate Income Tax Expense (-)		(58.661.106)	(55.022.708)
Deferred Tax Income		8.425.521	16.275.804
PROFIT FOR THE YEAR		242.004.730	322.814.136
Distribution of the Profit for the Year			
Non-Controlling Interest		11.633.167	30.684.761
Equity Holders of the Parent		230.371.563	292.129.375
Earning per Share	31	0,67	0,85

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

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STATEMENTS ORIGINALLY ISSUED IN TURKISH
ÜLKER BİSKÜVİ SANAYİ A.Ş. AND ITS SUBSIDIARIES
CONSOLIDATED STATEMENTS OF OTHER COMPREHENSIVE INCOME FOR THE YEAR
ENDED 31 DECEMBER 2016 AND 2015**

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

	Audited Current Period 2016	Restated (*) Audited Previous Period 2015
PROFIT FOR THE YEAR	242.004.730	322.814.136
Other Comprehensive Income:		
Items not to be Reclassified Under Profit and Loss	(16.977.326)	424.214
Actuarial Gain/(Loss) on Post-Employment Termination Benefit Obligation	(21.221.658)	530.268
Deferred Tax Effect	4.244.332	(106.054)
Items to be Reclassified Under Profit and Loss	156.304.257	237.136.582
Currency Translation Adjustments	1.011.452	12.664.604
Change in Revaluation Funds of Financial Assets	163.466.111	236.286.293
Deferred Tax Effect	(8.173.306)	(11.814.315)
OTHER COMPREHENSIVE INCOME	139.326.931	237.560.796
TOTAL COMPREHENSIVE INCOME	381.331.661	560.374.932
Distribution of Total Comprehensive Income		
Non-Controlling Interest	9.685.839	42.428.410
Equity holders of the Parent	371.645.822	517.946.522

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

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ÜLKER BİSKÜVİ SANAYİ A.Ş. AND ITS SUBSIDIARIES
CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY FOR THE YEAR ENDED 31 DECEMBER 2016 AND 2015
(Amounts expressed in Turkish Lira (TL) unless otherwise stated.)

	Accumulated Other Comprehensive Income To Be Reclassified Under Profit And Loss			Other Comprehensive Income Not To Be Reclassified Under Profit And Loss			Accumulated Profit						
	Share Capital	Inflation Adjustments to Share Capital	Effect of Business Combinations Under Common Control	Financial Assets Measured at Fair Value	Currency Translation Adjustments	Revaluation of Plant, Property and Equipment	Actuarial Loss on Post-Employment Termination Benefit Obligation	Restricted Reserves Appropriated from Profits	Net Profit for the Period	Retained Earnings	Equity Attributable to Equity Holders of the Parent	Non-Controlling Interest	Total Equity
As of 1 January 2015 (Previously reported)	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
Restatement effect	-	-	-	-	-	-	(57.063)	-	3.969.228	(4.931.826)	(1.019.661)	50.419.367	49.399.706
Transactions under common control	-	-	(161.872.759)	-	-	-	-	-	-	-	(161.872.759)	-	(161.872.759)
As of 1 January 2015 (Restated)	342.000.000	108.056.201	(161.872.759)	315.553.570	-	5.231.735	(752.410)	104.901.091	215.681.868	45.911.283	974.710.579	142.785.061	1.117.495.640
Total comprehensive income	-	-	-	224.415.076	1.080.204	-	321.867	-	292.129.375	-	517.946.522	42.428.410	560.374.932
Dividend paid (*)	-	-	-	-	-	-	-	-	-	(94.000.000)	(94.000.000)	(5.158.667)	(99.158.667)
Transactions under common control	-	-	-	-	-	-	-	-	-	-	-	29.667.456	29.667.456
Transfer	-	-	-	-	-	-	-	7.215.742	(215.681.868)	208.466.126	-	-	-
As of 31 December 2015	342.000.000	108.056.201	(161.872.759)	539.968.646	1.080.204	5.231.735	(430.543)	112.116.833	292.129.375	160.377.409	1.398.657.101	209.722.260	1.608.379.361

(*) 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..

CONVENIENCE TRANSLATION INTO ENGLISH OF CONSOLIDATED FINANCIAL STATEMENTS ORIGINALLY ISSUED IN TURKISH
ÜLKER BİSKÜVİ SANAYİ A.Ş. AND ITS SUBSIDIARIES
CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY FOR THE YEAR ENDED 31 DECEMBER 2016 AND 2015
(Amounts expressed in Turkish Lira (TL) unless otherwise stated.)

	Accumulated Other Comprehensive Income To Be Reclassified Under Profit And Loss		Other Comprehensive Income Not To Be Reclassified Under Profit And Loss		Accumulated Profit								
	Share Capital	Inflation Adjustments to Share Capital	Effect of Business Combinations Under Common Control	Financial Assets Measured at Fair Value	Currency Translation Adjustments	Revaluation of Plant, Property and Equipment	Actuarial Loss on Post-Employment Benefit Obligation	Restricted Reserves Appropriated from Profits	Net Profit for the Period	Retained Earnings	Equity Attributable to Equity Holders of the Parent	Non-Controlling Interest	Total Equity
As of 1 January 2016 (Previously reported)	342.000.000	108.056.201	-	539.968.646	-	5.231.735	(373.480)	112.116.833	260.288.906	161.340.007	1.528.628.848	110.801.136	1.639.429.984
Restatement effect	-	-	-	-	1.080.204	-	(57.063)	-	31.840.469	(962.598)	31.901.012	98.921.124	130.822.136
Transactions under common control	-	-	(161.872.759)	-	-	-	-	-	-	-	(161.872.759)	-	(161.872.759)
As of 1 January 2016 (Restated)	342.000.000	108.056.201	(161.872.759)	539.968.646	1.080.204	5.231.735	(430.543)	112.116.833	292.129.375	160.377.409	1.398.657.101	209.722.260	1.608.379.361
Total comprehensive income	-	-	-	155.394.795	2.135.676	-	(16.256.212)	-	230.371.563	-	371.645.822	9.685.839	381.331.661
Dividend paid (**)	-	-	(14.000.000)	-	-	-	-	-	-	(94.000.000)	(108.000.000)	(6.825.333)	(114.825.333)
Transaction with non-controlling interest	-	-	-	-	-	-	-	-	-	(13.271.467)	(13.271.467)	(7.254.329)	(20.525.796)
Gain on sale of real estate	-	-	-	-	-	-	-	-	-	174.893	174.893	61.692	236.585
Transfer	-	-	34.009.960	-	-	-	-	7.690.000	(292.129.375)	250.429.415	-	-	-
As of 31 December 2016	342.000.000	108.056.201	(141.862.799)	695.363.441	3.215.880	5.231.735	(16.686.755)	119.806.833	230.371.563	303.710.250	1.649.206.349	205.390.129	1.854.596.478

(**) 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.

**CONVENIENCE TRANSLATION INTO ENGLISH OF CONSOLIDATED FINANCIAL
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ÜLKER BİSKÜVİ SANAYİ A.Ş. AND ITS SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS FOR THE YEAR ENDED
31 DECEMBER 2016 AND 2015**

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

		Audited Current Period 1 January- 31 December 2016	Restated (*) Audited Previous Period 1 January- 31 December 2015
	Notes		
CASH FLOWS FROM OPERATING ACTIVITIES			
Net profit for the year		242.004.730	322.814.136
Adjustments to reconcile net profit to net cash provided by operating activities			
Adjustment for depreciation and amortization expenses			
Depreciation expenses of tangible assets	11-12	82.078.732	74.890.486
Amortization expenses of intangible assets	13	845.978	881.009
Adjustment for impairment loss			
Adjustment for impairment loss of other financial investments			
Financial investment valuation decrease / (increase)		(50.498)	74.440
Adjustment for impairment loss of inventories	10	2.240.020	7.216.500
Adjustments for provisions			
Adjustments for provisions related with employee benefits			
Provision for employment benefits	17	37.823.556	16.735.799
Provision for unused vacation	17	12.988.272	11.305.065
Performance premium provision	17	14.894.595	12.593.706
Provision for lawsuits		1.237.740	1.059.324
Adjustments for other provisions			
Allowance for doubtful receivables	8	677.474	950.776
Provision / (reversal) of sales return		(4.007.038)	4.007.038
Change in other provisions (net)		2.856.865	398.992
Adjustment for dividend income		(683.686)	(870.451)
Adjustment for interest income/(expense)			
Adjustment for interest income	27	(76.346.373)	(67.832.604)
Adjustment for interest expenses			
Discount expenses (net)		(3.178.695)	(2.204.523)
Interest expenses	29	76.968.092	72.125.042
Adjustments for Losses (Gains) on Fair Values			
Adjustments for Losses (Gains) on Fair Value of Investment Properties	27	(1.705.000)	(865.000)
Adjustment for tax expenses	30	50.235.585	38.746.904
Adjustment for gains arised from tangible assets			
Loss/(Gain) on sale of tangible and intangible assets (net)	27	949.531	(266.111)
Other adjustments for which cash effects are investing or financing cash flow			
Change in foreign currency of financial liabilities (net)	28-29	419.548.700	555.066.754
Change in foreign currency from investing activities (net)	27	(245.574.571)	(486.571.928)
Commission expenses and finance service income (net)		6.378.217	6.459.000
Paid stamp taxes for acquisition of subsidiary		718.894	-
Other adjustments to reconcile profit (loss)			
Rent income	27	(7.679.254)	(7.932.696)
Net Operating cash flows provided before changes in working capital		613.221.866	558.781.658
			Restated (*) Audited

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

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CONSOLIDATED STATEMENTS OF CASH FLOWS FOR THE YEAR ENDED
31 DECEMBER 2016 AND 2015**
(Amounts expressed in Turkish Lira (TL) unless otherwise stated.)

		Audited Current Period 1 January- 31 December 2016	Previous Period 1 January- 31 December 2015
	Notes		
Changes in Working Capital			
Decrease / (Increase) in trade receivables		18.605.000	(7.315.833)
Increase in trade receivables from related parties		(22.717.765)	(45.194.716)
Increase in inventories		(48.696.030)	(47.907.297)
Decrease / (Increase) in other receivables and other current assets		81.505.780	(20.018.248)
Increase in trade payables		20.388.034	2.819.749
(Decrease) / Increase in trade payables to related parties		24.732.976	(10.916.842)
(Decrease) / Increase in other payables and liabilities		18.683.685	(8.633.650)
Net cash generated from operations		705.723.546	421.614.821
Payments Related with Provisions for Employee Benefits			
Employment termination benefit paid	17	(24.267.576)	(12.797.434)
Unused vacation paid	17	(10.904.937)	(8.714.525)
Performance premium paid	17	(14.074.903)	(11.335.770)
Lawsuits provision paid		(2.888)	(341.318)
Taxes paid		(63.595.306)	(55.318.457)
Collections from doubtful trade receivables	8	23.675	458.447
Net cash generated from operating activities		592.901.611	333.565.764
CASH FLOWS FROM INVESTING ACTIVITIES			
Proceeds from sales of tangible and intangible assets		4.156.147	2.174.111
Acquisitions of tangible assets	12	(257.178.994)	(215.718.313)
Acquisitions of intangible assets	13	(542.139)	(315.590)
Cash outflow due to acquisition of subsidiary		(20.525.796)	-
Paid stamp taxes for acquisition of subsidiary		(718.894)	-
Change in non-trade receivables from related parties		800.508.195	364.406.110
Dividend income		683.686	870.451
Interest received		76.346.373	67.832.604
Proceeds from capital increase of subsidiaries		-	29.667.456
Rent income		7.679.254	7.932.696
Net cash generated from investing activities		610.407.832	256.849.525
CASH FLOWS FROM FINANCING ACTIVITIES			
Loans acquired		756.796.184	602.029.402
Loan repayment		(1.106.308.827)	(1.043.733.147)
Change in leasing liabilities		(363.593)	(376.556)
Dividends paid		(114.825.333)	(99.158.667)
Interest paid		(72.418.409)	(71.862.326)
Changes in non-trade payables to related parties		(86.239.625)	7.257.299
Net cash used in financing activities		(623.359.603)	(605.843.995)
NET CHANGE IN CASH AND CASH EQUIVALENTS		579.949.840	(15.428.706)
THE EFFECT OF FOREIGN EXCHANGE RATE CHANGE ON CASH AND CASH EQUIVALENTS		245.574.571	304.745.855
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR	5	1.344.388.200	1.055.071.051
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD	5	2.169.912.611	1.344.388.200

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

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

ÜLKER BİSKÜVİ SANAYİ A.Ş. AND ITS SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2016

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

1. ORGANIZATION AND OPERATIONS OF THE GROUP

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

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

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

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

As of 31 December 2016, the total number of people employed by the Group is 8.462, which contains 986 employees who worked as subcontractors (31 December 2015: 9.488, subcontractor: 1.071).

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. Shareholder pladis Foods Limited is a subsidiary of Yıldız Holding A.Ş. with a shares of 100%.

As of 31 December 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	Share	2016	Share	2015
		Percentage		Percentage
Yıldız Holding A.Ş.	98.912.930	%28,92	168.124.482	%49,16
pladis Foods Limited (*)	71.820.000	%21,00	-	-
Yıldız Holding A.Ş. Subsidiaries and Ülker Family	29.267.569	%8,56	27.738.115	%8,11
Other	141.999.501	%41,52	146.137.403	%42,73
	342.000.000	%100,00	342.000.000	%100,00

(*) Yıldız Holding A.Ş. has sold 71.820.000 shares of Ülker Bisküvi Sanayi A.Ş. which is equivalent %21 to pladis Foods Limited as of 23 December 2016.

As of 31 December 2016 and 2015, the details of the subsidiaries under full consolidation in terms of direct and effective share of ownership and principal business activities (The change rate in ownership of the entities which acquired with transaction under common control in 2016 has been shown 2015 as well) are as follows:

Subsidiaries	31 December 2016		31 December 2015		Nature of Operation
	Ratio of Direct Ownership	Ratio of Effective Ownership	Ratio of Direct Ownership	Ratio of Effective Ownership	
Biskot Bisküvi Gıda Sanayi ve Ticaret A.Ş.	%73,9	%73,9	%73,9	%73,9	Manufacturing
Ülker Çikolata Sanayi A.Ş.	%91,7	%91,7	%91,7	%91,7	Manufacturing
Atlas Gıda Pazarlama Sanayi ve Ticaret A.Ş.	%100,0	%100,0	%100,0	%100,0	Trading
Reform Gıda Paz. San. ve Tic. A.Ş.	%100,0	%100,0	%100,0	%100,0	Trading
İstanbul Gıda Dış Ticaret A.Ş. (*)	%100,0	%100,0	%100,0	%100,0	Export
UI Egypt B.V. (**)	%51,0	%51,0	%51,0	%51,0	Investing
Hi-Food for Advanced Food Industries (**)	-	%51,4	-	%45,9	Manufacturing
Sabourne Investments Ltd (***)	%100,0	%100,0	%100,0	%100,0	Investing
Food Manufacturers’ Company (***)	-	%55,0	-	%55,0	Manufacturing
Food Manufacturers’ Company for Distribution (***)	-	%52,3	-	%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.

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ÜLKER BİSKÜVİ SANAYİ A.Ş. AND ITS SUBSIDIARIES

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1. ORGANIZATION AND OPERATIONS OF THE GROUP (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. Food Manufacturers' Company, subsidiary of the Company, has acquired 10% share of Hi Food for Advanced Food Industries amounting SAR 19.721.937 on 13 December 2016.

(***)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.

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 7 March 2017. 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.

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

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

2.1 Basis of the presentation(cont'd):

Principals 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 31 December 2016, rates declared by Central Bank of Republic of Turkey are;

1 Euro = TRY 3,7099, 1 USD = TRY 3,5192, 1 SAR = TRY 0,9383, 1 EGP = TRY 0,1943 (31 December 2015: 1 Euro = TRY 3,1776, 1 USD = TRY 2,9076, 1 SAR = TRY 0,7747, 1 EGP = TRY 0,3716). For the period between January 1, 2016 and December 31 2016, average rates declared by Central Bank of Republic of Turkey are 1 Euro = TRY 3,3375, 1 USD = TRY 3,0181, 1 SAR = TRY 0,8047, 1 EGP = TRY 0,3195 (2015: 1 Euro = TRY 3,0187, 1 USD = TRY 2,7191, 1 SAR = TRY 0,7249, 1 EGP = TRY 0,3517).

Consolidation

(a) Subsidiaries

Subsidiaries are all entities over which the group has control. The group controls an entity when the group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are deconsolidated from the date that control ceases..

Inter-company transactions, balances and unrealised gains on transactions between group companies are eliminated. Unrealised losses are also eliminated.

(b) Changes in ownership interests in subsidiaries without change of control

Changes in the Group's ownership interests in subsidiaries that do not result in the loss of control over the subsidiaries are accounted for as equity transactions. The carrying amounts of the Group's interests and the non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiaries. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received is recorded directly in equity and attributed to owners of the Company.

(c) Losses control of subsidiaries

When the Group loses control of a subsidiary, a gain or loss is recognised in profit or loss and is calculated as the difference between (i) the aggregate of the fair value of the consideration received and the fair value of any retained interest and (ii) the previous carrying amount of the assets (including goodwill), and liabilities of the subsidiary and any non-controlling interests. All amounts previously recognised in other comprehensive income in relation to that subsidiary are accounted for as if the Group had directly disposed of the related assets or liabilities of the subsidiary (i.e. reclassified to profit or loss or transferred to another category of equity as specified/permitted by applicable TAS). The fair value of any investment retained in the former subsidiary at the date when control is lost is regarded as the fair value on initial recognition for subsequent accounting under TAS 39, when applicable, the cost on initial recognition of an investment in an associate or a joint venture.

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

2.2 Changes in the Accounting Policies:

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

Comparative Information and Restatement of Prior Period Consolidated Financial Statements

In order to allow the determination of financial position and performance, the Group's consolidated financial statements are prepared in comparison with the previous period. In order to comply with the presentation of consolidated financial statements the current period when deemed necessary, comparative information is reclassified, and material differences are presented. The Group has made some reclassifications in order to conform to current period financial statements for prior periods. The nature of the classifications 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 consolidated balance sheet as at 31 December 2015 and the consolidated statements of comprehensive income and cash flows for the year then ended at 31 December 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.

	Reported Previous Period 31 December 2015	Effects of Restatement with Eliminations	Restated Previous Period 31 December 2015
Current Assets	2.418.802.807	1.058.596.935	3.477.399.742
Cash and Cash Equivalents	1.319.138.698	25.249.502	1.344.388.200
Financial Investments	704.437	-	704.437
Trade Receivables	648.516.627	114.686.878	763.203.505
Other Receivables	30.821.174	807.408.471	838.229.645
Inventories	234.137.771	81.348.383	315.486.154
Prepaid Expenses	149.529.118	19.673.500	169.202.618
Current 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	216.616.103	1.724.400.850
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
Tangible Assets	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	2.308.325	17.936.217
Other Non-Current Assets	4.186	-	4.186
TOTAL ASSETS	3.926.587.554	1.275.213.038	5.201.800.592

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

2.2 Changes in the Accounting Policies (cont'd):

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

	Reported Previous Period 31 December 2015	Effects of Restatement with Eliminations	Restated Previous Period 31 December 2015
Current Liabilities	653.505.104	1.132.231.203	1.785.736.307
Short Term Financial Liabilities	92.987.409	839.030.798	932.018.207
Short Term Portion of Long Term Financial Liabilities	19.921.073	7.851.085	27.772.158
Trade Payables	474.424.217	121.032.397	595.456.614
Employee Benefit Related Liabilities	20.844.357	6.486.690	27.331.047
Other Payables	1.375.545	89.336.698	90.712.243
Deferred Revenue	-	39.895.543	39.895.543
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	1.344.980	11.773.604
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	(31.050.623)	1.608.379.361
Equity Attributable To Equity Holders' of the Parent	1.528.628.848	(129.971.747)	1.398.657.101
Share Capital	342.000.000	-	342.000.000
Inflation Adjustments to Share Capital	108.056.201	-	108.056.201
Effect of Business Combinations Under Common Control	-	(161.872.759)	(161.872.759)
Other Comprehensive Income/Expense not to be Reclassified to Profit and Loss			
- Actuarial loss on post employment termination benefit obligation	(373.480)	(57.063)	(430.543)
- Investment property valuation funds	5.231.735	-	5.231.735
Other Comprehensive Income/Expense to be Reclassified to Profit and Loss			
- Currency Translation Adjustment	-	1.080.204	1.080.204
- Financial assets revaluation fund	539.968.646	-	539.968.646
Restricted Reserves Appropriated from Profits	112.116.833	-	112.116.833
Retained Earnings	161.340.007	(962.598)	160.377.409
Net Profit for the Period	260.288.906	31.840.469	292.129.375
Non-Controlling Interest	110.801.136	98.921.124	209.722.260
TOTAL LIABILITIES AND EQUITY	3.926.587.554	1.275.213.038	5.201.800.592

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

2.2 Changes in the Accounting Policies (cont'd):

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

	Reported Previous Period 31 December 2014	Effects of Restatement with Eliminations	Restated Previous Period 31 December 2014
Current Assets	2.037.226.487	1.225.054.306	3.262.280.793
Cash and Cash Equivalents	1.033.829.882	21.241.169	1.055.071.051
Financial Investments	778.877	-	778.877
Trade Receivables	603.842.384	108.942.039	712.784.423
Other Receivables	13.676.676	991.621.639	1.005.298.315
Inventories	212.335.266	62.460.091	274.795.357
Prepaid Expenses	129.778.124	32.795.493	162.573.617
Current Income Tax Assets	239.096	727.918	967.014
Other Current Assets	42.746.182	7.265.957	50.012.139
Non-Current Assets	1.150.964.524	154.397.276	1.305.361.800
Financial Investments	529.047.891	42.273	529.090.164
Trade Receivables	5.016.739	-	5.016.739
Other Receivables	171.384	2.457	173.841
Investment Properties	11.000.000	971.843	11.971.843
Tangible Assets	568.962.508	152.470.123	721.432.631
Intangible Assets	1.313.408	510.056	1.823.464
Prepaid Expenses	25.993.023	-	25.993.023
Deferred Tax Assets	9.455.385	400.524	9.855.909
Other Non-Current Assets	4.186	-	4.186
TOTAL ASSETS	3.188.191.011	1.379.451.582	4.567.642.593

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

2.2 Changes in the Accounting Policies (cont'd):

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

	Reported Previous Period 31 December 2014	Effects of Restatement with Eliminations	Restated Previous Period 31 December 2014
Current Liabilities	657.499.682	1.002.370.928	1.659.870.610
Short Term Financial Liabilities	78.154.911	727.508.116	805.663.027
Short Term Portion of Long Term Financial Liabilities	13.293.204	34.205.211	47.498.415
Trade Payables	511.339.510	93.301.363	604.640.873
Employee Benefit Liabilities	16.818.074	2.959.142	19.777.216
Other Payables	944.034	102.156.315	103.100.349
Deferred Revenue	-	19.276.761	19.276.761
Current Income Tax Liabilities	9.354.763	597.108	9.951.871
Short Term Provisions	19.569.362	21.141.853	40.711.215
Other Current Liabilities	8.025.824	1.225.059	9.250.883
Non-Current Liabilities	1.300.722.636	489.553.707	1.790.276.343
Long Term Financial Liabilities	1.243.537.763	461.625.996	1.705.163.759
Other Liabilities	-	21.262.355	21.262.355
Long Term Provisions	25.985.036	6.665.416	32.650.452
Deferred Tax Liabilities	31.199.837	(60)	31.199.777
SHAREHOLDERS' EQUITY	1.229.968.693	(112.473.053)	1.117.495.640
Equity Attributable To Equity Holders' of the Parent	1.137.602.999	(162.892.420)	974.710.579
Share Capital	342.000.000	-	342.000.000
Inflation Adjustments to Share Capital	108.056.201	-	108.056.201
Effect of Business Combinations Under Common Control	-	(161.872.759)	(161.872.759)
Other Comprehensive Income/Expense not to be Reclassified to Profit and Loss			
- Actuarial loss on post employment termination benefit obligation	(695.347)	(57.063)	(752.410)
- Investment property valuation funds	5.231.735	-	5.231.735
Other Comprehensive Income/Expense to be Reclassified to Profit and Loss			
- Financial assets revaluation fund	315.553.570	-	315.553.570
Restricted Reserves Appropriated from Profits	104.901.091	-	104.901.091
Retained Earnings	50.843.109	(4.931.826)	45.911.283
Net Profit for the Period	211.712.640	3.969.228	215.681.868
Non-Controlling Interest	92.365.694	50.419.367	142.785.061
TOTAL LIABILITIES AND EQUITY	3.188.191.011	1.379.451.582	4.567.642.593

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

2.2 Changes in the Accounting Policies (cont'd):

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

1 January-31 December 2015	Reported Previous Period 1 January- 31 December 2015	Effects of Restatement with Eliminations	Restated Previous Period 1 January- 31 December 2015
Profit Loss			
Revenue	3.075.120.076	718.617.196	3.793.737.272
Cost of Sales (-)	(2.408.422.513)	(516.194.577)	(2.924.617.090)
GROSS PROFIT FROM OPERATIONS	666.697.563	202.422.619	869.120.182
General Administrative Expenses (-)	(71.743.647)	(40.980.707)	(112.724.354)
Marketing, Sales and Distribution Expenses (-)	(232.289.703)	(112.152.111)	(344.441.814)
Research Expenses (-)	(8.757.144)	(431.694)	(9.188.838)
Other Operating Income	84.670.488	30.707.886	115.378.374
Other Operating Expenses (-)	(52.150.358)	(35.045.876)	(87.196.234)
OPERATING PROFIT FROM MAIN OPERATION	386.427.199	44.520.117	430.947.316
Income from Investment Activities	454.682.737	343.391.373	798.074.110
Expenses from Investment Activities (-)	(190.063.931)	(43.745.659)	(233.809.590)
OPERATING PROFIT BEFORE FINANCIAL INCOME AND EXPENSES	651.046.005	344.165.831	995.211.836
Financial Income	135.221.113	49.547.114	184.768.227
Financial Expenses (-)	(466.425.843)	(351.993.180)	(818.419.023)
PROFIT BEFORE TAX	319.841.275	41.719.765	361.561.040
Tax Expense	(36.117.509)	(2.629.395)	(38.746.904)
Tax on Income (-)	(50.485.572)	(4.537.136)	(55.022.708)
Deferred Tax Income	14.368.063	1.907.741	16.275.804
PROFIT FOR THE YEAR	283.723.766	39.090.370	322.814.136
Other Comprehensive Income:			
Items not to be Reclassified Under Profit and Loss	424.214	-	424.214
Actuarial Gain/(Loss) on Post-Employment Termination Benefit Obligation	530.268	-	530.268
Deferred Tax Effect	(106.054)	-	(106.054)
Items to be Reclassified Under Profit and Loss	224.471.978	12.664.604	237.136.582
Currency Translation Adjustments	-	12.664.604	12.664.604
Change in Revaluation Funds of Financial Assets	236.286.293	-	236.286.293
Deferred Tax Effect	(11.814.315)	-	(11.814.315)
OTHER COMPREHENSIVE INCOME	224.896.192	12.664.604	237.560.796
TOTAL COMPREHENSIVE INCOME	508.619.958	51.754.974	560.374.932

CONVENIENCE TRANSLATION INTO ENGLISH OF CONSOLIDATED FINANCIAL STATEMENTS
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2. BASIS OF PRESENTATION OF CONSOLIDATED FINANCIAL STATEMENTS (cont'd)

2.3 Adoption of New and Revised International Financial Reporting Standards:

a. Standards, amendments and interpretations applicable as at 31 December 2016

- 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..
- Annual improvements 2014, effective from annual periods beginning on or after 1 January 2016. These set of amendments impacts 4 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 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.
- 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.
- 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 report.

b. Standards, amendments and interpretations effective after 1 January 2017

- 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.

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

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

b. Standards, amendments and interpretations effective after 1 January 2017 (cont'd)

- 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 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 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.
- 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 farreaching 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.

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

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

b. Standards, amendments and interpretations effective after 1 January 2017 (cont'd)

- 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.
- Amendment to IAS 40, 'Investment property' relating to transfers of investment property, effective from annual periods beginning on or after 1 January 2018. These amendments clarify that to transfer to, or from, investment properties there must be a change in use. To conclude if a property has changed use there should be an assessment of whether the property meets the definition. This change must be supported by evidence.
- Annual improvements 2014–2016, effective from annual periods beginning on or after 1 January 2018. These amendments impact 3 standards:
 - IFRS 1, 'First-time adoption of IFRS', regarding the deletion of short-term exemptions for first-time adopters regarding IFRS 7, IAS 19, and IFRS 10 effective 1 January 2018.
 - IFRS 12, 'Disclosure of interests in other entities' regarding clarification of the scope of the standard. These amendments should be applied retrospectively for annual periods beginning on or after 1 January 2017.
 - IAS 28, 'Investments in associates and joint ventures' regarding measuring an associate or joint venture at fair value effective 1 January 2018.
- IFRIC 22, 'Foreign currency transactions and advance consideration', effective from annual periods beginning on or after 1 January 2018. This IFRIC addresses foreign currency transactions or parts of transactions where there is consideration that is denominated or priced in a foreign currency. The interpretation provides guidance for when a single payment/receipt is made as well as for situations where multiple payments/receipts are made. The guidance aims to reduce diversity in practice.

The Group will apply these amendments starting from their effective dates by regarding their effects on its operations.

2.4 Summary of Significant Accounting Policies

The accounting policies applied in preparation of the accompanying financial statements are as follows. This accounting policy was applied in a consistent manner unless otherwise settled:

Revenue:

Most of the revenue is generated from sale of biscuit, chocolate, chocolate coated biscuit, wafer and cake. Revenue is measured at the fair value of the consideration received or receivable, and represents amounts receivable for goods supplied, stated net of discounts, returns and value added taxes (Note 23).

Sales of goods

Revenue generated from biscuit, chocolate, chocolate coated biscuit, wafer and cake is recognized when all the following conditions are satisfied:

- The Group has transferred to the buyer the significant risks and rewards of ownership of the goods,

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

2.4 Summary of Significant Accounting Policies (cont'd)

Revenue (cont'd)

Sales of goods (cont'd)

- The Group retains neither continuing managerial involvement to the degree usually associated with no ownership or effective control over the goods sold,
- The amount of revenue can be measured reliably,
- It is probable that the economic benefits associated with the transaction will flow to the entity, and
- The costs incurred or to be incurred in respect of the transaction can be measured reliably.

Sales discounts are granted at the point of sale based on a percentage and are recorded as a reduction of revenue in the period of the sale. Sale discount percentages vary depending on the product sold. Sale returns are performed with respect to the current agreements with distributors and recorded as reduction of revenue in the period of sale..

Inventories

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

Tangible Assets:

Property, plant and equipment are recognized at the value after accumulated depreciation and impairment are deducted from cost values.

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

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

Assets held under financial leasing are depreciated over their expected useful lives on the same basis as owned assets.

Gain or loss from selling or abandoning from service of property, plant and equipment is equal to the difference between revenue and book value of assets and gain or loss is booked under statement of income.

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

2.4 Summary of Significant Accounting Policies (cont'd):

Leases

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

Lease - The Group as lessor

Amounts due from lessees under finance leases are recognized as receivables at the amount of the Group's net investment in the leases. Finance lease income is allocated to accounting periods so as to reflect a constant periodic rate of return on the Group's net investment outstanding in respect of the leases.

Rental income from operating leases is recognized on a straight-line basis over the term of the relevant lease. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognized on a straight-line basis over the lease term.

Lease - The Group as lessee

Assets held under finance leases are initially recognized as assets of the Group at their fair value at the inception of the lease or, if lower, at the present value of the minimum lease payments. The corresponding liability to the lessor is included in the consolidated statement of financial position as a finance lease obligation. Lease payments are apportioned between finance expenses and reduction of the lease obligation so as to achieve a constant rate of interest on the remaining balance of the liability. Finance expenses are recognized immediately in profit or loss, unless they are directly attributable to qualifying assets, in which case they are capitalized in accordance with the Group's general policy on borrowing costs.

Operating lease payments (also in the event that lease incentives are received to enter into operating leases, such incentives are recognized under Profit or Loss Statement) are recognized as an expense on a straight-line basis over the lease term, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed.

Business Combinations

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

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

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

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

2.4 Summary of Significant Accounting Policies (cont'd):

Business Combinations (cont'd)

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

Transactions with non-controlling interests

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

Investment Properties

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

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

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

When the use of a property changes such that it is reclassified as property, plant and equipment, its fair value at the date of reclassification becomes its cost for subsequent accounting. If owner occupied property becomes an investment property, the Group accounts for such property in accordance with the policy stated under property, plant and equipment up to the date of change in use.

Intangible Assets

Intangible assets acquired separately

Intangible assets acquired separately are carried at cost less accumulated amortization and accumulated impairment losses. Amortization is recognized on a straight-line basis over their estimated useful lives. The estimated useful life and amortization method are reviewed at the end of each reporting period, with the effect of any changes in estimate being accounted for on a prospective basis.

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

2.4 Summary of Significant Accounting Policies (cont'd):

Intangible Assets (cont'd):

Computer software

Acquired computer software licenses are capitalized on the basis of the costs incurred to acquire and bring to use the specific software. These costs are amortized over their estimated useful lives (5–10 years).

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

Intangible assets acquired in a business combination

Intangible assets acquired in a business combination are identified and recognized separately from goodwill where they satisfy the definition of an intangible asset and their fair value can be measured reliably. The cost of such intangible assets is initially recognized at their fair value at the acquisition date

Subsequent to initial recognition, intangible assets acquired in a business combination are reported at cost less accumulated amortization and accumulated impairment losses, on the same basis as intangible assets that are acquired separately.

Derecognition of intangible assets

An intangible asset is derecognized on disposal, or when no future economic benefits are expected from use or disposal. Gains or losses arising from derecognition of an intangible asset, measured as the difference between the net disposal proceeds and the carrying amount of the asset, and are recognized in profit or loss when the asset is derecognized.

Impairment of Assets:

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

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

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

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

2.4 Summary of Significant Accounting Policies (cont'd):

Impairment of Assets (cont'd):

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

Borrowing Costs

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

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

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

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

Financial Instruments

Financial assets

All financial assets are recognized and derecognized on a trade date where the purchase or sale of a financial asset is under a contract whose terms require delivery of the financial asset within the timeframe established by the market concerned, and are initially measured at fair value, plus transaction costs except for those financial assets classified as at fair value through profit or loss, which are initially measured at fair value.

Financial assets are classified into the following specified categories: financial assets as 'at fair value through profit or loss' (FVTPL), 'held-to-maturity investments', 'available-for-sale' (AFS) financial assets and 'loans and receivables'. The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition.

Offsetting

Financial assets and liabilities are offset and the net amount is reported in the consolidated financial statements when there is a legally enforceable right to set off the recognized amounts and there is an intention to settle on a net basis, or realize the asset and settle the liability simultaneously.

Effective interest method

The effective interest method is a method of calculating the amortized cost of a financial asset and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset, or, where appropriate, a shorter period to the net carrying amount on initial recognition.

Income is recognized on an effective interest basis for financial assets other than those financial assets designated as at FVTPL.

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

2.4 Summary of Significant Accounting Policies (cont'd)

Financial Instruments (cont'd)

Deferred financial expenses

Deferred financial expenses (basically expenses derived from long-term bank loans taken from financial institutions) are amortized by using effective interest method in line with long-term loans' days to maturity.

Financial assets as at fair value through profit or loss

Financial assets at fair value through profit or loss are financial assets held for trading. A financial asset is classified in this category if acquired principally for the purpose of selling in the short-term. Derivatives are also categorized as held for trading unless they are designated as hedges.

Held-to-maturity investments

Those financial assets with fixed or determinable payments and fixed maturity dates that the Group has the positive intent and ability to hold to maturity are classified as held-to-maturity investments. Held-to-maturity investments are measured at amortized cost using the effective interest method less any impairment and related revenue are recognized by using effective interest method.

Available-for-sale financial assets

Quoted equity investments and quoted certain debt securities held by the Group that are traded in an active market are classified as being available-for-sale (AFS) financial assets and are stated at fair value.

Gains and losses arising from changes in fair value are recognized in other comprehensive income and accumulated in the investments revaluation reserve with the exception of impairment losses, interest calculated using effective interest method and foreign exchange gains and losses on monetary assets which are recognized in profit or loss. When the investment is disposed of or is determined to be impaired, the cumulative gain or loss previously accumulated in the investments revaluation reserve is reclassified to profit or loss. Dividends on AFS equity instruments are recognized in profit or loss when the Group's right to receive the dividends is established.

The fair value of AFS monetary assets denominated in a foreign currency is determined in that foreign currency and translated at the spot rate at the end of the reporting period. The foreign exchange gains and losses that are recognized in profit or loss are determined based on the amortized cost of the monetary asset. Other foreign exchange gains and losses are recognized in other comprehensive income.

AFS equity instruments that do not have a quoted market price in an active market and whose fair value cannot be reliably measured and derivatives that are linked to and must be settled by delivery of such unquoted equity investments are measured at cost less any identified impairment loss at the end of each reporting period.

Loans and receivables

Those receivables are financial assets with fixed or determinable payments that are quoted in an active market are classified under loans and receivables. Loans and receivables are measured at amortized cost using effective interest method less any impairment.

Impairment of financial assets

Financial assets, other than those at FVTPL, are assessed for indicators of impairment at the end of each reporting period.

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

2.4 Summary of Significant Accounting Policies (cont'd):

Financial Instruments (cont'd)

Impairment of financial assets (cont'd)

Financial assets are considered to be impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the investment have been affected. For financial assets carried at amortized cost, the amount of the impairment is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate.

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of trade receivables where the carrying amount is reduced through the use of an allowance account. When a trade receivable is uncollectible, it is written off against the allowance account. Changes in the carrying amount of the allowance account are recognized in consolidated income statement.

With the exception of available-for-sale equity instruments, if, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognized, the previously recognized impairment loss is reversed through profit or loss to the extent that the carrying amount of the investment at the date the impairment is reversed does not exceed what the amortized cost would have been had the impairment not been recognized.

In respect of available-for-sale equity securities, any increase in fair value subsequent to an impairment loss is recognized directly in equity.

Cash and cash equivalents

Cash and cash equivalents comprise cash on hand and demand deposits and other short-term highly liquid investments which their maturities are three months or less from date of acquisition and that are readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value.

Derecognition of financial assets

The Group derecognizes a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another party. If the Group neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Group recognizes its retained interest in the asset and an associated liability for amounts it may have to pay. If the Group retains substantially all the risks and rewards of ownership of a transferred financial asset, the Group continues to recognize the financial asset and also recognizes a collateralized borrowing for the proceeds received.

Financial Liabilities

Financial liabilities and equity instruments issued by the Group are classified according to the substance of the contractual arrangements entered into and the definitions of a financial liability and an equity instrument. An equity instrument is any contract that evidences a residual interest in the assets of the Group after deducting all of its liabilities.

The accounting policies adopted for specific financial liabilities and equity instruments are set out below. Financial liabilities are classified as either financial liabilities at FVTPL or other financial liabilities.

Financial liabilities at FVTPL

Financial liabilities are classified as at FVTPL where the financial liability is either held for trading or it is designated as at FVTPL. Financial liabilities at FVTPL are stated at fair value, with any resultant gain or loss recognised in profit or loss. The net gain or loss recognised in profit or loss incorporates any interest paid on the financial liability.

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

2.4 Summary of Significant Accounting Policies (cont'd):

Financial Liabilities (cont'd):

Other financial liabilities

Other financial liabilities, including borrowings, are initially measured at fair value, net of transaction costs.

Other financial liabilities are subsequently measured at amortized cost using the effective interest method, with interest expense recognised on an effective yield basis.

The effective interest method is a method of calculating the amortized cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments through the expected life of the financial liability, or, where appropriate, a shorter period.

Foreign Currency Transactions:

In preparing the consolidated financial statements of the Group, transactions in currencies other than TL (foreign currencies) are recorded at the rates of exchange prevailing on the dates of the transactions. At balance sheet, monetary items denominated in foreign currencies are retranslated at the rates prevailing on the balance sheet date.

Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing on the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated..

Exchange differences are recognized in profit or loss in the period in which they arise except for:

- Exchange differences which relate to assets under construction for future productive use, which are included in the cost of those assets where they are regarded as an adjustment to interest costs on foreign currency borrowings,
- Exchange differences on transactions entered into in order to hedge certain foreign currency risks,
- Exchange differences on monetary items receivable from or payable to a foreign operation for which settlement is neither planned nor likely to occur, which form part of the net investment in a foreign operation, and which are recognized in the foreign currency translation reserve and recognized in profit or loss on disposal of the net investment.

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

2.4 Summary of Significant Accounting Policies (cont'd):

Dividend and interest income

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

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

Earnings Per Share:

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

Events After the Reporting Period

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

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

Provisions, Contingent Assets and Contingent Liabilities:

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

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

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

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

2.4 Summary of Significant Accounting Policies (cont'd):

Related Party Disclosures:

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

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

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

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

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

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

Government Grants and Incentives:

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

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

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

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

2.4 Summary of Significant Accounting Policies (cont'd):

Current and deferred income tax

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

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

Current tax

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

Deferred tax

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

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

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

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

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Group intends to settle its current tax assets and liabilities on a net basis.

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

2.4 Summary of Significant Accounting Policies (cont'd):

Current and deferred income tax (cont'd):

Current and deferred tax for the period

Current and deferred tax are recognized as in profit or loss, except when they relate to items that are recognized in other comprehensive income or directly in equity, in which case, the current and deferred tax are also recognized in other comprehensive income or directly in equity respectively. Where current tax or deferred tax arises from the initial accounting for a business combination, the tax effect is included in the accounting for the business combination.

Employee Benefits

Termination and retirement benefits

Under Turkish law and union agreements, lump sum payments are made to employees retiring or involuntarily leaving the Group. Such payments are considered as being part of defined retirement benefit plan as per TAS 19 (Revised) Employee Benefits ("TAS 19").

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

Statement of Cash Flows

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

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

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

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

Share Capital and Dividends

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

Shareholders' Equity

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

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

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

2.5 Summary of Significant Accounting Policies (cont'd):

In the process of applying the entity's accounting policies, which are described in note 2.4, management has made the following judgments that have the most significant effect on the amounts recognized in the financial statements:

Useful life of tangible assets:

Group has calculated the depreciation expenses regarding the useful lives specified in note 12.

Impairment of inventories

A provision has been provided for inventories that are not expected to be used and are slow moving. The Group has also provided provision for inventories with net realizable values lower than costs. Based on the analysis, TL 9.867.495 impairment provision has been provided for inventories (2015: TL 8.783.613).

Doubtful receivables provision

A provision has been provided for receivables that are not expected to be collectible and those that have not been collected for long time. As of 31 December 2016, the provision for TL 5.903.016 of the trade receivables has been provided for as doubtful receivable provision (2015: TL 4.944.814).

Deferred taxes:

The Group recognizes deferred tax assets and liabilities based upon temporary differences arising between the financial statements as reported for TFRS purposes and financial statements prepared in accordance with the tax legislation. These differences arise from the differences in accounting periods for the recognition of income and expenses in accordance with TFRS and tax legislation. Group has deferred tax assets resulting from tax loss carry-forwards and deductible temporary differences, all of which could reduce taxable income in the future.

As of 31 December 2016, the Group has accounted for deferred tax assets by TL 44.285.820 (2015: TL 32.736.325, 2014: TL 17.991.009) in consolidated financial statements due to the investment incentives regarding to expansion and product diversifications.

Fully or partial recoverability of tax assets are estimated based on available current evidences. The main factors which are considered include future earnings potential; cumulative losses in recent years; expiration dates of both loss carry-forwards and other tax assets; the carry-forward period associated with the deferred tax assets; future reversals of existing taxable temporary differences; tax-planning strategies that would, if necessary, be implemented, and the nature of the income that can be used to realize the deferred tax asset.

Fair values of derivative instruments and other financial instruments

The Group determines the fair values of its financial instruments without an active market using various market information for similar transactions, similar instruments with fair values and discounted cash flow analysis with an independent third party valuation company kis Bağımsız Denetim ve SMMM A.Ş. which has CMB license. 5 years discounted cash flow analysis is applied with 7.3% (2015: 6.9%) discount rate and 1.9% (2015: 2.3%) long term growth rate for G-New and 8.9% (2015: 7.6%) discount rate and 2.7% (2015: 2.3%) long term growth rate for Godiva Belgium which are Group's financial investments.

A change in discount rate by 1%, effects the fair value of G New and Godiva Belgium amounting to TL 12.898.952 (2015: TL 11.294.051).

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

2.6 Summary of Financial Information Related to Subsidiaries:

Set out below are the summarised financial information for each subsidiary that has non-controlling interests that are material to the Group as of 31 December 2016 and 2015:

Biskot Bisküvi Gıda Sanayi ve Ticaret A.Ş.

	2016	2015
Total assets	643.688.912	536.682.257
Total liabilities	364.865.891	264.381.090
Total shareholders' equity	278.823.021	272.301.167
Accumulated funds on non-controlling interests	72.706.489	71.005.432
Revenue	758.576.926	760.009.656
Net profit for the year	14.793.545	46.348.848
Cash flow provided from operating activities	82.546.131	32.541.631
Cash flow used in investment activities	(67.198.229)	(35.821.424)
Cash flow used in financing activities	10.994.670	23.376.087

Food Manufacturers' Company

	2016	2015
Total assets	297.353.197	233.682.996
Total liabilities	130.852.712	116.470.929
Total shareholders' equity	166.500.485	117.212.067
Accumulated funds on non-controlling interests	76.505.955	53.291.094
Revenue	275.763.271	274.486.129
Net profit for the year	21.394.728	19.024.831
Cash flow provided from operating activities	54.657.376	40.154.270
Cash flow used in investment activities	(54.446.036)	(15.365.079)
Cash flow used in financing activities	60.979	(21.125.007)

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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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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)

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4. SEGMENTAL INFORMATION

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

The Group, follows its operations with domestic (local operations of Turkish companies in Turkey) and international basis in accordance with TFRS 8. The information for 1 January - 31 December 2015 and 1 January - 31 December 2016;

	Domestic	Foreign	Elimination Effects	1 January-31 December 2016
Revenue	2.915.350.924	1.488.977.416	(482.641.485)	3.921.686.855
Gross Profit	630.177.114	291.893.304	(116.530)	921.953.888
Operating Profit (*)	329.157.294	100.922.888	(286.435)	429.793.747
Investment expense	209.814.481	47.364.513	-	257.178.994

(*) Profit before other income/expense.

	Domestic	Foreign	Elimination Effects	1 January-31 December 2015
Revenue	2.718.077.755	1.527.947.977	(452.288.460)	3.793.737.272
Gross Profit	595.744.104	275.046.254	(1.670.176)	869.120.182
Operating Profit (*)	308.789.143	93.534.344	441.689	402.765.176
Investment expense	167.625.196	48.002.987	-	215.628.183

(*) Profit before other income/expense

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5. CASH AND CASH EQUIVALENTS

	2016	2015	2014
Cash on hand	1.633.042	322.183	510.419
Demand deposits	29.317.915	28.884.182	23.749.995
Time deposits (*)	2.138.961.654	1.315.181.835	1.030.810.637
	2.169.912.611	1.344.388.200	1.055.071.051

(*) All of the time deposits consist of overnight (2015: 1.315.181.835 TL ve 2014: 89.854.816 TL).

The details of time deposits:

Currency Type	Annually Weighted Average Effective Interest Rate	Maturity	2016
TL	10,62%	January 2017	374.319.771
EUR	1,50%	January 2017	672.616.138
USD	2,49%	January 2017	1.092.025.745
			2.138.961.654

Currency Type	Annually Weighted Average Effective Interest Rate	Maturity	2015
EUR	1,59%	January 2016	533.399.795
USD	2,47%	January 2016	781.782.040
			1.315.181.835

Currency Type	Annually Weighted Average Effective Interest Rate	Maturity	2014
TL	10,00%	January 2015	64.949.805
USD	2,78%	January-February 2015	965.860.832
			1.030.810.637

6. FINANCIAL INVESTMENTS

Short Term Financial Investments:

	2016	2015	2014
Available for sale financial assets	754.935	704.437	778.877
	754.935	704.437	778.877

Long Term Financial Investments:

	2016	2015	2014
Available for sales financial assets	928.800.295	765.334.184	529.090.164
	928.800.295	765.334.184	529.090.164

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6. FINANCIAL INVESTMENTS (cont'd)

<u>Long Term</u> <u>Available for Sale Financial</u> <u>Investments</u>	<u>Share %</u>	<u>2016</u>	<u>Share %</u>	<u>2015</u>	<u>Share %</u>	<u>2014</u>
G New, Inc	%12,20	187.228.229	%12,20	196.711.611	%19,23	175.542.535
Godiva Belgium BVBA	%19,23	712.010.658	%19,23	537.772.863	%19,23	323.374.698
BİM Birleşik Mağazalar A.Ş.	%0,20	29.361.290	%0,20	30.649.592	%0,20	29.930.540
Other		200.118		200.118		242.391
		<u>928.800.295</u>		<u>765.334.184</u>		<u>529.090.164</u>

Available for sale financial assets are presented at their fair values. As of 31 December 2016 the after tax difference belonging to equity holder of TRY 695.363.441 as of 31 December 2016 (2015: TRY 539.968.646 and 2014: TL315.553.570) 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 TL 200.118 (2015: TL 200.118, 2014: TL 242.391) 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

7. FINANCIAL LIABILITIES

	<u>2016</u>	<u>2015</u>	<u>2014</u>
Short Term Liabilities	544.791.623	932.018.207	805.663.027
Short Term Portion of Long Term Liabilities	1.815.280.366	27.772.158	47.498.415
Long Term Liabilities	384.844.123	1.735.320.937	1.705.163.759
	<u>2.744.916.112</u>	<u>2.695.111.302</u>	<u>2.558.325.201</u>
<u>Short Term Liabilities:</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Bank loans	514.162.247	932.018.207	805.663.027
Funds borrowed from related parties (Not 32)	30.629.376	-	-
	<u>544.791.623</u>	<u>932.018.207</u>	<u>805.663.027</u>
<u>Short Term Portion of Long Term Liabilities</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Bank Loans	1.815.280.366	27.409.159	47.121.860
Financial Lease Payables	-	362.999	376.555
	<u>1.815.280.366</u>	<u>27.772.158</u>	<u>47.498.415</u>
<u>Long Term Liabilities</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Bank Loans	384.778.487	1.735.254.707	1.704.734.529
Financial Lease Payables	65.636	66.230	429.230
	<u>384.844.123</u>	<u>1.735.320.937</u>	<u>1.705.163.759</u>

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.

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7. FINANCIAL LIABILITIES (cont'd)

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 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 Borrowings

31 December 2016

<u>Currency Type</u>	<u>Maturity</u>	<u>Effective Weighted Average Interest Rate (%)</u>	<u>Short Term</u>	<u>Long Term</u>
TL	January 2017-January 2021	Spot-%10,59	14.383.813	199.500.000
EUR	January 2017-February 2019	%2,75	809.483.182	175.706.890
USD	June 2017-June 2020	%3,90	1.522.762.304	7.978.500
EGP	January 2017-September 2019	%17,00	4.266.762	1.593.097
SAR	January 2017	%1,53	9.175.928	-
			2.360.071.989	384.778.487

31 December 2015

<u>Currency Type</u>	<u>Maturity</u>	<u>Effective Weighted Average Interest Rate (%)</u>	<u>Short Term</u>	<u>Long Term</u>
TL	January 2016-July 2016	Spot	1.398.009	-
EUR	February 2016-June 2020	%2,76	84.733.636	750.209.542
USD	January 2016-November 2017	%3,18	855.399.919	978.876.603
EGP	November 2016-September 2019	%14,00	10.832.140	6.168.562
SAR	August 2016	%1,43	7.063.662	-
			959.427.366	1.735.254.707

31 December 2014

<u>Currency Type</u>	<u>Maturity</u>	<u>Effective Weighted Average Interest Rate (%)</u>	<u>Short Term</u>	<u>Long Term</u>
TL	January 2015	Spot	2.073.392	-
EUR	April 2015-November 2017	%2,97	11.817.724	648.233.402
USD	February 2015-November 2017	%2,90	804.269.861	1.054.122.575
EGP	January 2015-September 2019	%17,00	12.897.729	2.378.552
SAR	January 2015	%1,49	21.726.181	-
			852.784.887	1.704.734.529

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7. FINANCIAL LIABILITIES (cont'd)

Bank Borrowings (cont'd)

Repayment schedule of bank loans are as follows:

	2016	2015	2014
To be paid within 1 year	2.360.071.989	959.427.366	852.784.887
To be paid within 1-2 years	326.181.593	1.663.088.205	284.805.193
To be paid within 2-3 years	32.255.242	27.348.086	1.419.929.336
To be paid within 3-4 years	26.341.652	25.682.363	-
To be paid within 4-5 years	-	19.136.053	-
	2.744.850.476	2.694.682.073	2.557.519.416

Financial lease payables

Short-Term Financial Lease Payables

	2016	2015	2014
Financial lease payables	-	362.999	467.784
Deferred financial lease payables costs (-)	-	-	(91.229)
	-	362.999	376.555

Long-Term Financial Lease Payables

	2016	2015	2014
Financial lease payables	67.729	468.398	468.398
Deferred financial lease payables costs (-)	(2.093)	(402.168)	(39.168)
	65.636	66.230	429.230

The detail of long term financial lease payables is as follows:

	2016	2015	2014
To be paid within 1 year	-	362.999	376.555
To be paid within 1-5 years	65.636	66.230	429.230
	65.636	429.229	805.785

8. TRADE RECEIVABLES AND PAYABLES

	2016	2015	2014
Due from Related Parties			
Due from related parties (Note 32) (Net)	602.050.480	572.655.892	527.891.860
	602.050.480	572.655.892	527.891.860

Other Trade Receivables

Trade receivables (net)	175.965.309	194.387.255	182.537.227
Notes receivables (net)	833.496	1.105.172	6.392.821
Provision for doubtful receivables	(5.903.016)	(4.944.814)	(4.037.485)
	170.895.789	190.547.613	184.892.563

Total Short Term Trade Receivables

	772.946.269	763.203.505	712.784.423
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	2016	2015	2014
Due from Related Parties			
Due from related parties (Note 32)	65.491	6.196.664	5.016.739
Total Short Term Trade Receivables	65.491	6.196.664	5.016.739

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8. TRADE RECEIVABLES AND PAYABLES (cont'd)

Trade receivables are disclosed at discounted net realizable value using the effective yield method. Net realizable value has been calculated over discount rate of 10,6% (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 31 December 2016 and 2015 is as follows;

	2016	2015
Opening balance	(4.944.814)	(4.037.485)
Charge for the period	(677.474)	(950.776)
Provisions released	77.986	204.676
Currency translation differences	(382.389)	(619.676)
Collections	23.675	458.447
Closing balance	(5.903.016)	(4.944.814)

Description on the level and nature of the risks related to trade receivables is provided in Note 33.

	2016	2015	2014
Short Term Trade Payables			
Due to related parties (Note 32) (Net)	335.895.278	311.000.386	322.557.410
Trade payables (Net)	302.086.015	284.456.228	282.083.463
	637.981.293	595.456.614	604.640.873

Trade payables are disclosed at discounted net realizable value using the effective yield method. Net realizable value has been calculated over discount rate of 10,6 % (2015: 12,9%) based on the Group's cash sales.

9. OTHER RECEIVABLES AND PAYABLES

	2016	2015	2014
Other Receivables			
Due from related parties (Note 32)	1.618.637	802.126.831	984.706.867
Short term other receivables	20.067.395	36.102.814	20.591.448
	21.686.032	838.229.645	1.005.298.315

	2016	2015	2014
Other Short Term Receivables			
VAT receivables	11.969.170	15.463.094	12.717.532
Receivables from personnel	1.345.977	1.278.441	392.024
Deposits and guarantees given	492.863	25.196	828.476
Insurance compensation receivable	-	13.319.191	-
Other	6.259.385	6.016.892	6.653.416
	20.067.395	36.102.814	20.591.448

	2016	2015	2014
Other Long Term Receivables			
Deposits and guarantees given	185.292	176.911	173.841
	185.292	176.911	173.841

	2016	2015	2014
Other Payables			
Due to related parties (Note 32)	-	86.239.625	57.719.971
Other short term payables	8.431.010	4.472.618	45.380.378
	8.431.010	90.712.243	103.100.349

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9. OTHER RECEIVABLES AND PAYABLES (cont'd)

	2016	2015	2014
Other payables			
Other short term payables	5.560.898	2.314.794	43.941.056
Deposits and guarantees received	2.870.112	2.157.824	1.439.322
	8.431.010	4.472.618	45.380.378

Description on the level and nature of the risks related to other receivables is provided in Note 33.

10. INVENTORIES

Details of inventory are as follows;

	2016	2015	2014
Raw materials	173.973.830	134.649.764	110.049.087
Work in progress	10.532.864	11.270.572	10.639.452
Finished goods	155.334.121	149.824.901	133.495.268
Trade goods	8.018.029	5.553.918	7.919.484
Other inventories	23.950.815	22.970.612	17.030.332
Allowance for impairment on inventory (-)	(9.867.495)	(8.783.613)	(4.338.266)
	361.942.164	315.486.154	274.795.357

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

The movement of allowance for impairment on inventory for the years ended on 31 December 2016 and 31 December 2015 are below:

	2016	2015
Opening balance	(8.783.613)	(4.338.266)
Charge for the year	(2.240.020)	(7.216.500)
Used allowance	1.455.006	3.048.810
Currency translation differences	(298.868)	(277.657)
Closing balance	(9.867.495)	(8.783.613)

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11. INVESTMENT PROPERTIES

	2016	2015
Opening balance	12.904.161	11.971.843
Purchases	-	90.130
Increase in fair value	1.705.000	865.000
Charge for the year	(21.569)	(22.812)
Closing balance	14.587.592	12.904.161

The fair value of the Group's investment properties at 31 December 2016 and 2015 has been calculated on the basis of a valuation carried out at that date by 31 December 2016 and 2015, by independent valuers not related to the Group. EVA Gayrimenkul Değerleme Danışmanlık A.Ş. is one of the accredited independent valuers by Capital Markets Board of Turkey, and has appropriate qualifications and recent experience in the valuation of properties in the relevant locations. The valuation, which conforms to International Valuation Standards, based on market evidence of transaction prices for similar properties. The difference between book value and fair value of investment property outside of this valuation is assessed to be immaterial.

The rent income earned by the Group from its investment properties amounting to TL 1.371.045 (2015: TL 1.449.145) within the current period. Direct operating expenses arising from the investment properties in the current period amounting to TL 78.686 (2015: 77.471 TL).

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12. TANGIBLE ASSETS

Movement of tangible assets between 1 January 2016 and 31 December 2016 is as follows:

Cost	1 January 2016	Addition	Disposal	Transfers (Note 13)	Currency translation differences	31 December 2016
Land	16.458.202	215.675	-	-	(6.204.713)	10.469.164
Land improvements	7.803.257	121.837	-	137.695	-	8.062.789
Buildings	291.432.723	3.965.388	(430.493)	53.875.405	(2.234.711)	346.608.312
Machinery, plant and equipment	1.081.200.410	28.723.858	(14.344.736)	147.504.867	(8.827.688)	1.234.256.711
Vehicles	4.194.313	4.162.664	(512.847)	-	(249.416)	7.594.714
Furniture and fixture	57.395.634	3.553.587	(246.024)	3.036.894	24.425	63.764.516
Leasehold improvements	19.930.469	3.313.530	-	2.473.744	-	25.717.743
Other tangible assets	4.847.122	423.148	-	(1.673.199)	815.834	4.412.905
Construction in progress	164.296.470	212.699.307	-	(205.424.041)	(10.539.163)	161.032.573
	1.647.558.600	257.178.994	(15.534.100)	(68.635)	(27.215.432)	1.861.919.427
Accumulated Depreciation	1 January 2016	Addition	Disposal	Transfers (Note 13)	Currency translation differences	31 December 2016
Land improvements	(3.250.227)	(389.105)	-	-	-	(3.639.332)
Buildings	(98.063.141)	(9.932.288)	108.210	-	(2.161.308)	(110.048.527)
Machinery, plant and equipment	(592.709.779)	(64.277.283)	9.851.488	-	858.998	(646.276.576)
Vehicles	(3.149.815)	(575.618)	291.167	-	27.140	(3.407.126)
Furniture and fixture	(44.063.893)	(4.001.648)	177.557	-	(35.615)	(47.923.599)
Leasehold improvements	(12.061.217)	(1.986.472)	-	-	-	(14.047.689)
Other tangible assets	(2.783.221)	(894.749)	-	-	(736.109)	(4.414.079)
	(756.081.293)	(82.057.163)	10.428.422	-	(2.046.894)	(829.756.928)
Net Book Value	891.477.307					1.032.162.499

From depreciation and amortization expenses, TL 75.775.623 (2015: TL 68.783.805) is included in cost of goods sold, TL 306.994 TL (2015: TL 288.313) is included in research and development expenses, TL 1.503.163 (2015: TL 1.428.003) is included in marketing and selling expenses and TL 5.338.930 (2015: TL 5.271.374) is included in general and administrative expenses. There are not any fixed assets acquired through financial leasing in the current period. There is not any mortgage or collateral on tangible assets in the current period.

In 2016, the Group has capitalized TL 3.631.811 interest and TL 9.625.185 foreign exchange losses with regards to borrowings and accounted for such borrowing costs under tangible assets.

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12. TANGIBLE ASSETS (cont'd)

Movement of tangible assets between 1 January 2015 and 31 December 2015 is as follows:

Cost	1 January 2015	Addition	Disposal	Transfers (Note 13)	Currency translation differencies	31 December 2015
Land	7.082.394	8.383.233	(10.000)	-	1.002.575	16.458.202
Land improvements	7.191.880	29.765	-	581.612	-	7.803.257
Buildings	280.167.591	793.891	(45.550)	2.272.084	8.244.707	291.432.723
Machinery, plant and equipments	955.895.617	7.454.987	(11.787.332)	93.765.305	35.871.833	1.081.200.410
Vehicles	3.407.242	706.131	(428.315)	-	509.255	4.194.313
Furniture and fixtures	51.642.760	3.320.583	(237.024)	1.866.212	803.103	57.395.634
Leasehold improvements	16.891.825	1.334.436	(141.000)	1.845.208	-	19.930.469
Other tangible assets	2.928.770	185.481	(1.491)	915.865	818.497	4.847.122
Constructions in progress	67.916.496	193.419.676	-	(101.797.118)	4.757.416	164.296.470
	1.393.124.575	215.628.183	(12.650.712)	(550.832)	52.007.386	1.647.558.600
Accumulated Depreciation	1 January 2015	Addition	Disposal	Transfers (Note 13)	Currency translation differencies	31 December 2015
Leasehold improvements	(2.893.688)	(356.539)	-	-	-	(3.250.227)
Buildings	(86.037.714)	(9.059.456)	-	-	(2.965.971)	(98.063.141)
Machinery, plant and equipments	(527.014.528)	(60.014.975)	10.214.963	-	(15.895.239)	(592.709.779)
Vehicles	(2.744.375)	(300.101)	306.166	-	(411.505)	(3.149.815)
Furniture and fixtures	(40.422.557)	(3.287.479)	171.621	-	(525.478)	(44.063.893)
Leasehold improvements	(10.918.934)	(1.190.754)	48.471	-	-	(12.061.217)
Other tangible assets	(1.660.148)	(658.370)	1.491	-	(466.194)	(2.783.221)
	(671.691.944)	(74.867.674)	10.742.712	-	(20.264.387)	(756.081.293)
Net Book Value	721.432.631					891.477.307

There are no any fixed assets acquired through financial leasing between 1 January-December 2015.

In 2015, the Group has capitalized TL 819.703 interest and TL 5.671.936 foreign exchange losses with regards to borrowings and accounted for such borrowing costs under tangible assets.

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12. TANGIBLE ASSETS (cont'd)

The estimated useful lives of tangible assets are as follow:

	Useful Life
Buildings	25 – 50 years
Land improvements	10 – 50 years
Machinery, plant and equipments	4 – 15 years
Vehicles	4 – 10 years
Other tangible assets	4 – 10 years
Furniture and fixtures	3 – 10 years
Leasehold improvements	During rent period

13. INTANGIBLE ASSETS

Movement of intangible assets between 1 January 2016 and 31 December 2016 is as follows:

Cost	1 January 2016	Addition	Disposal	Transfers (Note 12)	31 December 2016
Rights	2.442.307	93.575	-	68.635	2.604.517
Development costs	675.004	-	-	-	675.004
Other intangible assets	2.636.278	448.564	(53.625)	-	3.031.217
	5.753.589	542.139	(53.625)	68.635	6.310.738
Accumulated Amortization	1 January 2016	Addition	Disposal	Transfers (Note 12)	31 December 2016
Rights	(2.028.211)	(246.793)	-	-	(2.275.004)
Development costs	(222.292)	(135.002)	-	-	(357.294)
Other intangible assets	(1.694.209)	(464.183)	53.625	-	(2.104.767)
	(3.944.712)	(845.978)	53.625	-	(4.737.065)
Net Book Value	1.808.877				1.573.673

Movement of intangible assets between 1 January 2015 and 31 December 2015 is as follows:

Cost	1 January 2015	Addition	Disposal	Transfers (Note 12)	31 December 2015
Rights	2.444.196	89.104	(90.993)	-	2.442.307
Development costs	675.004	-	-	-	675.004
Other intangible assets	1.858.960	226.486	-	550.832	2.636.278
	4.978.160	315.590	(90.993)	550.832	5.753.589
Accumulated Amortization	1 January 2015	Addition	Disposal	Transfers (Note 12)	31 December 2015
Rights	(1.928.752)	(190.452)	90.993	-	(2.028.211)
Development costs	(121.041)	(101.251)	-	-	(222.292)
Other intangible assets	(1.104.903)	(589.306)	-	-	(1.694.209)
	(3.154.696)	(881.009)	90.993	-	(3.944.712)
Net Book Value	1.823.464				1.808.877

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13. INTANGIBLE ASSETS (cont'd)

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

	Useful Life
Rights	2 – 15 yıl
Development costs	5 yıl
Other intangible assets	2 – 12 yıl

14. GOVERNMENT GRANTS AND INCENTIVES

Export operations and other foreign exchange activities performed under fundamentals and methods identified by Ministry of Finance and Undersecretariat of Foreign Trade are exempt from stamp duty and transaction stamps. Government grants are given for supporting foreign fair attendance with respect to the Credit Coordination Committee's decision at 16 December 2004 with number 2004/11 which is prepared with respect to the decision Government Grants for Export. Group is also benefiting from tax incentive for export of the agricultural products with respect to the Credit Coordination Committee's decision of 20/6 "Export return on Agricultural Products" 2000/5.

Group is benefiting from the energy and employment support incentives with respect to the "Law related with change in grants for investment and employment support, decision number 5084" effective from 6 February 2004 and published in formal journal, with the intention of applying insurance and tax premium incentives, supplying energy support and acquiring free of charge land and property for investments in order to increase investments and employment.

Incentive of TL 135.000.000 and TL 22.442.150 have been approved by Ministry of Economy at 19 November 2013 with respect to the expansion and product diversification investment of Ülker Bisküvi San. A.Ş Gebze Factory and Ankara Factory, respectively. The investment is planned to complete until 11 November 2017. Biskot Bisküvi Gıda Sanayi ve Ticaret A.Ş. has obtained four investment incentives with regards to product diversifications investments by TL 54.236.064 in Karaman plant. The Group has utilized TL 18.863.586 (2015: TL 17.924.849) portion of such incentives and accounted for deferred tax assets by TL 44.285.820 (2015: TL 32.736.325) for the remaining portion of these earned incentives (Note 30).

The Group has received government incentives amounting TL 21.441.493 in current year (2015: TL 27.228.872). In current year the amount related to law 5084; TL 9.580.615 is from employment grants, TL 7.488.447 is from agricultural products export incentives and TL 1.994.630 is from investment incentive, TL 2.377.801 is from other grants (2015: TL 13.205.758 from employment grants, TL 13.782.537 from investment incentive, TL 240.577 from other grants).

15. OTHER PROVISIONS, CONTINGENT ASSETS AND LIABILITIES

Short Term Debt Provisions	2016	2015	2014
Provisions for lawsuits	5.547.396	4.312.544	3.594.538
Provision for returns	-	4.007.038	-
Provision for marketing activities	10.454.091	9.168.567	7.722.427
Other	8.094.449	6.523.108	7.570.256
	24.095.936	24.011.257	18.887.221

Movement for lawsuit provisions for 2016 and 2015 is as follows:

	2016	2015
Opening balance	4.312.544	3.594.538
Charge for the period	2.260.968	1.541.102
Terminated provisions	(1.023.228)	(481.778)
Payment/relinquishment (-)	(2.888)	(341.318)
	5.547.396	4.312.544

A significant portion of the lawsuit provisions as of 31 December 2016 and 2015 is related to legal filings made by the personnel.

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

a) Guarantees Given

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

	2016			2015		
	TL	USD	EUR	TL	USD	EUR
A) CPM's given in the name of own legal personality	70.285.091	-	50.000	49.716.690	64.900	-
B) CPM's given on behalf of the fully consolidated companies	1.916.000	-	5.622.171	-	-	6.522.171
C) CPM's given on behalf of third parties for ordinary course of business (*)	-	-	75.000.000	-	-	-
D) Total amount of other CPM's given	-	80.000.000	-	50.000.000	147.000.000	-
i. Total amount of CPM's given on behalf of the majority shareholder (**)	-	80.000.000	-	50.000.000	147.000.000	-
ii. Total amount of CPM's given on behalf of the group companies which are not in scope of B and C	-	-	-	-	-	-
iii. Total amount of CPM's given on behalf of third parties which are not in scope of C	-	-	-	-	-	-
Total	72.201.091	80.000.000	80.672.171	99.716.690	147.064.900	6.522.171

(*)The guarantee given for raw material supplier of the Group in order to purchases done for the Group.

(**) The procedures with regards to release of the CPMs given on behalf of the majority shareholders are finalised in February 2017. The ratio of other CPMs to the Group's equity is 17,1% (2015: 34,1%). The Group charges commission fee to majority shareholder amounting to TL 3.969.122 for CPMs in accordance with policy.

b) Lawsuits Filed by and Against to the Group

ba) As of 31 December 2016;

Lawsuits filed by the Group:

	TL	USD	EUR
Compensation litigations	170.000	-	102.942
Foreclosure litigations	696.467	-	-
Tax litigations (*)	8.664.975	-	-
Action of debts	145.290	3.404.577	-
Penalty cases	3.000	-	-
	9.679.732	3.404.577	102.942

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

Lawsuits filed against to the Group:

	TL	USD
Action of debts	510.554	-
Foreclosure litigations	1.782.736	-
Compensation litigations	3.184.618	400.000
	5.477.908	400.000

The provision of TL 5.547.396 has been accounted for various court cases filed against the Group. For the rest of the lawsuits no provision was recognised because no cash outflow is projected for those (2015: TL 4.312.544 and 2014: TL 3.594.538).

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

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

bb) As of 31 December 2015;

Lawsuits filed by the Group:

	TL	USD	EUR
Compensation litigations	170.000	-	102.942
Foreclosure litigations	714.517	-	-
Tax litigations (*)	8.818.073	-	-
Action of debts	85.619	3.404.577	-
	9.788.209	3.404.577	102.942

Lawsuits filed against to the Group:

	TL	USD
Action of debts	541.851	-
Foreclosure litigations	1.293.219	-
Compensation litigations	2.920.520	400.000
	4.755.590	400.000

bc) As of 31 December 2014;

Lawsuits filed by the Group:

	TL	USD	EUR
Compensation litigations	120.000	-	102.942
Foreclosure litigations	1.122.384	-	-
Tax litigations (*)	10.148.233	-	-
Action of debts	195.675	3.404.577	-
	11.586.292	3.404.577	102.942

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

Lawsuits filed against to the Group:

	TL	USD
Action of debts	706.516	-
Foreclosure litigations	194.339	-
Compensation litigations	3.502.133	400.000
	4.402.988	400.000

Operational Leasing Agreements

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

Group's rental income from its operational leasing agreements for tangible assets and investment properties leased is TL 7.152.333 during the current year (2015: TL 6.950.175). In the current year operational leasing expenses are TL 1.128.552 (2015: TL 466.624). Due to non-cancellable rent agreements, the Group's rental revenue to be received in the future periods is TL 7.153.608 (2015: TL 7.271.212) and are all to be realized in a one year period. Due to non-cancellable rent agreements, the Group's rent payments to be incurred in the future periods is TL 1.220.988 (2015: TL 2.259.713) and are all payable in a one year period.

16. COMMITMENTS AND OBLIGATIONS

The Group's export commitments amount to USD 157.500.263 as of 31 December 2016 (2015: USD 130.318.263). The average period of export commitments are 2 years. If the export commitments will not be fulfilled, the Group will loss the tax advantage. Export commitments in 2016 have been realized completely (2015: USD 76.183.855).

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17. PROVISION FOR EMPLOYEE BENEFITS

Short Term Liabilities for Employee Benefits

	2016	2015	2014
Unused vacation accrual	17.084.014	14.331.487	10.952.278
Performance premium accrual	14.564.434	12.919.759	10.871.716
Salary payments accrual	671.811	-	-
	32.320.259	27.251.246	21.823.994

Movement of Unused Vacation Provision

	2016	2015
Opening balance	14.331.487	10.952.278
Decrease in period	(10.904.937)	(8.714.525)
Increased in period	12.988.272	11.305.065
Currency translation differences	669.192	788.669
Closing balance	17.084.014	14.331.487

Movement of Performance Premium Provision

	2016	2015
Opening balance	12.919.759	10.871.716
Cash payments in period	(14.074.903)	(11.335.770)
Increased in period	14.894.595	12.593.706
Currency translation differences	824.983	790.107
Closing balance	14.564.434	12.919.759

Long Term Liabilities for Employee Benefits

	2016	2015	2014
Provision for employee termination benefits	72.356.363	37.439.337	32.650.452
	72.356.363	37.439.337	32.650.452

Under Turkish Labor Law, the Company is required to pay employment termination benefits to each entitled employee. Also, employees are entitled to be paid their retirement pay provisions who retired by gaining right to receive retirement pay provisions according to of the prevailing 506 numbered Social Insurance Law's Article 60, as amended by 6 March 1981 dated, 2422 numbered and 25 August 1999 dated, 4447 numbered laws. Some transition provisions related to the pre-retirement service term was excluded from the law since the related law was changed as of 23 May 2002. The amount payable consists of one month's salary limited to a maximum of TL 4.297,21 for each period of service as of 31 December 2015 (2014: TL 3.828,37).

The liability is not funded, as there is no funding requirement. The provision has been calculated by estimating the present value of the future probable obligation of the Group arising from the retirement of employees. TAS 19 requires actuarial valuation methods to be developed to estimate the entity's obligation under defined benefit plans. Accordingly, the following actuarial assumptions were used in the calculation of the total liability:

The principal assumption is that the maximum liability for each year of service will increase parallel with inflation. Thus, the discount rate applied represents the expected real rate after adjusting for the anticipated effects of future inflation. Consequently, in the accompanying financial statements as at 31 December 2016, the provision has been calculated by estimating the present value of the future probable obligation of the Group arising from the retirement of the employees. The provisions at the respective balance sheet dates have been calculated assuming an annual inflation rate of 7,5% and a discount rate of 11.8%, resulting in a real discount rate of approximately 4,00% (2015: 4,00%). The Group assessed the probability of paying the termination benefits for employees who have completed 15 years and 3600 days with social security Premium payment as 100% if such employees started working prior to 8 September 1999 based on Law numbered 4447. The maximum liability is revised semi annually. The basis considered in calculating the provisions is the amount of maximum liability of TL 4.426,16 which became effective as of 1 January 2017. As of 2016 year end, the probability of resignation of employees is 5.3% (2014: 5,2%).

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17. PROVISION FOR EMPLOYEE BENEFITS (cont'd)

Movement of provision for employee termination benefits is as below;

	2016	2015
Opening balance	37.439.337	32.650.452
Services cost	34.134.544	15.430.818
Interest cost	3.689.012	1.304.981
Actuarial loss / gain	21.221.658	(530.268)
Currency translation differences	139.388	1.380.788
Cash payments during year	(24.267.576)	(12.797.434)
Closing balance	72.356.363	37.439.337

18. PREPAID EXPENSES

Short Term Prepaid Expenses	2016	2015	2014
Advances given to related parties (Note 32)	78.046.637	112.601.084	116.813.193
Advances given to third parties	30.114.080	51.065.418	40.866.156
Prepaid expenses	7.212.771	5.536.116	4.862.615
Other	-	-	31.653
	115.373.488	169.202.618	162.573.617

Long Term Prepaid Expenses	2016	2015	2014
Advances given to third parties	14.132.127	28.528.378	25.842.428
Prepaid expenses	27.932	33.965	150.595
	14.160.059	28.562.343	25.993.023

19. EMPLOYEE BENEFITS RELATED LIABILITIES

	2016	2015	2014
Payables to personnel	15.537.880	18.358.796	13.061.819
Social security premiums payable	15.055.459	8.972.251	6.715.397
	30.593.339	27.331.047	19.777.216

20. OTHER ASSET AND LIABILITIES

Other Current Asset	2016	2015	2014
VAT carried forward	48.028.344	45.254.438	47.988.600
Other VAT	-	28.119	1.941.180
Other	88.417	77.346	82.359
	48.116.761	45.359.903	50.012.139

Other Current Liabilities	2016	2015	2014
Taxes and fund payable	11.921.229	11.179.496	9.092.622
Other liabilities	369.041	594.108	158.261
	12.290.270	11.773.604	9.250.883

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21. DEFERRED REVENUE

Deferred revenue	2016	2015	2014
Advances received	16.240.365	12.986.779	10.946.956
Deferred revenue for next months	32.198.942	26.908.764	8.329.805
	48.439.307	39.895.543	19.276.761

22. SHAREHOLDERS' EQUITY

a) Capital Structure

The composition of the Company's paid-in share capital as of 31 December 2016 and 2015 is as follows:

Shareholders	Amount	2016 Share	Amount	2015 Share
Yıldız Holding A.Ş.	98.912.930	28,92%	168.124.482	49,16%
pladis Foods Limited	71.820.000	21,00%	-	-
Yıldız Holding A.Ş. Subsidiaries and Ülker Family	29.267.569	8,56%	27.738.115	8,11%
Other	141.999.501	41,52%	146.137.403	42,73%
	342.000.000	100,00%	342.000.000	100,00%

b) Valuation Funds

Financial Asset Valuation Fund:

Financial Asset Valuation Fund is generated from the valuation of available for sale instruments with their fair values. When a financial asset valued at its fair value is disposed, the related portion in the valuation fund is directly recognized in that period's profit and loss. When a financial instrument is revalued and a decrease in value is observed, the related portion in the valuation fund is directly recognized in that period's profit and loss.

As of 31 December 2016 the Group has financial asset valuation fund of TL 695.363.441 (2014: TL 539.968.646).

Investment Property Valuation Fund:

Properties accounted as fixed assets in previous periods, might be transferred to investment property due to changes in usage patterns. In this way in 2012, Group classified some of the real estate properties as investment property and preferred to book under fair value method. Accordingly, the increase in the fair value amounting to TL 22.081.916 during the first transfer, has been accounted as the increase in the fair value under equity. In the following period, the increase in the fair value of real estate amounting to TL 1.705.000 in 2016, TL 865.000 in 2015 and TL 965.000 in 2014 have been accounted under the income statement (Note 27). As of 30 July 2013, the disposal of valuation fund amounting to TL 15.405.576 has been realized due to sales of investment property.

c) Restricted Reserves Appropriated from Profit

Restricted reserves appropriated from profit are composed of legal reserves. Legal reserves comprise of first and second legal reserves, appropriated in accordance with the Turkish Commercial Code. The first legal reserve is appropriated out of historical statutory profits at the rate of 5% per annum, until the total reserve reaches 20% of the historical paid-in share capital. The second legal reserve is appropriated after the first legal reserve and dividends, at the rate of 10% per annum of all cash dividend distributions. According to the Turkish Commercial Code, legal reserves can be only used to offset losses unless they exceed the 50% of paid-in capital. Other than that, legal reserves must not be used whatsoever.

In accordance with the CMB's requirements which were effective until 1 January 2008, the amount generated from the first-time application of inflation adjustments on financial statements, and followed under the "accumulated loss" item was taken into consideration as a reduction in the calculation of profit distribution based on the inflation adjusted financial statements within the scope of the CMB's regulation issued on profit distribution. The related amount that was followed under the "accumulated loss" item could also be offset against the profit for the period (if any) and undistributed retained earnings and the remaining loss amount could be offset against capital reserves arising from the restatement of extraordinary reserves, legal reserves and equity items, respectively.

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22. SHAREHOLDERS' EQUITY (cont'd)

c) Restricted Reserves Appropriated from Profit (cont'd)

In addition, in accordance with the CMB's requirements which were effective until 1 January 2008, at the first-time application of inflation adjustments on financial statements, equity items, namely "Capital", "Premium on capital stock", "Capital" issue premiums, "Legal reserves", "Statutory reserves", "Special reserves" and "Extraordinary reserves" were carried at nominal value in the balance sheet and restatement differences of such items were presented in equity under the "Shareholders' equity inflation restatement differences" line item in aggregate. "Shareholders' equity inflation restatement differences" related to all equity items could only be subject to the capital increase by bonus issue or loss deduction, while the carrying value of extraordinary reserves could be subject to the capital increase by bonus issue; cash profit distribution or loss deduction.

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

- "Capital restatement differences" account, following the "Paid-in capital" line item in the financial statements, if such differences are arising from "Paid-in Capital" and not added to capital;
- "Retained earnings/Accumulated loss", if such differences are arising from "Restricted reserves" and "Premium in excess of par" and has not been subject to profit distribution or capital increase.

Capital restatement differences can only be included in capital.

Profit Distribution:

Publicly listed companies distribute dividends in accordance with the requirements of CMB as explained below: In accordance with the Capital Markets Board's (the "Board") Decree issued on 23 January 2013, in relation to the profit distribution of earnings derived from the operations, minimum profit distribution is not required for listed companies, and accordingly, profit distribution should be made based on the requirements set out in the Board's Communiqué Serial:II, No: 19.1 "Principles of Dividend Advance Distribution of Companies That Are Subject To The CMB Regulations", terms of articles of corporations and profit distribution policies publicly disclosed by the companies.

Furthermore, based on the afore-mentioned Decree, companies that are required to prepare consolidated financial statements should calculate their net distributable profits, to the extent that they can be recovered from equity in their statutory records, by considering the net profit for the period in the consolidated financial statements which are prepared and disclosed in accordance with the Communiqué Serial: XI, No: 29.

Legal Reserves and Share Issuance Premiums which are considered as legal reserves under the Turkish Commercial Code No: 466, have been presented at their values in legal books. Thus, the inflation adjustment differences from the valuation studies for IFRS purposes for those as of the balance sheet date that have not been subject to profit distribution or capital increase have been presented under retained earnings.

Resources Available for Profit Distribution:

The Group has fund amounting to TL 827.564.714 (2015: TL 263.551.164) that can be utilized for profit distribution.

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22. SHAREHOLDERS' EQUITY (cont'd)

d) Retained Earnings

Details of retained earnings are as follows:

	2016	2015
Retained earnings	(544.364.258)	(540.472.102)
Extraordinary reserves	281.263.051	94.529.328
Inflation restatement differences of shareholders' equity accounts other than capital and legal reserves	(18.214.566)	(18.214.566)
Other reserves	585.026.023	624.534.749
	303.710.250	160.377.409

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

The amount of non-controlling interest as of 31 December 2016 is equal to TL 205.390.129 (2015: TL 209.722.260). The minority share of TL 11.633.167 on operating results for the current year has been presented separately from the profit for the same period in these consolidated statements of income. (2015: TL 30.684.761).

23. REVENUE AND COST OF SALES

a) Revenue

The detail of operating income is as follows:

	2016	2015
Domestic sales	4.267.363.414	4.003.313.371
Export sales	796.153.118	890.009.811
Sales returns and discounts	(1.141.829.677)	(1.099.585.910)
Sales Income (net)	3.921.686.855	3.793.737.272

b) Cost of Sales

	2016	2015
Raw material used	(2.175.330.283)	(2.137.152.105)
Personnel expenses	(378.482.143)	(287.562.905)
Production overheads	(222.678.158)	(193.597.246)
Depreciation and amortization expenses	(75.775.623)	(68.783.805)
Change in work-in-progress inventories	(737.707)	631.120
Change in finished goods inventories	5.509.220	21.883.552
Cost of merchandises sold	(2.847.494.694)	(2.664.581.389)
Cost of trade goods sold	(152.238.273)	(260.035.701)
Cost of sales	(2.999.732.967)	(2.924.617.090)

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24. RESEARCH EXPENSES, MARKETING EXPENSES, GENERAL ADMINISTRATIVE EXPENSES

	2016	2015
General administrative expenses	(116.580.651)	(112.724.354)
Marketing expenses	(366.845.974)	(344.441.814)
Research expenses	(8.733.516)	(9.188.838)
	(492.160.141)	(466.355.006)

25. EXPENSES BY NATURE

The detail of operating expenses is as follow:

	2016	2015
Research Expenses		
Personnel expenses	(3.724.383)	(3.654.841)
Materials used	(2.085.562)	(1.881.362)
Depreciation and amortization expenses	(306.994)	(288.313)
Other	(2.616.577)	(3.364.322)
	(8.733.516)	(9.188.838)
Marketing Expenses		
Marketing operating expenses	(295.833.820)	(282.186.574)
Personnel expenses	(48.678.122)	(48.919.011)
Depreciation and amortization expenses	(3.694.726)	(1.909.737)
Rent expenses	(1.503.163)	(1.428.003)
Other	(17.136.143)	(9.998.489)
	(366.845.974)	(344.441.814)
General Administration Expenses		
Personnel expenses	(49.102.340)	(48.071.968)
Operating expenses (*)	(41.819.734)	(39.622.945)
Depreciation and amortization expenses	(5.338.930)	(5.271.374)
Consultancy expenses	(4.162.431)	(4.396.921)
Other	(16.157.216)	(15.361.146)
	(116.580.651)	(112.724.354)
	(492.160.141)	(466.355.006)

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

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26. OTHER OPERATING INCOME AND EXPENSES

a) The detail of operating income is as follow:

	2016	2015
Financial income on discount and credit sales	53.145.605	54.182.057
Foreign exchange gains	20.269.120	48.855.732
Services income	2.047.207	148.447
Terminated provisions	354.505	813.853
Other income	10.805.656	11.378.285
	86.622.093	115.378.374

b) The detail of operating expense is as follow:

	2016	2015
Financial income on discount and credit sales	(28.555.371)	(40.781.917)
Foreign exchange losses	(5.008.100)	(20.562.195)
Provision expenses	(2.488.467)	(2.049.438)
Other expenses	(15.599.535)	(23.802.684)
	(51.651.473)	(87.196.234)

27. INCOME AND EXPENSES FROM INVESTMENT ACTIVITIES

a) The detail of investment income is as follow:

	2016	2015
Foreign exchange gains	356.448.978	719.741.422
Interest income	76.346.373	67.832.604
Rent income	7.679.254	7.932.696
Dividend income	683.686	870.451
Fair value increase in investment property (Note 11)	1.705.000	865.000
Income on sales of tangible assets	681.930	831.767
Other	50.498	170
	443.595.719	798.074.110

b) The detail of investment expenses is as follow:

	2016	2015
Foreign exchange losses	(110.874.407)	(233.169.494)
Loss on sales of tangible assets	(1.631.461)	(565.656)
Other	(718.894)	(74.440)
	(113.224.762)	(233.809.590)

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28. FINANCIAL INCOME

	2016	2015
Foreign exchange gain	131.116.907	184.768.227
Guarantee commission income	3.969.122	-
	135.086.029	184.768.227

29. FINANCIAL EXPENSES

	2016	2015
Foreign exchange losses from financing	(550.665.607)	(739.834.981)
Interest expenses	(76.968.092)	(72.125.042)
Commission and finance service expenses	(10.347.339)	(6.459.000)
	(637.981.038)	(818.419.023)

30. 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 is 20% (2015: 20%).

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30. TAX ASSET AND LIABILITIES (cont'd)

<u>Deferred tax bases</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Indexation and useful life differences of tangible and intangible assets	-	-	-	196.250.875	163.530.691	150.024.219
Investment properties valuation differences	-	-	-	13.036.359	11.284.955	10.369.517
Marketable securities valuation differences	-	-	-	732.877.901	569.361.288	333.147.147
Profit margin elimination on inventories	(3.531.800)	(3.139.435)	(133.260)	-	-	-
Discount of trade receivables / payables (net)	-	(1.773.475)	(1.995.678)	1.319.445	-	-
Allowance of employee termination benefits	(62.985.130)	(29.412.870)	(26.788.886)	-	-	-
Provision of doubtful receivables	(466.860)	(444.845)	(848.288)	-	-	-
Previous year losses	(832.325)	(2.305.687)	(9.494.630)	-	-	-
Provision for lawsuits	(5.547.396)	(4.312.538)	(3.594.538)	-	-	-
Impairment on inventories	(6.482.410)	(5.312.140)	(4.331.441)	-	-	-
Performance premium provision	-	-	(461.355)	-	-	-
Provision for unused vacation	(11.449.020)	(9.771.720)	(7.305.260)	-	-	-
Other	(13.012.994)	(17.864.286)	(5.903.710)	4.147.578	14.534.512	21.628.050
	<u>(104.307.935)</u>	<u>(74.336.996)</u>	<u>(60.857.046)</u>	<u>947.632.158</u>	<u>758.711.446</u>	<u>515.168.933</u>

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30. TAX ASSET AND LIABILITIES (cont'd)

<u>Deferred tax assets / liabilities:</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Indexation and useful life differences of tangible and intangible assets	-	-	-	39.250.175	32.706.138	30.004.844
Investment properties valuation differences	-	-	-	651.818	564.248	518.476
Marketable securities valuation differences	-	-	-	36.643.895	28.468.064	16.657.357
Profit margin elimination on inventories	(706.360)	(627.887)	(26.652)	-	-	-
Discount of trade receivables / payables (net)	-	(354.695)	(399.136)	263.889	-	-
Allowance of employee termination benefits	(12.597.026)	(5.882.574)	(5.357.777)	-	-	-
Provision of doubtful receivables	(93.372)	(88.969)	(169.658)	-	-	-
Previous year losses	(166.465)	(461.137)	(1.898.926)	-	-	-
Provision for lawsuits	(1.109.479)	(862.508)	(718.908)	-	-	-
Impairment on inventories	(1.296.482)	(1.062.428)	(866.288)	-	-	-
Performance premium provision	-	-	(92.271)	-	-	-
Investment allowance	(44.285.820)	(32.736.325)	(17.991.009)	-	-	-
Provision for unused vacation	(2.289.804)	(1.954.344)	(1.461.052)	-	-	-
Other	(2.602.599)	(3.572.857)	(1.180.742)	829.516	2.853.707	4.325.610
	<u>(65.147.407)</u>	<u>(47.603.724)</u>	<u>(30.162.419)</u>	<u>77.639.293</u>	<u>64.592.157</u>	<u>51.506.287</u>

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30. TAX ASSET AND LIABILITIES (cont'd)

Movement of Deferred Tax Liabilities:

	2016	2015
Opening balance	16.988.433	21.343.868
Taxes netted from funds recognised under equity	3.928.974	11.920.369
Deferred tax income	(8.425.521)	(16.275.804)
Closing balance	12.491.886	16.988.433

As of 31 December 2016, the Group calculated deferred tax assets of TL 832.325 for deductible financial losses in the consolidated financial statements for the current year (2015: TL 2.305.687). The maturities of these losses are as follows:

	2016	2015
2016	-	2.258.375
2017	832.325	47.312
Total	832.325	2.305.687

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 31 December 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 (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.

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.

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30. TAX ASSET AND LIABILITIES (cont'd)

Provision for taxation as of 31 December 2016 and 2015 is as follows:

	2016	2015
Current year corporate tax provision	(59.588.634)	(53.251.248)
Prepaid taxes and funds	44.770.085	43.736.860
Taxation in the balance sheet	(14.818.549)	(9.514.388)
	2016	2015
Current year corporate tax provision	(58.661.106)	(55.022.708)
Deferred tax income	8.425.521	16.275.804
Taxation in the income statement	(50.235.585)	(38.746.904)

The reconciliation of provision for taxation as of 31 December 2016 and 2015 are as follows:

	2016	2015
Reconciliation of taxation:		
Profit before taxation and non-controlling interest	292.240.315	361.561.040
Effective tax rate	%20	%20
Calculated tax	58.448.063	72.312.208
Tax effects of:		
- Non-deductible expenses	2.471.608	5.730.699
- Dividend and other non-taxable income	(764.630)	(4.958.911)
- Investment allowance	(13.314.219)	(28.412.019)
- Effect of carry forward tax loss	-	(1.919.101)
- Carry forward tax loss	6.747.188	-
which were not subject to deferred tax		
- Tax rate difference	(3.176.234)	(3.630.173)
- Other	(176.191)	(375.799)
Taxation in the income statement	50.235.585	38.746.904

31. EARNINGS PER SHARE

A summary of the Group's weighted average number of shares outstanding as of 31 December 2016 and 2015 and computation of earnings per share set out here as follows:

	2016	2015
Weighted average number of common stock outstanding	34.200.000.000	34.200.000.000
Net profit	230.371.563	292.129.375
Earnings per share (TL 1 per value each)	0,67	0,85

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32. BALANCES AND TRANSACTIONS WITH RELATED PARTIES

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

	2016	2015	2014
Trade receivables	602.115.971	578.852.556	532.908.599
Non-trade receivables	1.618.637	802.126.831	984.706.867
	603.734.608	1.380.979.387	1.517.615.466

Trade receivables from related parties are mainly composed of sales transactions and approximate maturity is 2 months. Non-trade receivables are loans given to related parties, and interest is received as monthly based on effective market interest rate. The interest rate used in 31 December 2016 is 10,6% for TL (2015: 12,9%).

The detail of trade and non-trade receivables from related parties is as follow:

	2016		2015		2014	
	Trade	Non-Trade	Trade	Non-Trade	Trade	Non-Trade
Principle Shareholder						
Yıldız Holding A.Ş. (*)	327.441	-	-	562.221.691	-	747.022.359
Other Companies Controlled by the Principle Shareholder and Ülker Family						
Horizon Hızlı Tük. Ür. Paz. Sat. ve Tic. A.Ş.	286.184.297	-	257.572.982	-	228.682.259	-
Pasifik Tük. Ürün. Satış ve Ticaret A.Ş.	209.964.008	-	186.668.812	-	159.678.951	-
Teközel Gıda T. Sağ. Mrk. Hiz. San. Tic. A.Ş.	46.952.482	-	44.551.725	-	42.331.926	-
United Biscuits (UK) Ltd.	9.571.784	-	-	-	-	-
Rekor Gıda Paz. San. ve Tic. A.Ş.	-	-	41.768.628	-	40.198.031	-
Misbis Gıda San. Tic. A.Ş.	1.990.685	1.618.637	3.608.941	7.297.899	3.609.322	-
Natura Gıda San. ve Tic. A.Ş.	1.439.452	-	427.371	-	1.810.863	-
Önem Gıda San. ve Tic. A.Ş.	103.743	-	363.154	-	7.582.493	-
Besler Gıda ve Kimya San. ve Tic. A.Ş. (*)	8.863	-	-	232.607.241	-	220.294.895
UI Mena B.V.	-	-	-	-	-	17.389.613
Other	45.573.216	-	43.890.943	-	49.014.754	-
	602.115.971	1.618.637	578.852.556	802.126.831	532.908.599	984.706.867

(*) The balance consists of company fundings regarding to effect of business combinations under common control which is occurred in 2016.

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:

	2016	2015	2014
Önem Gıda San. ve Tic. A.Ş. (Note 18)	78.046.637	112.601.084	116.813.193
	78.046.637	112.601.084	116.813.193

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

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

Trade payables to related parties mainly composed of purchase transactions and approximate maturity is 2 months.

	2016	2015	2014
Trade payables	335.895.278	311.000.386	322.557.410
Non-trade payables	-	86.239.625	78.982.326
	335.895.278	397.240.011	401.539.736

The detail of payables to related parties is as follows:

	2016		2015		2014	
	Trade	Non-Trade	Trade	Non-Trade	Trade	Non-Trade
Principle Shareholder						
Yıldız Holding A.Ş.	10.140.950	-	22.590.147	-	13.121.314	-
Other Companies Controlled by the Principle Shareholder and Ülker Family						
Önem Gıda San. ve Tic. A.Ş.	224.268.445	-	199.902.805	-	183.090.994	-
Besler Gıda ve Kimya San. Tic. A.Ş.	56.674.647	-	42.355.406	-	39.976.982	-
Marsa Yağ San. ve Tic. A.Ş.	15.411.320	-	15.197.181	-	15.331.778	-
CCC Gıda San. ve Tic. A.Ş.	10.409.333	-	10.295.813	-	5.943.232	-
Maia International B.V. (*)	65.417	-	-	86.199.000	-	56.059.752
Northstar Innovation A.Ş.	927.435	-	1.774.659	-	3.397.646	-
Ak Gıda San. ve Tic. A.Ş. (**)	-	-	-	-	40.066.538	-
Other	17.997.731	-	18.884.375	40.625	21.628.926	22.922.574
	335.895.278	-	311.000.386	86.239.625	322.557.410	78.982.326

(*) The balance consists of company fundings regarding to effect of business combinations under common control which is occurred in 2016.

(**) As of 31 December 2015 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.

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

	2016	2015	2014
Yıldız Holding A.Ş.	30.629.376	-	-
	30.629.376	-	-

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

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

	2016		2015	
	Purchases	Sales	Purchases	Sales
<i>Other Companies Controlled by the Principle Shareholder and Ülker Family</i>				
Önem Gıda San. ve Tic. A.Ş.	1.089.964.949	42.123	985.508.049	6.137.489
Besler Gıda ve Kimya San. ve Tic. A.Ş.	178.658.272	69.378	195.476.253	627.186
Marsa Yağ San. ve Tic. A.Ş.	54.743.131	560.337	54.345.654	500
Ak Gıda San. ve Tic. A.Ş. (*)	-	-	128.228.730	632.442
Pendik Nişasta San. A.Ş.	48.665.157	-	34.711.280	815
CCC Gıda San. ve Tic. A.Ş.	26.789.072	147.797	35.168.874	240.450
Teközel Gıda Tem. Sağ. Mark. Hizm. A.Ş.	205.813	140.402.883	-	187.280.132
Pasifik Tüketim Ürünleri Satış ve Tic. A.Ş.	-	853.697.018	1.228	751.219.854
Horizon Hızlı Tük. Ür. Paz. Sat. ve Tic. A.Ş.	1.050.550	1.736.108.226	2.962.070	1.516.984.946
Rekor Gıda Paz. San. ve Tic. A.Ş.	-	-	383.323	145.674.820
Other	49.041.063	237.277.350	72.384.094	165.085.648
	1.449.118.007	2.968.305.112	1.509.169.555	2.773.884.282

(*) 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 2015 – 30 June 2015 reported as related parties.

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

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32. 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 twelve month period ended on 31 December 2016;

	Rent Income	Rent Expenses	Service Income	Service Expenses	Interest Income and Foreign exchange gains	Interest Income and Foreign exchange losses
Principle Shareholders						
Yıldız Holding A.Ş.	60.206	(948)	33.234	(117.924.351)	381.236.422	(28.730.190)
Other Companies						
Hüner Pazarlama San. ve Tic. A.Ş.	666.450	-	304.920	(63.211)	-	-
Horizon Hızlı Tük. Ür. Paz. Sat. ve Tic. A.Ş.	46.176	(144.856)	115.939	(12.089.260)	-	-
Önem Gıda San. ve Tic. A.Ş.	1.708.710	(18.006)	4.390.439	(31.429.165)	-	(3.996.105)
Besler Gıda ve Kimya San. ve Tic. A.Ş.	-	-	78.119	(239.978)	65.251	(2.361.445)
Pasifik Tüketim Ürünleri Satış ve Tic. A.Ş.	162.137	-	-	(3.601.581)	-	-
Northstar Innovation A.Ş.	-	-	21.736	(751.290)	-	-
İzsal Gayrimenkul Geliştirme A.Ş.	29.952	(1.195.909)	12.904	(618.342)	-	-
Marsa Yağ San. ve Tic. A.Ş.	7.018	-	41.724	-	51.147	(790.883)
United Biscuits (UK) Ltd.	-	-	596.750	(354.177)	1.395.156	-
Other	58.741	(288.901)	826.382	(781.686)	4.082.658	(401.017)
	2.739.390	(1.648.620)	6.422.147	(167.853.041)	386.830.634	(36.279.640)

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

For the twelve month period ended on 31 December 2015;

	Rent Income	Rent Expenses	Service Income	Service Expenses	Interest Income and Foreign exchange gains	Interest Income and Foreign exchange losses
Principle Shareholders						
Yıldız Holding A.Ş.	90.199	(6.091)	1.125.373	(110.811.111)	541.286.083	(212.133.997)
Other Companies						
Hüner Pazarlama San. ve Tic. A.Ş.	645.099	-	378.690	(242.934)	-	-
Horizon Hızlı Tük. Ür. Paz. Sat. ve Tic. A.Ş.	16.142	(142.115)	346.191	(5.210.503)	-	-
Önem Gıda San. ve Tic. A.Ş.	1.438.385	(2.668)	5.722.662	(17.411.579)	11.168	(3.204.059)
Besler Gıda ve Kimya San. ve Tic. A.Ş.	-	-	134.269	(1.891.114)	57.845.040	(2.564.896)
Marsa Yağ San. ve Tic. A.Ş.	6.516	-	34.100	-	125.762	(1.804.378)
Pasifik Tüketim Ürünleri Satış ve Tic. A.Ş.	107.101	-	218.706	(1.171.698)	-	-
Northstar Innovation A.Ş.	-	-	29.656	(1.362.591)	-	-
İzsal Gayrimenkul Geliştirme A.Ş.	26.007	(1.200.959)	17.412	(733.962)	-	-
Rekor Gıda Paz. San. ve Tic. A.Ş.	185.504	-	581.999	(346.954)	-	-
CCC Gıda San. ve Tic. A.Ş.	8.052	-	924.056	(169.916)	1.033.281	(1.685.895)
Other	29.940	(859)	913.283	(464.081)	11.507.545	(9.887.560)
	2.552.945	(1.352.692)	10.426.397	(139.816.443)	611.808.879	(231.280.785)

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

	2016	2015
Fees and other short term benefits	15.800.583	12.518.537
	15.800.583	12.518.537

33. NATURE AND LEVEL OF RISKS DERIVED FROM FINANCIAL INSTRUMENTS

Additional Information on Financial Instruments

(a) Capital risk management

The Group manages its capital to ensure that entities in the Group will be able to continue as a going concern while maximizing the return to stakeholders through the optimization of the debt and equity balance.

The capital structure of the Group consists of debt, which includes the borrowings disclosed in Note 7, cash and cash equivalents disclosed in Note 5 and equity attributable to equity holders of the parent, comprising issued capital, reserves and retained earnings as disclosed in Note 22.

The management of the Group considers the cost of capital and the risks associated with each class of capital. The management of the Group aims to balance its overall capital structure through the payment of dividends, new share issues and the issue of new debt or the redemption of existing debt.

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

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33. NATURE AND LEVEL OF RISKS DERIVED FROM FINANCIAL INSTRUMENTS

Net liability / Total capital ratio as of 31 December 2016, 2015 and 2014 are as follows:

	2016	2015	2014
Total financial liabilities	2.744.916.112	2.695.111.302	2.558.325.201
Negative: Cash & cash equivalent	(2.169.912.611)	(1.344.388.200)	(1.055.071.051)
Net liabilities	575.003.501	1.350.723.102	1.503.254.150
Total shareholders' equity	1.854.596.478	1.608.379.361	1.117.495.640
Total capital	2.429.599.979	2.959.102.463	2.620.749.790
Net liabilities/Total Capital Ratio	%24	%46	%57

b) Financial Risk Factors

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

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

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

(b) -1 Credit Risk Management

Credit Risk of Financial Instruments	Receivables				
	Trade Receivables		Other Receivables		Deposit in Bank
	Related Party	Third Party	Related Party	Third Party	
2016					
Maximum net credit risk as of balance sheet date (*)	602.115.971	170.895.789	1.618.637	20.252.687	2.168.279.569
- The part of maximum risk under guarantee with collateral etc (**)	-	120.987.871	-	-	-
A. Net book value of financial assets that are neither past due nor impaired	593.209.835	162.198.665	1.618.637	20.252.687	2.168.279.569
B. Net book value of financial assets that are renegotiated, if not that will be accepted as past due or impaired	-	-	-	-	-
C. Carrying value of financial assets that are past due but not impaired	8.906.136	8.648.818	-	-	-
- The part under guarantee with collateral etc	-	108.677	-	-	-
D. Net book value of impaired assets	-	48.306	-	-	-
- Past due (gross carrying amount)	-	5.951.322	-	-	-
- Impairment (-)	-	(5.903.016)	-	-	-
- The part of net value under guarantee with collateral etc	-	48.306	-	-	-
- Not past due (gross carrying amount)	-	-	-	-	-
- Impairment (-)	-	-	-	-	-
- The part of net value under guarantee with collateral etc.	-	-	-	-	-
E. Off-balance sheet items with credit risk	-	-	-	-	-

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

(**) Guarantees include letter of guarantees, guarantee notes and mortgages.

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

(b) -1 Credit Risk Management (cont'd)

Credit Risk of Financial Instruments	Receivables				
	Trade Receivables		Other Receivables		Deposit in Bank
	Related Party	Third Party	Related Party	Third Party	
2015					
Maximum net credit risk as of balance sheet date (*)	578.852.556	190.547.613	802.126.831	36.279.725	1.344.066.017
- The part of maximum risk under guarantee with collateral etc (**)	-	183.619.663	-	-	-
A. Net book value of financial assets that are neither past due nor impaired	567.126.924	175.307.802	802.126.831	36.279.725	1.344.066.017
B. Net book value of financial assets that are renegotiated, if not that will be accepted as past due or impaired	-	-	-	-	-
C. Carrying value of financial assets that are past due but not impaired	11.725.632	15.196.148	-	-	-
- The part under guarantee with collateral etc	-	737.315	-	-	-
D. Net book value of impaired assets	-	43.663	-	-	-
- Past due (gross carrying amount)	-	4.988.477	-	-	-
- Impairment (-)	-	(4.944.814)	-	-	-
- The part of net value under guarantee with collateral etc	-	43.663	-	-	-
- Not past due (gross carrying amount)	-	-	-	-	-
- Impairment (-)	-	-	-	-	-
- The part of net value under guarantee with collateral etc.	-	-	-	-	-
E. Off-balance sheet items with credit risk	-	-	-	-	-

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

(**) Guarantees include letter of guarantees, guarantee notes and mortgages.

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

(b) -1 Credit Risk Management (cont'd)

Credit Risk of Financial Instruments	Receivables				
	Trade Receivables		Other Receivables		Deposit in Bank
	Related Party	Third Party	Related Party	Third Party	
2014					
Maximum net credit risk as of balance sheet date (*)	532.908.599	184.892.563	984.706.867	20.765.289	1.054.560.632
- The part of maximum risk under guarantee with collateral etc (**)	-	41.102.355	-	-	-
A. Net book value of financial assets that are neither past due nor impaired	524.500.831	170.886.063	984.706.867	20.765.289	1.054.560.632
B. Net book value of financial assets that are renegotiated, if not that will be accepted as past due or impaired	-	-	-	-	-
C. Carrying value of financial assets that are past due but not impaired	8.407.768	13.958.194	-	-	-
- The part under guarantee with collateral etc	-	167.998	-	-	-
D. Net book value of impaired assets	-	48.306	-	-	-
- Past due (gross carrying amount)	-	4.085.791	-	-	-
- Impairment (-)	-	(4.037.485)	-	-	-
- The part of net value under guarantee with collateral etc	-	48.306	-	-	-
- Not past due (gross carrying amount)	-	-	-	-	-
- Impairment (-)	-	-	-	-	-
- The part of net value under guarantee with collateral etc.	-	-	-	-	-
E. Off-balance sheet items with credit risk	-	-	-	-	-

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

(**) Guarantees include letter of guarantees, guarantee notes and mortgages.

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

(b) -1 Credit Risk Management (cont'd)

Aging of overdue receivables as of 31 December 2016, 2015 and 2014 is as follows:

	Receivables		
	Trade Receivables	Other Receivables	Trade Receivables
31 December 2016			
Overdue between 1-30 days	8.444.823	-	8.444.823
Overdue between 1-3 months	1.109.466	-	1.109.466
Overdue between 3-12 months	5.992.795	-	5.992.795
Overdue between 1-5 years	2.056.176	-	2.056.176
Total overdue receivables	17.603.260	-	17.603.260
<i>The portion of under guarantee with collateral etc</i>	156.983	-	156.983

	Receivables		
	Trade Receivables	Other Receivables	Trade Receivables
31 December 2015			
Overdue between 1-30 days	10.474.778	-	10.474.778
Overdue between 1-3 months	6.159.788	-	6.159.788
Overdue between 3-12 months	1.511.632	-	1.511.632
Overdue between 1-5 years	8.819.245	-	8.819.245
Total overdue receivables	26.965.443	-	26.965.443
<i>The portion of under guarantee with collateral etc</i>	780.978	-	780.978

	Receivables		
	Trade Receivables	Other Receivables	Total Receivables
31 December 2014			
Overdue between 1-30 days	12.076.339	-	12.076.339
Overdue between 1-3 months	1.942.748	-	1.942.748
Overdue between 3-12 months	1.072.805	-	1.072.805
Overdue between 1-5 years	7.322.376	-	7.322.376
Total overdue receivables	22.414.268	-	22.414.268
<i>The portion of under guarantee with collateral etc</i>	216.304	-	216.304

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

	2016	2015	2014
	Fair Value	Fair Value	Fair Value
Guarantees Received	108.677	737.315	167.998
	108.677	737.315	167.998

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

(b) -1 Credit Risk Management (cont'd)

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

	2016	2015	2014
	Fair Value	Fair Value	Fair Value
Guarantees Received	48.306	43.663	48.306
	48.306	43.663	48.306

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

(b) -2 Liquidity risk management

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

Liquidity risk charts

The following table presents the maturity of Group's non-derivative financial liabilities. The table includes both interest and principal cash flows.

<u>Contractual maturity analysis</u>		<u>Total cash outflow according to contract (I +II+ III)</u>	<u>Less than 3 months (I)</u>	<u>3-12 months (II)</u>	<u>1-5 years (III)</u>
<u>2016</u>	<u>Carrying value</u>				
Non-derivative financial liabilities					
Bank borrowing	2.744.850.476	2.854.791.288	130.801.081	2.319.569.105	404.421.102
Financial lease liabilities	65.636	67.729	-	-	67.729
Trade payables	637.981.293	644.385.260	627.527.427	16.857.833	-
Other payables	8.431.010	8.431.010	8.431.010	-	-
Total liabilities	3.391.328.415	3.507.675.287	766.759.518	2.336.426.938	404.488.831

The expected maturities are same as the maturities per contracts.

<u>Contractual maturity analysis</u>		<u>Total cash outflow according to contract (I +II+ III)</u>	<u>Less than 3 months (I)</u>	<u>3-12 months (II)</u>	<u>1-5 years (III)</u>
<u>2015</u>	<u>Carrying value</u>				
Non-derivative financial liabilities					
Bank borrowing	2.694.682.073	2.778.656.193	915.880.966	84.682.973	1.778.092.254
Financial lease liabilities	429.229	831.397	-	362.999	468.398
Trade payables	595.456.614	599.264.250	595.504.674	3.759.576	-
Other payables	90.712.243	90.712.243	90.712.243	-	-
Total liabilities	3.381.280.159	3.469.464.083	1.602.097.883	88.805.548	1.778.560.652

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

(b) -2 Liquidity risk management (cont'd)

Liquidity risk charts (cont'd)

The expected maturities are same as the maturities per contracts.

<u>Contractual maturity analysis</u> <u>2014</u>	<u>Carrying value</u>	<u>Total cash outflow according to contract (I +II+ III)</u>	<u>Less than 3 months (I)</u>	<u>3-12 months (II)</u>	<u>1-5 years (III)</u>
Non-derivative financial liabilities					
Bank borrowing	2.557.519.416	2.673.329.905	252.158.365	638.446.940	1.782.724.600
Financial lease liabilities	805.785	936.182	64.237	403.547	468.398
Trade payables	604.640.873	609.535.675	563.284.424	46.251.251	-
Other payables	103.100.349	103.100.349	103.100.349	-	-
Total liabilities	3.266.066.423	3.386.902.111	918.607.375	685.101.738	1.783.192.998

(b) -3 Market risk management

The Group is subject to financial risks related with the foreign exchange currency rates ((b) -3.1) and interest rates ((b) -3.2).

Market risk management is also measured based on sensitivity analysis.

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

(b) -3.1 Foreign currency risk management

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

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

The Group is mainly exposed to foreign currency risk in USD, EUR, GBP, CHF and DKK.

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

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

(b) -3.1 Foreign currency risk management (cont'd)

	2016					
	TL Equivalents	USD	EUR	CHF	GBP	DKK
1. Trade Receivables	149.077.013	27.825.666	12.914.995	-	750.096	-
2a. Monetary Financial Assets	1.769.795.850	310.792.280	181.801.194	28.550	344.041	14.378
2b. Non-Monetary Financial Assets	-	-	-	-	-	-
3. Other	3.297.187	610.393	309.420	-	272	-
4. CURRENT ASSETS	1.922.170.050	339.228.339	195.025.609	28.550	1.094.409	14.378
5. Trade Receivables	65.492	18.610	-	-	-	-
6a. Monetary Financial Assets	95.596	27.164	-	-	-	-
6b. Non-Monetary Financial Assets	-	-	-	-	-	-
7. Other	11.344.023	1.113.078	1.984.440	18.809	-	-
8. NON-CURRENT ASSETS	11.505.111	1.158.852	1.984.440	18.809	-	-
9. TOTAL ASSETS	1.933.675.161	340.387.191	197.010.049	47.359	1.094.409	14.378
10. Trade Payables	124.437.263	24.229.721	10.227.995	13.814	272.198	-
11. Financial Liabilities	2.332.245.484	432.701.268	218.195.418	-	-	-
12a. Other Monetary Financial Liabilities	8.092.785	755.756	610.766	-	733.346	-
12b. Other Non-monetary Financial Liabilities	16.035.548	3.730.275	782.109	-	1.486	-
13. CURRENT LIABILITIES	2.480.811.080	461.417.020	229.816.288	13.814	1.007.030	-
14. Trade Payables	-	-	-	-	-	-
15. Financial Liabilities	183.685.390	2.267.135	47.361.624	-	-	-
16a. Other Monetary Financial Liabilities	-	-	-	-	-	-
16b. Other Non-monetary Financial Liabilities	-	-	-	-	-	-
17. NON-CURRENT LIABILITIES	183.685.390	2.267.135	47.361.624	-	-	-
18. TOTAL LIABILITIES	2.664.496.470	463.684.155	277.177.912	13.814	1.007.030	-
19. Net foreign currency liability	(730.821.309)	(123.296.964)	(80.167.863)	33.545	87.379	14.378
20. Net foreign currency of monetary items (1+2a+5+6a-10-11-12a-14-15-16a)	(729.426.971)	(121.290.160)	(81.679.614)	14.736	88.593	14.378

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

(b) -3.1 Foreign currency risk management (cont'd)

	2015					
	TL Equivalents	USD	EUR	CHF	GBP	DKK
1. Trade Receivables	145.905.557	33.861.840	13.171.446	-	1.301.017	-
2a. Monetary Financial Assets	2.113.603.710	542.699.817	167.980.574	8.426	427.947	22.365
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	2.264.737.015	578.117.878	181.369.247	11.790	1.729.608	22.365
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	2.296.050.926	581.913.661	187.366.582	428.540	1.729.608	22.365
10. Trade Payables	82.712.781	11.694.730	13.523.938	61.322	1.291.878	-
11. Financial Liabilities	940.133.556	294.194.497	26.665.923	-	-	-
12a. Other Monetary Financial Liabilities	89.009.301	136.555	27.557.348	-	243.222	-
12b. Other Non-monetary Financial Liabilities	12.777.763	3.167.266	1.121.044	-	1.486	-
13. CURRENT LIABILITIES	1.124.633.401	309.193.048	68.868.253	61.322	1.536.586	-
14. Trade Payables	-	-	-	-	-	-
15. Financial Liabilities	1.729.086.145	336.661.371	236.093.134	-	-	-
16a. Other Monetary Financial Liabilities	-	-	-	-	-	-
16b. Other Non-monetary Financial Liabilities	-	-	-	-	-	-
17. NON-CURRENT LIABILITIES	1.729.086.145	336.661.371	236.093.134	-	-	-
18. TOTAL LIABILITIES	2.853.719.546	645.854.419	304.961.387	61.322	1.536.586	-
19. Net foreign currency liability	(557.668.620)	(63.940.758)	(117.594.805)	367.218	193.022	22.365
20. Net foreign currency of monetary items (1+2a+5+6a-10-11-12a-14-15-16a)	(575.147.217)	(63.963.926)	(122.688.223)	(52.896)	193.864	22.365

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(b) -3.1 Foreign currency risk management (cont'd)

	2014					
	TL Equivalents	USD	EUR	CHF	GBP	DKK
1. Trade Receivables	149.808.245	45.578.861	13.661.496	-	1.551.804	-
2a. Monetary Financial Assets	1.956.238.067	841.728.089	1.349.224	13.281	142.933	10.494
2b. Non-Monetary Financial Assets	777.877	335.451	-	-	-	-
3. Other	5.137.823	1.773.774	359.644	4.347	-	-
4. CURRENT ASSETS	2.111.962.012	889.416.175	15.370.364	17.628	1.694.737	10.494
5. Trade Receivables	5.016.738	2.163.413	-	-	-	-
6a. Monetary Financial Assets	27.877	11.900	100	-	-	-
6b. Non-Monetary Financial Assets	-	-	-	-	-	-
7. Other	15.155.831	133.979	5.262.930	-	-	-
8. NON-CURRENT ASSETS	20.200.446	2.309.292	5.263.030	-	-	-
9. TOTAL ASSETS	2.132.162.458	891.725.467	20.633.394	17.628	1.694.737	10.494
10. Trade Payables	70.742.611	20.453.269	6.573.919	7.239	1.291.973	284.058
11. Financial Liabilities	816.087.585	346.832.490	4.189.642	-	-	-
12a. Other Monetary Financial Liabilities	91.668.829	15.556.027	19.709.986	-	-	-
12b. Other Non-monetary Financial Liabilities	10.300.134	3.665.656	635.959	-	1.667 U	-
13. CURRENT LIABILITIES	988.799.159	386.507.442	31.109.506	7.239	1.293.640	284.058
14. Trade Payables	-	-	-	-	-	-
15. Financial Liabilities	1.702.355.977	454.578.712	229.812.955	-	-	-
16a. Other Monetary Financial Liabilities	21.262.356	9.169.156	-	-	-	-
16b. Other Non-monetary Financial	-	-	-	-	-	-
17. NON-CURRENT LIABILITIES	1.723.618.333	463.747.868	229.812.955	-	-	-
18. TOTAL LIABILITIES	2.712.417.492	850.255.310	260.922.461	7.239	1.293.640	284.058
19. Net foreign currency liability	(580.255.034)	41.470.157	(240.289.067)	10.389	401.097	(273.564)
20. Net foreign currency of monetary items (1+2a+5+6a-10-11-12a-14-15-16a)	(591.026.431)	42.892.609	(245.275.682)	6.042	402.764	(273.564)

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

(b) -3.1 Foreign currency risk management (cont'd)

The Group's import and export totals for the year ended 2016 and 2015 are presented below:

	<u>2016</u>	<u>2015</u>
Total exports	796.153.118	890.009.811
Total imports	221.095.704	192.402.024

Foreign currency 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 TL on the decrease in the net profit.

	<u>2016</u>		<u>2015</u>	
	Income / Expense		Income / Expense	
	Appreciation of foreign currency	Depreciation of foreign currency	Appreciation of foreign currency	Depreciation of foreign currency
1 - US Dollar net asset / liabilities	(42.684.433)	42.684.433	(18.598.151)	18.598.151
2- Part of hedged from US Dollar risk (-)	-	-	-	-
3- US Dollar net effect (1 +2)	(42.684.433)	42.684.433	(18.598.151)	18.598.151
4 – Euro net asset / liability	(30.302.320)	30.302.320	(38.985.410)	38.985.410
5 – Part of hedged from Euro risk (-)	-	-	-	-
6- Euro net effect (4+5)	(30.302.320)	30.302.320	(38.985.410)	38.985.410
Total (3 + 6)	(72.986.753)	72.986.753	(57.583.561)	57.583.561

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

(b) -3.2 Interest risk management

Financial liabilities based on fixed and floating interest rates expose the Company to interest rate risk. The related risk is controlled by interest rate swap agreements and floating interest rate agreements by balancing the fixed and floating interest rate borrowings. Risk strategies are reviewed periodically considering the interest rate expectations and predetermined interest risks; which aims to establish optimum interest risk management regarding the balance sheet position and the interest expenses.

Interest rate sensitivity

Sensitivity analysis is determined based on the interest rate risk that the non-derivative instruments exposed to on the balance sheet date and is kept fixed during the reporting period. The Company management expects a fluctuation of 1% in Euribor interest rates. 1% increase or decrease is used in reporting the interest rate risk to the key management personnel and represents management's assessment of the reasonably possible change in interest rates.

On the reporting date if Euribor/Libor interest rates had been 1% higher and all other variables were held constant:

Net income of the Group would have been decreased by TL 1.756.800 (Net profit in 2015 would have been decreased by TL 1.436.964). This is mainly attributable to the Group's exposure to interest rates on its variable rate borrowings. In case of 1% decrease in Libor/Euribor interest rate, the net profit of the Group for the current period would have increased by TL 943.928 (Net profit in 2015 would have been increased by TL 729.882).

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

		2016	2015	2014
Fixed interest rate financial instruments				
Financial Assets	Cash and Cash Equivalents	2.138.961.654	1.315.181.835	1.030.810.637
	Other Receivables	17.222.132	36.279.725	20.765.289
Financial Liabilities	Borrowings	880.634.633	1.135.125.472	1.240.301.965
	Financial lease payables	65.636	429.229	805.785
	Other Payables	8.431.010	4.472.618	45.380.378
Floating interest rate financial instruments				
Financial Assets	Non-trade receivables from related parties	1.618.637	802.126.831	984.706.867
	Other Receivables	3.030.555	-	-
Financial Liabilities	Borrowings	1.833.586.467	1.559.556.601	1.317.217.451
	Loan Payables due to Related Parties	30.629.376	-	-
	Loan Payables due to Third Parties	-	86.239.625	78.982.326

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

(b) -3.3 Price risk

The Group is exposed to price risk due to the fluctuations in exchange rate and interest rate. The investigation on market information is examined and followed through appropriate valuation method regarding price risk by the Group. In current year, there have not been any changes compared to prior year in the market risk that the Group is exposed to or the administration or calculation methods of these risks.

(b) -3.4 Equity investments price sensitivity

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

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

As of 31 December 2016, as long as the equity investment are classified as available for sale and not disposed of or they are not impaired the net profit/loss will not be affected.

The other funds in the shareholders' equity will increase/decrease by TL 2.971.627 (2015: increase/decrease of TL 3.135.403). This situation is the result of the changes in the fair value of available for sale securities.

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34. FINANCIAL INSTRUMENTS

Classifications and fair values of financial instruments

2016	Financial assets presented at amortized cost	Credits and receivables	Available for sale financial assets	Financial liabilities at amortized cost	Carrying value	Notes
<u>Financial Assets</u>						
Cash and cash equivalents	2.169.912.611	-	-	-	2.169.912.611	5
Trade receivables	-	170.895.789	-	-	170.895.789	8
Due from related parties	-	603.734.608	-	-	603.734.608	32
Financial investments	-	-	929.555.230	-	929.555.230	6
<u>Financial Liabilities</u>						
Financial liabilities	-	-	-	2.744.916.112	2.744.916.112	7
Trade payables	-	-	-	302.086.015	302.086.015	8
Payable to related parties	-	-	-	335.895.278	335.895.278	32
2015	Financial assets presented at amortized cost	Credits and receivables	Available for sale financial assets	Financial liabilities at amortized cost	Carrying value	Notes
<u>Financial Assets</u>						
Cash and cash equivalents	1.344.388.200	-	-	-	1.344.388.200	5
Trade receivables	-	190.547.613	-	-	190.547.613	8
Due from related parties	-	1.380.979.387	-	-	1.380.979.387	32
Financial investments	-	-	766.038.621	-	766.038.621	6
<u>Financial Liabilities</u>						
Financial liabilities	-	-	-	2.695.111.302	2.695.111.302	7
Trade payables	-	-	-	284.456.228	284.456.228	8
Payable to related parties	-	-	-	397.240.011	397.240.011	32

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34. FINANCIAL INSTRUMENTS

Classifications and fair values of financial instruments

2014	Financial assets presented at amortized cost	Credits and receivables	Available for sale financial assets	Financial liabilities at amortized cost	Carrying value	Notes
<u>Financial Assets</u>						
Cash and cash equivalents	1.055.071.051	-	-	-	1.055.071.051	5
Trade receivables	-	184.892.563	-	-	184.892.563	8
Due from related parties	-	1.517.615.466	-	-	1.517.615.466	32
Financial investments	-	-	529.869.041	-	529.869.041	6
<u>Financial Liabilities</u>						
Financial liabilities	-	-	-	2.558.325.201	2.558.325.201	7
Trade payables	-	-	-	282.083.463	282.083.463	8
Payable to related parties	-	-	-	401.539.736	401.539.736	32

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

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34. FINANCIAL INSTRUMENTS (cont'd)

Fair value of financial instruments

The fair values of financial assets and financial liabilities are determined as follows:

- First level: The fair value of financial assets and financial liabilities are determined with reference to actively traded market prices.
- Second level: Other than market prices specified at first level, the fair value of financial assets and financial liabilities are evaluated with reference to inputs that used to determine directly or indirectly observable price in market.
- Third level: The fair value of financial assets and financial liabilities are evaluated with reference to inputs that used to determine fair value but not relying on observable data in the market.

Level classifications of financial assets at fair value are as follows:

		Level of fair value as of reporting date		
		Level 1 TL	Level 2 TL	Level 3 TL
Financial assets	2016			
Financial assets for which fair value differences reflected through profit and loss				
- Shares	754.935	754.935	-	-
Financial assets for which fair value differences reflected through comprehensive income statement				
- Shares	928.600.177	29.361.290	899.238.887	-
Total	929.355.112	30.116.225	899.238.887	-

		Level of fair value as of reporting date		
		Level 1 TL	Level 2 TL	Level 3 TL
Financial assets	2015			
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	-

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34. FINANCIAL INSTRUMENTS (cont'd)

Fair value of financial instruments (cont'd)

		Level of fair value as of reporting date		
		Level 1	Level 2	Level 3
	2014	TL	TL	TL
Financial assets				
Financial assets for which fair value differences reflected through profit and loss				
- Shares	778.877	778.877	-	-
Financial assets for which fair value differences reflected through comprehensive income statement				
- Shares	528.847.773	29.930.540	498.917.233	-
Total	529.626.650	30.709.417	498.917.233	-

35. SUBSEQUENT EVENTS

Ülker Bisküvi Sanayi A.Ş. has initiated negotiation with United Biscuits which is subsidiaries of Yıldız Holding with regards to the acquisition of 100% owned IBC facility and its sales and distribution rights of McVities products in Middle East and North Africa.

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