

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

**CONVENIENCE TRANSLATION INTO ENGLISH OF
CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2017
TOGETHER WITH INDEPENDENT AUDITOR'S REPORT
(ORIGINALLY ISSUED IN TURKISH)**

**CONVENIENCE TRANSLATION INTO ENGLISH OF CONSOLIDATED FINANCIAL STATEMENTS
ORIGINALLY ISSUED IN TURKISH
ÜLKER BİSKÜVİ SANAYİ A.Ş. AND ITS SUBSIDIARIES
CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2017**

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CONSOLIDATED BALANCE SHEET FOR THE YEARS ENDED 31 DECEMBER 2017, 2016 AND 2015**

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

ASSETS	Notes	Audited Current Period 31 December 2017	Restated (*) Audited Previous Period 31 December 2016	Restated (*) Audited Previous Period 31 December 2015
Current Assets		4.796.550.026	3.599.182.282	3.484.534.709
Cash and Cash Equivalents	5	3.181.119.721	2.272.570.826	1.360.002.831
Financial Investments	6	619.243	754.935	704.437
Trade Receivables				
- Due From Related Parties	8-34	533.605.767	584.672.083	558.982.064
- Other Trade Receivables	8	238.894.221	147.988.479	171.366.738
Other Receivables				
- Due From Related Parties	9-34	416.371	4.903.097	807.731.876
- Other Receivables	9	23.684.496	20.286.040	36.327.262
Derivative Instruments	10	55.912.400	-	-
Inventories	11	564.685.465	392.751.103	331.487.123
Prepaid Expenses				
- Due To Related Parties	20-34	97.093.512	78.046.637	112.601.084
- Other Prepaid Expenses	20	39.972.328	37.849.242	58.617.507
Current Income Tax Assets		-	11.063.641	825.280
Other Current Assets	22	60.546.502	48.296.199	45.888.507
Non-Current Assets		3.529.902.400	2.401.043.645	1.947.975.571
Financial Investments	6	981.131.837	928.800.295	765.334.184
Other Receivables				
- Other Receivables	9	183.255	271.206	323.179
Investment Properties	12	16.192.169	14.587.592	12.904.161
Tangible Assets	13	2.028.532.268	1.050.816.294	905.165.081
Intangible Assets				
- Goodwill	14	243.854.400	207.307.200	206.433.600
- Other Intangible Assets	15	152.397.609	141.785.380	1.933.252
Prepaid Expenses	20	61.274.491	14.160.059	28.562.343
Deferred Tax Assets	32	46.336.371	43.315.619	27.271.681
Other Non-Current Assets		-	-	48.090
TOTAL ASSETS		8.326.452.426	6.000.225.927	5.432.510.280

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

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CONSOLIDATED BALANCE SHEET FOR THE YEARS ENDED 31 DECEMBER 2017, 2016 AND 2015**

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

		Audited Current Period 31 December 2017	Restated (*) Audited Previous Period 31 December 2016	Restated (*) Audited Previous Period 31 December 2015
LIABILITIES	Notes			
Current Liabilities		1.999.151.376	3.153.740.946	1.852.537.736
Short Term Financial Liabilities	7	433.370.981	544.791.623	1.011.718.472
Short Term Portion of Long Term Financial Liabilities	7	450.951.781	1.815.575.753	27.836.991
Trade Payables				
- Due to Related parties	8-34	352.892.197	341.189.197	315.390.068
- Other Trade payables	8	585.828.803	305.399.236	289.277.738
Employee Benefit Related Liabilities	21	27.673.909	31.457.555	28.115.211
Other Payables				
- Due to Related Parties	9-34	129.486	61.507	79.062.187
- Other Payables	9	8.088.499	7.005.233	4.588.350
Deferred Revenue	23	18.710.020	19.264.184	18.027.528
Current Income Tax Liabilities	32	18.729.286	14.818.549	9.514.388
Short Term Provisions				
- Short Term Provisions for Employee Benefits	19	39.273.660	33.616.485	29.096.000
- Other Short Term Provisions	17	48.330.272	25.650.494	26.212.905
Other Current Liabilities	22	15.172.482	14.911.130	13.697.898
Non-Current Liabilities		3.631.397.896	1.247.463.757	2.154.629.644
Long Term Financial Liabilities	7	3.407.606.328	569.609.803	1.735.335.344
Other Payables				
- Due to Related Parties	34	-	559.605.270	346.064.852
Long Term Provisions				
- Long Term Provisions for Employee Benefits	19	81.386.937	72.898.651	38.304.798
Deferred Tax Liabilities	32	142.404.631	45.350.033	34.924.650
SHAREHOLDERS' EQUITY		2.695.903.154	1.599.021.224	1.425.342.900
Equity Attributable To Equity Holders' of the Parent	24	2.427.359.715	1.399.603.255	1.215.620.640
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		(413.214.412)	(437.139.992)	(372.724.464)
Other Comprehensive Income/Expense not to be Reclassified to Profit and Loss				
-Increases on Revaluation of Plant, Property and Equipment		659.037.402	5.231.735	5.231.735
-Actuarial Gains on Post-Employment Termination Benefit Obligation		(15.401.486)	(16.686.755)	(430.543)
Other Comprehensive Income/Expense to be Reclassified to Profit and Loss				
- Currency Translation Adjustments		(74.302.635)	(81.702.541)	410.140
- Cash Flow Hedges		16.024.683	-	-
- Revaluation and classification of gains				
- Gains from Financial Assets Measured at Fair Value through Other Comprehensive Income		743.709.841	695.363.441	539.968.646
Restricted Reserves		124.496.833	119.806.833	112.116.833
Retained Earnings		553.800.151	392.011.083	242.706.083
Net Profit for the Period		383.153.137	272.663.250	238.286.009
Non-Controlling Interest		268.543.439	199.417.969	209.722.260
TOTAL LIABILITIES AND EQUITY		8.326.452.426	6.000.225.927	5.432.510.280

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ISSUED IN TURKISH
ÜLKER BİSKÜVİ SANAYİ A.Ş. AND ITS SUBSIDIARIES
CONSOLIDATED STATEMENTS OF INCOME FOR THE YEARS ENDED 31 DECEMBER 2017 AND 2016

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

		Audited Current Period 2017	Restated (*) Audited Previous Period 2016
	Notes		
Revenue	25	4.811.032.525	4.193.774.746
Cost of Sales	25	(3.534.096.627)	(3.119.725.099)
GROSS PROFIT FROM OPERATIONS		1.276.935.898	1.074.049.647
General Administrative Expenses	26-27	(136.350.951)	(128.282.607)
Marketing Expenses	26-27	(530.991.254)	(449.076.432)
Research and Development Expenses	26-27	(13.525.248)	(8.733.516)
Other Operating Income	28	58.621.044	37.216.977
Other Operating Expenses	28	(60.087.426)	(16.492.653)
OPERATING PROFIT FROM MAIN OPERATIONS		594.602.063	508.681.416
Income from Investment Activities	29	680.494.994	444.158.959
Expenses from Investment Activities	29	(97.632.042)	(113.224.762)
OPERATING PROFIT BEFORE FINANCIAL INCOME AND EXPENSES		1.177.465.015	839.615.613
Financial Income	30	27.859.598	135.026.420
Financial Expenses	31	(699.172.235)	(638.081.483)
PROFIT BEFORE TAX		506.152.378	336.560.550
Tax Expense		(75.260.975)	(52.264.134)
Corporate Tax Expense	32	(65.424.254)	(59.825.029)
Deferred Tax (Expense)/Income	32	(9.836.721)	7.560.895
PROFIT FOR THE YEAR		430.891.403	284.296.416
Distribution of the Profit for the Year			
Non-Controlling Interest		47.738.266	11.633.166
Equity Holders of the Parent		383.153.137	272.663.250
Earning per Share	33	1,12	0,80

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ÜLKER BİSKÜVİ SANAYİ A.Ş. AND ITS SUBSIDIARIES
CONSOLIDATED STATEMENTS OF OTHER COMPREHENSIVE INCOME FOR THE YEARS ENDED
31 DECEMBER 2017 AND 2016**

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

	Audited Current Period 2017	Restated (*) Audited Previous Period 2016
PROFIT FOR THE YEAR	430.891.403	284.296.416
Other Comprehensive Income not to be Reclassified To Profit and Loss	675.967.088	(16.977.326)
Increases on Revaluation of Plant, Property and Equipment	752.597.061	-
Actuarial Gain/(Loss) on Post-Employment Termination Benefit Obligation	1.804.645	(21.221.658)
Deferred Tax For The Items That Will Not Be Reclassified in Profit and Loss		
Increases on Revaluation of Plant, Property and Equipment, Deferred Tax Effect	(78.073.689)	-
Actuarial Gain/(Loss) on Post-Employment Termination Benefit Obligation, Deferred Tax Effect	(360.929)	4.244.332
Items to be Reclassified to Profit and Loss	80.202.369	72.047.257
Currency Translation Adjustments	14.462.720	(83.245.548)
Change in Revaluation Funds of Financial Assets	52.331.542	163.466.111
Cash Flow Hedges	20.030.854	-
Deferred Tax For The Items That Will be Reclassified to Profit and Loss		
Change in Revaluation Funds of Financial Assets, Deferred Tax Effect	(2.616.576)	(8.173.306)
Hedge Funds, Deferred Tax Effect	(4.006.171)	-
OTHER COMPREHENSIVE INCOME	756.169.457	55.069.931
TOTAL COMPREHENSIVE INCOME	1.187.060.860	339.366.347
Distribution of Total Comprehensive Income		
Non-Controlling Interest	77.045.798	9.677.195
Equity Holders of the Parent	1.110.015.062	329.689.152

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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 2017 AND 2016

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

	Accumulated Other Comprehensive Income To Be Reclassified To Profit or Loss					Accumulated Other Comprehensive Income Not To Be Reclassified To Profit or 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	Cash Flow Hedges	Revaluation Plant, Property and Equipment	Actuarial Gains and (Losses) on Post-Employment Termination Benefit Obligation	Restricted Reserves Appropriated from Profits	Net Profit/(Loss) for the Period	Retained Earnings	Equity Attributable to Equity Holders of the Parent	Non-Controlling Interest	Total Equity
As of 1 January 2017 (Previously Reported)	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
Restatement Effect	-	-	-	-	-	-	-	-	-	-	88.300.833	88.300.833	(5.972.160)	82.328.673
Transactions Under Common Control	-	-	(295.277.193)	-	(84.918.421)	-	-	-	-	42.291.687	-	(337.903.927)	-	(337.903.927)
As of 1 January 2017 (Restated)	342.000.000	108.056.201	(437.139.992)	695.363.441	(81.702.541)	-	5.231.735	(16.686.755)	119.806.833	272.663.250	392.011.083	1.399.603.255	199.417.969	1.599.021.224
Transfer	-	-	42.173.786	-	-	-	-	-	4.690.000	(272.663.250)	225.799.464	-	-	-
Total Comprehensive Income	-	-	-	48.346.400	7.399.906	16.024.683	653.805.667	1.285.269	-	383.153.137	-	1.110.015.062	77.045.798	1.187.060.860
Transaction with Non-Controlling Interest	-	-	(18.248.206)	-	-	-	-	-	-	-	-	(18.248.206)	-	(18.248.206)
Dividend Paid (*)	-	-	-	-	-	-	-	-	-	-	(64.000.000)	(64.000.000)	(7.916.658)	(71.916.658)
Gain on Sale of Tangible Assets	-	-	-	-	-	-	-	-	-	-	(10.396)	(10.396)	(3.670)	(14.066)
As of 31 December 2017	342.000.000	108.056.201	(413.214.412)	743.709.841	(74.302.635)	16.024.683	659.037.402	(15.401.486)	124.496.833	383.153.137	553.800.151	2.427.359.715	268.543.439	2.695.903.154

(*) At the General Assembly Meeting for the year of 2016 held on 31 March 2017, it has been resolved to distribute TL 64.000.000 as cash and fully funded by the profit for the year and started to be distributed as of April 12th 2017.

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ÜLKER BİSKÜVİ SANAYİ A.Ş. AND ITS SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS FOR THE YEARS ENDED
31 DECEMBER 2017 AND 2016**

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

		Audited Current Period 1 January- 31 December 2017	Restated Audited Current Period 1 January- 31 December 2016
	Notes		
CASH FLOWS FROM OPERATING ACTIVITIES			
Net Profit for the Year		430.891.403	284.296.416
Adjustments to reconcile net profit			
Adjustment for Depreciation and Amortization Expenses			
Depreciation Expenses of Tangible Assets	12-13	104.503.481	86.519.348
Amortization Expenses of Intangible Assets	15	798.035	851.524
Adjustment for Impairment Loss (Reversal of)			
Provision for Doubtful Receivables	8	2.745.260	1.323.294
Adjustment for (Reversal of) Impairment Loss of Other Financial Assets or Investments			
Loss/(Gain) of Financial Investments		135.692	(50.498)
Adjustment for Impairment Loss of Inventories	11	4.182.254	2.240.020
Adjustments for Provisions			
Adjustments for (Reversal of) Provisions Related with Employee Benefits			
Provision for Employment Benefits	19	30.330.287	36.809.349
Provision for Unused Vacation	19	12.559.457	9.243.677
Provision for Premium	19	16.409.660	14.894.595
Provision for Lawsuits	17	651.031	1.237.740
Adjustments for Other Provisions			
Reversal of Provision for Sales Return		-	(4.007.038)
Change in Other Provisions (net)		22.167.438	2.209.775
Adjustments for Dividend Income		(915.527)	(683.686)
Adjustments for Interest (Income)/Expenses			
Adjustments for Interest Income			
Discount Income (net)	28	(11.801.956)	(3.236.568)
Interest Income	29	(125.519.534)	(76.906.418)
Adjustments for Interest Expense	31	218.917.030	80.262.332
Adjustments for Losses (Gains) on Fair Values			
Adjustments for Gains on Fair Value of Investment	29	(1.630.000)	(1.705.000)
Adjustment for Tax Expenses	32	75.260.975	52.264.134
Adjustments for Losses (Gains) on Disposals of Non-Current Assets			
Adjustment for Losses Arised from Sale of Tangible Assets (net)	29	393.995	946.337
Adjustments for Losses (Gains) on Disposals of Other Adjustments for which Cash Effects are			
Investing of Financing Cash Flow			
Change in Foreign Currency of Financial Liabilities (net)	30-31	442.141.099	416.600.901
Change in Foreign Currency from Investing Activities (net)	29	(447.243.866)	(245.574.571)
Commission Expenses and Finance Service Income (net)		6.477.274	2.502.818
Income from Derivative Instruments (net)		(4.810.105)	-
Other Adjustments to Reconcile Profit (Loss)			
Rent Income	29	(7.948.020)	(7.679.254)
Profit Effect of Transactions Under Common Control		(18.248.206)	(30.582.122)
Net Operating Cash Flows Provided Before Changes in Working Capital		750.447.157	621.777.105

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ÜLKER BİSKÜVİ SANAYİ A.Ş. AND ITS SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS FOR THE YEARS ENDED
31 DECEMBER 2017 AND 2016**

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

		Audited Current Period 1 January- 31 December 2017	Restated Audited Current Period 1 January- 31 December 2016
	Notes		
Changes in Working Capital			
(Increase)/Decrease in trade receivables		(93.087.294)	21.875.657
Decrease/(Increase) in trade receivables from related parties		55.281.560	(25.086.496)
Increase in inventories		(176.497.402)	(63.836.647)
(Increase)/Decrease in other receivables and other current assets		(23.451.052)	80.487.471
Increase in trade payables		289.106.060	18.879.745
Increase in trade payables to related parties		10.084.702	25.637.213
(Decrease)/Increase in other payables and liabilities		(2.993.192)	8.209.115
Net cash generated from operations		808.890.539	687.943.163
Payments Related with Provisions for Employee Benefits			
Employment termination benefit paid	19	(20.786.984)	(23.200.681)
Unused vacation paid	19	(8.775.191)	(8.413.317)
Performance premium paid	19	(15.622.078)	(14.394.528)
Lawsuits provision paid	17	(138.691)	(2.888)
Taxes paid		(50.449.876)	(53.695.588)
Collections from doubtful trade receivables	8	1.773	23.675
Net cash generated from operating activities		713.119.492	588.259.836
CASH FLOWS FROM INVESTING ACTIVITIES			
Proceeds from sales of tangible and intangible assets		7.925.408	4.161.003
Purchase of property, plant and equipment	13	(318.080.785)	(268.048.518)
Purchase of intangible assets	15	(1.327.446)	(448.564)
Changes in non-trade receivables from related parties		4.486.726	802.828.779
Dividend received		915.527	683.686
Interest received		125.519.534	76.906.418
Other advances given and payables		(47.114.432)	-
Repayments of other advances given and payables		-	14.450.374
Rent income		7.948.020	7.679.254
Acquisition of additional shares from subsidiaries		-	(20.517.153)
Net cash (used)/generated from investing activities		(219.727.448)	617.695.279
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from borrowings	7	3.599.629.935	952.561.529
Repayments of borrowings	7	(2.776.813.438)	(1.219.193.590)
Cash outflows of repayments of other financial liabilities			
Change in leasing liabilities		(72.100)	(357.129)
Commission paid		(6.477.274)	(2.502.818)
Cash inflow from derivative instruments		4.810.105	-
Dividends paid		(71.916.658)	(114.825.333)
Interest paid		(169.366.060)	(75.880.255)
Change in non-trade payables to related parties		(611.881.525)	(78.764.095)
Net cash used in financing activities		(32.087.015)	(538.961.691)
NET CHANGE IN CASH AND CASH EQUIVALENTS		461.305.029	666.993.424
THE EFFECT OF FOREIGN EXCHANGE RATE CHANGE ON CASH AND CASH EQUIVALENTS		447.243.866	245.574.571
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR	5	2.272.570.826	1.360.002.831
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	5	3.181.119.721	2.272.570.826

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2017
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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 fifteen subsidiaries in which the Company owns the majority share of the capital or which are controlled by the Company (2016: fifteen).

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

Ülker Bisküvi Sanayi A.Ş. 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 2017, the total number of people employed by the Group is 9.307, which contains 1.173 employees who worked as subcontractors (31 December 2016: 9.346, subcontractor: 986).

The main shareholder and the controlling party of the Group is pladis Foods Limited. The ultimate parent of the Group is Yıldız Holding A.Ş.. pladis Foods Limited is a subsidiary of Yıldız Holding A.Ş. with shares of 100%. Yıldız Holding A.Ş. is managed by Ülker Family.

As of 31 December 2017 and 31 December 2016, the names and percentages of the shareholders holding more than 5% of the Company’s share capital are as follows:

Name of the Shareholders	Share	31 December 2017	Share	31 December 2016
		Percentage		Percentage
Yıldız Holding A.Ş.	-	-	98.912.930	28,92%
pladis Foods Limited (*)	174.420.000	51,00%	71.820.000	21,00%
Ülker Family	25.580.499	7,48%	29.267.569	8,56%
Other	141.999.501	41,52%	141.999.501	41,52%
	342.000.000	100,00%	342.000.000	100,00%

(*) pladis Foods Limited purchased 28,9% of Ülker Bisküvi Sanayi A.Ş.’s shares from Yıldız Holding A.Ş., 1,1% of Ülker Family’s shares as of 29 December 2017.

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

As of 31 December 2017 and 2016, the details of the subsidiaries under consolidation in terms of direct and effective share of ownership and principal business activities (The rate in ownership of the entities which acquired with transaction under common control in 2017 has been shown in 2016 as well) are as follows:

Subsidiaries	31 December 2017		31 December 2016		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%	-	51,4%	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%	Sales
Hamle Company Ltd LLP (*)	100,0%	100,0%	100,0%	100,0%	Manufacturing/ Sales
Ulker Star LLC (*)	-	99,0%	-	99,0%	Sales
UI Mena BV (**)	100,0%	100,0%	100,0%	100,0%	Investing
Amir Global Trading FZE (**)	-	100,0%	-	100,0%	Sales
Ulker for Trading and Marketing (**)	-	99,8%	-	99,8%	Sales

(*) The Company purchased 100% shares of Hamle Company Ltd LLP which 100% shares owned by Maia International B.V. who is Yıldız Holding's 100% subsidiary, as of 31 March 2017 with USD 3 million. As a result of this transaction, the Company has gained controlling power of Hamle Company Ltd LLP and Kyrgyzstan originated Ulker Star LLC which is owned 99% by Hamle Company Ltd LLP.

(**) The Company purchased 100% shares of UI Mena B.V. which 100% shares owned by Maia International B.V. who is Yıldız Holding's 100% subsidiary, as of 20 December 2017 with EUR 134 thousand. As a result of this transaction, the Company has gained controlling power of United Arab Emirates originated Amir Global FZE and Ulker for Trading and Marketing which is owned %100 and 99,8% respectively by UI Mena B.V.

Dividend Paid:

The Company has paid a dividend amount of TL 64.000.000 (2016: TL 94.000.000) in the current period. Dividend per share is TL 0,19 (2016: TL 0.27).

Approval of Financial Statements:

The Board of Directors has approved the financial statements and given authorization for the issuance on 6 March 2018. 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")

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

2.1 Basis of the presentation (cont'd)

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

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 and Subsidiaries in Turkey maintain their books of accounts and prepare their statutory financial statements in accordance with the Turkish Commercial Code ("TCC"), tax legislation, the Uniform Chart of Accounts issued by the MinisTL 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 land, buildings, 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.

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 2017, rates declared by Central Bank of Republic of Turkey are;

1 EUR = TL 4,5155 , 1 USD = TL 3,7719 , 1 EGP = TL 0,2123 , 1 SAR = TL 1,0058 ,
1 KZT = TL 0,0113, 1 AED = TL 1,0278 (31 December 2016: 1 EUR = TL 3,7099 , 1 USD = TL 3,5192 ,
1 EGP = TL 0,1943 , 1 SAR = TL 0,9383 , 1 KZT = TL 0,0106 , 1 AED = 0,9590 TL).

For the period between 1 January 2017 and 31 December 2017, average rates declared by Central Bank of Republic of Turkey are;

1 EUR = TL 4,1159 , 1 USD = TL 3,6445 , 1 EGP = TL 0,2045 , 1 SAR = TL 0,9718 ,
1 KZT = TL 0,0112, 1 AED = TL 0,9718 (1 January – 31 December 2016: 1 EUR = TL 3,3375 , 1 USD = TL 3,0181,
1 EGP = TL 0,3195 , 1 SAR = TL 0,8047 , 1 KZT = TL 0,0088 , 1 AED = 0,8224 TL).

Consolidation

(a) Subsidiaries

Subsidiaries are all entities (including structured 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.

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

2.1 Basis of the presentation (cont'd)

Consolidation (cont'd)

(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.

2.2 Changes in the Accounting Policies:

Comparative Information and Restatement of Prior Period Consolidated Financial Statements

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

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.

The Group changed its accounting policies for land and buildings as of 31 December 2017 as revaluation model since considers that results in the financial statements will be providing more reliable and more relevant information about the effects of transactions, other events or conditions on the entity's financial position, financial performance or cash flows. The Group considers its lands and building's revaluation model in accordance with "TMS 16 Property, Plant and Equipment" valuation made by CMB licenced Nova Gayrimenkul Değerleme Danışmanlık A.Ş.. Land and buildings will be revalued not more than 5 years if there is no material change at fair value.

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2. BASIS OF PRESENTATION OF 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):

Increases in the carrying amounts arising from revaluation of land and buildings are recognised, net off tax, in other comprehensive income and accumulated in reserves in shareholders' equity. However, the revaluation is accounted for as income to the extent that it reverses the decrease in value. Decreases that reverse previous increases of the same asset are first recognised in other comprehensive income to the extent of the remaining surplus attributable to the asset; all other decreases are charged to profit or loss. Each year, the difference between depreciation based on the revalued carrying amount of the asset charged to profit or loss and depreciation based on the asset's original cost, net of tax, is reclassified from the property, plant and equipment revaluation surplus to retained earnings.

Gains and losses on disposals are determined by comparing proceeds with carrying amount. These are included in profit or loss. When revalued assets are sold, it is group policy to transfer any amounts included in other reserves in respect of those assets to retained earnings.

Fair value of land and buildings have been classified as level 2 in the fair value hierarchy.

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 periods' financial statements via the pooling of interest method. The Group management restated only its consolidated balance sheet as at 31 December 2016 and the consolidated statements of comprehensive income, consolidated statement of changes in shareholders' equity and cash flows for the year then ended at 31 December 2016 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

Group management has preferred early adoption of TFRS 15 "Revenue from Contracts with Customers". Starting from 1 January 2017, the Group management has considered the inclusion of the financing component of customer contracts detailed in TFRS 15, taking into account the various terms of the purchase and sell operations (maturity, market conditions, cash and future cost differences). It is intended that financial information be comparable in accordance with TAS 8 "Accounting Policies, Changes in Accounting Estimates and Errors" which is also referred to in TFRS 15. In this context, condensed consolidated statement of income for the year ended 31 December 2016 has been reclassified.

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2. BASIS OF PRESENTATION OF 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):

Effect of the restatements are shown below:

	Reported Previous Period 31 December 2016	Effects of Restatement with Eliminations	Restated Previous Period 31 December 2016
Current Assets	3.501.795.901	97.386.381	3.599.182.282
Cash and Cash Equivalents	2.169.912.611	102.658.215	2.272.570.826
Financial Investments	754.935	-	754.935
Trade Receivables	772.946.269	(40.285.707)	732.660.562
Other Receivables	21.686.032	3.503.105	25.189.137
Inventories	361.942.164	30.808.939	392.751.103
Prepaid Expenses	115.373.488	522.391	115.895.879
Current Income Tax Assets	11.063.641	-	11.063.641
Other Current Assets	48.116.761	179.438	48.296.199
Non-Current Assets	2.024.393.048	376.650.597	2.401.043.645
Financial Investments	928.800.295	-	928.800.295
Trade Receivables	65.491	(65.491)	-
Other Receivables	185.292	85.915	271.207
Investment Properties	14.587.592	-	14.587.592
Tangible Assets	1.032.162.499	18.653.794	1.050.816.293
Intangible Assets	1.573.673	347.518.907	349.092.580
Prepaid Expenses	14.160.059	-	14.160.059
Deferred Tax Assets	32.858.147	10.457.472	43.315.619
TOTAL ASSETS	5.526.188.949	474.036.978	6.000.225.927

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2. BASIS OF PRESENTATION OF 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 2016	Effects of Restatement with Eliminations	Restated Previous Period 31 December 2016
Current Liabilities	3.169.041.952	(15.301.006)	3.153.740.946
Short Term Financial Liabilities	544.791.623	-	544.791.623
Short Term Portion of Long Term Financial Liabilities	1.815.280.366	295.387	1.815.575.753
Trade Payables	637.981.293	8.607.140	646.588.433
Employee Benefit Related Liabilities	30.593.339	864.216	31.457.555
Other Payables	8.431.010	(1.364.270)	7.066.740
Deferred Revenue	48.439.307	(29.175.123)	19.264.184
Current Income Tax Liabilities	14.818.549	-	14.818.549
Short Term Provisions	56.416.195	2.850.784	59.266.979
Other Current Liabilities	12.290.270	2.620.860	14.911.130
Non-Current Liabilities	502.550.519	744.913.238	1.247.463.757
Long Term Financial Liabilities	384.844.123	184.765.680	569.609.803
Other Payables	-	559.605.270	559.605.270
Long Term Provisions	72.356.363	542.288	72.898.651
Deferred Tax Liabilities	45.350.033	-	45.350.033
SHAREHOLDERS' EQUITY	1.854.596.478	(255.575.254)	1.599.021.224
Equity attributable to Equity Holder's of the Parent	1.649.206.349	(249.603.094)	1.399.603.255
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	(141.862.799)	(295.277.193)	(437.139.992)
Other Comprehensive Income/Expense not to be Reclassified to Profit and Loss			
- Increases on Revaluation of Plant, Property and Equipment	5.231.735	-	5.231.735
- Actuarial Loss on Post Employment Termination Benefit Obligation	(16.686.755)	-	(16.686.755)
Other Comprehensive Income/Expense to be Reclassified to Profit and Loss			
- Currency Translation Adjustment	3.215.880	(84.918.421)	(81.702.541)
- Financial Assets Revaluation Fund	695.363.441	-	695.363.441
Restricted Reserves	119.806.833	-	119.806.833
Retained Earnings	303.710.250	88.300.833	392.011.083
Net Profit for the Period	230.371.563	42.291.687	272.663.250
Non-Controlling Interest	205.390.129	(5.972.160)	199.417.969
TOTAL LIABILITIES AND EQUITY	5.526.188.949	474.036.978	6.000.225.927

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2. BASIS OF PRESENTATION OF 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 Assets	3,477.399.742	7.134.967	3,484.534.709
Cash and Cash Equivalents	1.344.388.200	15.614.631	1.360.002.831
Financial Investments	704.437	-	704.437
Trade Receivables	763.203.505	(32.854.703)	730.348.802
Other Receivables	838.229.645	5.829.493	844.059.138
Inventories	315.486.154	16.000.969	331.487.123
Prepaid Expenses	169.202.618	2.015.973	171.218.591
Current Income Tax Assets	825.280	-	825.280
Other Current Assets	45.359.903	528.604	45.888.507
Non-Current Assets	1.724.400.850	223.574.721	1.947.975.571
Financial Investments	765.334.184	-	765.334.184
Trade Receivables	6.196.664	(6.196.664)	-
Other Receivables	176.911	146.268	323.179
Investment Properties	12.904.161	-	12.904.161
Tangible Assets	891.477.307	13.687.774	905.165.081
Intangible Assets	1.808.877	206.557.975	208.366.852
Prepaid Expenses	28.562.343	-	28.562.343
Deferred Tax Assets	17.936.217	9.335.464	27.271.681
Other Non-Current Assets	4.186	43.904	48.090
TOTAL ASSETS	5,201.800.592	230.709.688	5,432.510.280

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2. BASIS OF PRESENTATION OF 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	1.785.736.307	66.801.429	1.852.537.736
Short Term Financial Liabilities	932.018.207	79.700.265	1.011.718.472
Short Term Portion of Long Term Financial Liabilities	27.772.158	64.833	27.836.991
Trade Payables	595.456.614	9.211.192	604.667.806
Employee Benefit Related Liabilities	27.331.047	784.164	28.115.211
Other Payables	90.712.243	(7.061.706)	83.650.537
Deferred Revenue	39.895.543	(21.868.015)	18.027.528
Current Income Tax Liabilities	9.514.388	-	9.514.388
Short Term Provisions	51.262.503	4.046.402	55.308.905
Other Current Liabilities	11.773.604	1.924.294	13.697.898
Non-Current Liabilities	1.807.684.924	346.944.720	2.154.629.644
Long Term Financial Liabilities	1.735.320.937	14.407	1.735.335.344
Other Payables	-	346.064.852	346.064.852
Long Term Provisions	37.439.337	865.461	38.304.798
Deferred Tax Liabilities	34.924.650	-	34.924.650
SHAREHOLDERS' EQUITY	1.608.379.361	(183.036.461)	1.425.342.900
Equity attributable to Equity Holder's of the Parent	1.398.657.101	(183.036.461)	1.215.620.640
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)	(210.851.705)	(372.724.464)
Other Comprehensive Income/Expense not to be Reclassified to Profit and Loss			
- Increases on Revaluation of Plant, Property and Equipment	5.231.735	-	5.231.735
- Actuarial Loss on Post Employment Termination Benefit Obligation	(430.543)	-	(430.543)
Other Comprehensive Income/Expense to be Reclassified to Profit and Loss			
- Currency Translation Adjustment	1.080.204	(670.064)	410.140
- Financial Assets Revaluation Fund	539.968.646	-	539.968.646
Restricted Reserves	112.116.833	-	112.116.833
Retained Earnings	160.377.409	82.328.674	242.706.083
Net Profit for the Period	292.129.375	(53.843.366)	238.286.009
Non-Controlling Interest	209.722.260	-	209.722.260
TOTAL LIABILITIES AND EQUITY	5.201.800.592	230.709.688	5.432.510.280

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2. BASIS OF PRESENTATION OF 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 1 January- 31 December 2016	Effects of Restatement with Eliminations	Effects of Classifications from TFRS 15	Restated Previous Period 1 January- 31 December 2016
1 January-31 December 2016				
Profit or Loss				
Revenue	3.921.686.855	221.372.574	50.715.317	4.193.774.746
Cost of Sales	(2.999.732.967)	(91.086.205)	(28.905.927)	(3.119.725.099)
GROSS PROFIT FROM OPERATIONS	921.953.888	130.286.369	21.809.390	1.074.049.647
General Administrative Expenses	(116.580.651)	(11.701.956)	-	(128.282.607)
Marketing, Sales and Distribution Expenses	(366.845.974)	(82.230.458)	-	(449.076.432)
Research Expenses	(8.733.516)	-	-	(8.733.516)
Other Operating Income	86.622.093	1.310.201	(50.715.317)	37.216.977
Other Operating Expenses	(51.651.473)	6.252.893	28.905.927	(16.492.653)
OPERATING PROFIT FROM MAIN OPERATION	464.764.367	43.917.049	-	508.681.416
Income from Investment Activities	443.595.719	563.240	-	444.158.959
Expenses from Investment Activities	(113.224.762)	-	-	(113.224.762)
OPERATING PROFIT BEFORE FINANCIAL INCOME AND EXPENSES	795.135.324	44.480.289	-	839.615.613
Financial Income	135.086.029	(59.609)	-	135.026.420
Financial Expenses	(637.981.038)	(100.445)	-	(638.081.483)
PROFIT BEFORE TAX	292.240.315	44.320.235	-	336.560.550
Tax Expense	(50.235.585)	(2.028.549)	-	(52.264.134)
Tax on Income	(58.661.106)	(1.163.923)	-	(59.825.029)
Deferred Tax Income	8.425.521	(864.626)	-	7.560.895
PROFIT FOR THE YEAR	242.004.730	42.291.686	-	284.296.416
Other Comprehensive Income:				
Items not to be Reclassified Under Profit and Loss				
Other Comprehensive Income:	(16.977.326)	-	-	(16.977.326)
Actuarial Gain/(Loss) on Post-Employment Termination Benefit Obligation	(21.221.658)	-	-	(21.221.658)
Actuarial Gain/(Loss) on Post-Employment Termination Benefit Obligation, Deferred Tax Effect	4.244.332	-	-	(4.244.332)
Items not to be Reclassified to Profit or Loss	156.304.257	(84.257.000)	-	72.047.257
Currency Translation Adjustments	1.011.452	(84.257.000)	-	(83.245.548)
Other Comprehensive Income Related with Fair Value Revaluation	163.466.111	-	-	163.466.111
Other Comprehensive Income Related with Financial Assets Measured at Fair Value through Other Comprehensive income, Deferred Tax Effect	(8.173.306)	-	-	(8.173.306)
OTHER COMPREHENSIVE INCOME	139.326.931	(84.257.000)	-	55.069.931
TOTAL COMPREHENSIVE INCOME	381.331.661	(41.965.314)	-	339.366.347

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

2.3 Adoption of New and Revised International Financial Reporting Standards:

The Group has applied the standards which are relevant to its operations from the standards, amendments and interpretations applicable from 1 January 2017.

a. Standards, amendments and interpretations applicable as at 31 December 2017:

- Amendments to TAS 7, 'Statement of cash flows'; on disclosure effective from annual periods beginning on or after 1 January 2017.
- Amendments TAS 12, 'Income Taxes'; effective from annual periods beginning on or after 1 January 2017.

Annual improvements 2014-2016, effective from annual periods beginning on or after 1 January 2017.

- TFRS 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.

b. Standards, amendments and interpretations effective after 1 January 2018:

- TFRS 9, 'Financial instruments'; effective from annual periods beginning on or after 1 January 2018. This standard replaces the guidance in IAS 39.
- Amendments to TFRS 4, 'Insurance contracts'; effective from annual periods beginning on or after 1 January 2018.
- Amendment to TAS 40, 'Investment property' relating to transfers of investment property; effective from annual periods beginning on or after 1 January 2018.
- Amendments to TFRS 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.

Annual improvements 2014-2016; effective from annual periods beginning on or after 1 January 2018. These amendments impact 2 standards:

- TFRS 1, 'First time adoption of TFRS', regarding the deletion of short-term exemptions for first-time adopters regarding TFRS 7, TAS 19 and TFRS 10,
- TAS 28, 'Investments in associates and joint venture' regarding measuring an associate or joint venture at fair value.
- TFRS 22, 'Foreign currency transactions and advance consideration'; effective from annual periods beginning on or after 1 January 2018.
- Amendment to TFRS 9, 'Financial instruments'; effective from annual periods beginning on or after 1 January 2019.
- Amendment to IAS 28, 'Investments in associates and joint venture'; effective from annual periods beginning on or after 1 January 2019. These amendments clarify that companies account for long-term interests in associate or joint venture to which the equity method is not applied using IFRS 9
- TFRS 16, 'Leases'; effective from annual periods beginning on or after 1 January 2019.
- TFRS 23, 'Uncertainty over income tax treatments'; effective from annual periods beginning on or after 1 January 2019.
- TFRS 17, 'Insurance contracts'; effective from annual periods beginning on or after 1 January 2021.

The Group is assessing the effects of new standards, amendments and improvements to its financial performance.

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

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.

The Group recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services (Note 25). Identify the contract(s) with a customer, identify the performance obligations in the contract, determine the transaction price, allocate the transaction price to the performance obligations in the contract, recognize revenue when (or as) the entity satisfies a performance obligation.

In order to account a contract as revenue; parties should commit their performance obligations, identify rights related with services and goods will be transferred, identify payment terms, contract should be trading qualification, it is probably benefit will flow to the Group.

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.

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

2.4 Summary of Significant Accounting Policies (cont'd)

Tangible Assets

The production or supply of goods or services or for administrative purposes are held in use of land and buildings are stated at revalued. Revalued amount, being the fair value at the date of revaluation subsequent accumulated depreciation and accumulated impairment is determined by subtracting. Balance sheet date, the carrying amount of the revaluations will not differ from the fair value is determined by the way is done at no longer than 5 years. All other tangible assets are recognized at the value after accumulated depreciation and impairment are deducted from historic cost values. Cost includes direct asset and associate acquisition costs.

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.

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.

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.

Lease - The Group as lessee

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.

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

2.4 Summary of Significant Accounting Policies (cont'd)

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.

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.

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

2.4 Summary of Significant Accounting Policies (cont'd)

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.

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.

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

2.4 Summary of Significant Accounting Policies (cont'd)

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.

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.

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

2.4 Summary of Significant Accounting Policies (cont'd)

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.

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.

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

2.4 Summary of Significant Accounting Policies (cont'd)

Financial Instruments (cont'd)

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. Interest income is calculated according to the effective interest rate method except for the case where rediscount effect is not significant.

Impairment of financial assets

Financial assets, other than those at fair value through profit or loss ("FVTPL"), are assessed for indicators of impairment at the end of each reporting period.

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

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

2.4 Summary of Significant Accounting Policies (cont'd)

Financial Instruments (cont'd)

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.

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2. BASIS OF PRESENTATION OF 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,

They are deferred in equity if they relate to qualifying cash flow hedges and qualifying net investment hedges or are attributable to part of the net investment in a foreign operation.

On consolidation, exchange differences arising from the translation of any net investment in foreign entities, and of borrowings and other financial instruments designated as hedges of such investments, are recognised in other comprehensive income. When a foreign operation is sold or any borrowings forming part of the net investment are repaid, the associated exchange differences are reclassified to profit or loss, as part of the gain or loss on sale.

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

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2. BASIS OF PRESENTATION OF 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.

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2. BASIS OF PRESENTATION OF 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.

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2. BASIS OF PRESENTATION OF 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

Current tax payable calculation 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 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.

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2. BASIS OF PRESENTATION OF 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" Employee Benefits.

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 regisTL 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 FINANCIAL STATEMENTS (cont'd)

2.4 Summary of Significant Accounting Policies (cont'd)

Derivatives and hedging activities

Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently remeasured to their fair value at the end of each reporting period. The accounting for subsequent changes in fair value depends on whether the derivative is designated as a hedging instrument, and if so, the nature of the item being hedged. The Group designates certain derivatives as either:

- i. hedges of the fair value of recognised assets or liabilities or a firm commitment (fair value hedges)
- ii. hedges of a particular risk associated with the cash flows of recognised assets and liabilities and highly probable forecast transactions (cash flow hedges), or,
- iii. hedges of a net investment in a foreign operation (net investment hedges).

The Group documents at the inception of the hedging transaction the relationship between hedging instruments and hedged items, as well as its risk management objective and strategy for undertaking various hedge transactions. The Group also documents its assessment, both at hedge inception and on an ongoing basis, of whether the derivatives that are used in hedging transactions have been and will continue to be highly effective in offsetting changes in fair values or cash flows of hedged items.

The fair values of various derivative financial instruments used for hedging purposes are disclosed in Note 10. Movements in the hedging reserve in shareholders' equity are shown in Note 36. The full fair value of a hedging derivative is classified as a non-current asset or liability when the remaining maturity of the hedged item is more than 12 months; it is classified as a current asset or liability when the remaining maturity of the hedged item is less than 12 months. Trading derivatives are classified as a current asset or liability.

The effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges is recognised in other comprehensive income and accumulated in reserves in equity. The gain or loss relating to the ineffective portion is recognised immediately in profit or loss within other income or other expense.

Amounts accumulated in equity are reclassified to profit or loss in the periods when the hedged item affects profit or loss (for instance when the forecast sale that is hedged takes place). The gain or loss relating to the effective portion of interest rate swaps hedging variable rate borrowings is recognised in profit or loss within 'finance costs'.

Goodwill

Goodwill arising on the acquisition is recognized at cost, if any, at the date of acquisition, less provision for impairment.

Goodwill that allocated to cash generating unit is tested annually for impairment, or more frequently if events or changes in circumstances indicate that they might be impaired. An impairment loss is recognised for the amount by which the cash generating unit's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs of disposal and value in use. Impairment for goodwill is accounted to profit and loss. Impairment losses on goodwill are not reversed. Goodwill related with cash generating unit is considered at sales profit/loss.

The Group acquired business from its ultimate shareholder as under common control and accounted its book values as accounted at ultimate shareholder level including goodwill (Note 14).

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2. BASIS OF PRESENTATION OF 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.

Reacquired Rights

The Group accounted for reacquired rights at fair value within scope of the reacquisition of rights which were provided exclusivity before to third parties. Reacquired rights have indefinite useful life and are not subject to amortization. Reacquired rights are tested annually for impairment, or more frequently if events or changes in circumstances indicate that they might be impaired. Reacquired rights comprises from products distribution rights in Saudi Arabia. Discounted cash flow used to identify goodwill is applied with 11,6% discount rate and 1,9% long term growth rate. A change in discount rate by 1% effects amount of goodwill by TL 4.503.609.

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 2017, the Group has accounted for deferred tax assets by TL 51.039.269 (2016: TL 44.285.820 and 2015: TL 32.736.325) 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.

As of 31 December 2017, the Company has accounted for deferred income tax assets amounting to TL 10.857.653 from the carry forward tax losses amounting to TL 54.288.266 in the consolidated financial statements.

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 transaction, similar instruments with fair values and discounted cash flow analysis with an independent third party valuation company Akis Bağımsız Denetim ve SMMM A.Ş which has licence. 5 years discounted cash flow analysis is applied with 8,1% (2016: 7,3) discount rate and 1,9% (2016: 1,9) long term growth rate for G-New and 9,5% (2016: 8,9%) discount rate and 1,9% (2016: 2,7%) long term growth rate for Godiva Belgium which are Group's financial investments.

A change in discount rate by 0,3% effects the fair value of G-New and Godiva Belgium amounting to TL 10.190.047 (2016: TL 9.688.476).

Goodwill

The Group acquired business from its ultimate shareholder as under common control and accounted its book values as accounted at ultimate shareholder level including goodwill (Note 14). Discounted cash flow used to identify goodwill is applied with 13,0% discount rate and 3,1% long term growth rate. A change in discount rate by 1% effects amount of goodwill by TL 8.438.278.

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2. BASIS OF PRESENTATION OF 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 2017 and 2016.

Biskot Bisküvi Gıda Sanayi ve Ticaret A.Ş.

	2017	2016
Total assets	812.245.068	643.688.912
Total liabilities	460.917.915	364.865.891
Total shareholder's equity	351.327.153	278.823.021
Accumulated funds on non-controlling interests	91.612.771	72.706.489
Revenue	860.799.693	767.021.981
Net profit for the year	51.063.817	14.793.545
Cash flow provided from operating activities	133.796.818	82.546.131
Cash flow used in investment activities	(66.938.091)	(67.198.229)
Cash flow used in financing activities	(23.755.469)	10.994.670

Food Manufacturers' Company

	2017	2016
Total assets	387.520.522	297.353.197
Total liabilities	168.271.290	130.852.712
Total shareholders' equity	219.249.232	166.500.485
Accumulated funds on non-controlling interests	98.662.154	76.505.955
Revenue	503.626.481	275.763.271
Net profit for the year	39.382.376	21.394.728
Cash flow provided from operating activities	40.999.165	54.657.376
Cash flow used in investment activities	(16.186.973)	(54.446.036)
Cash flow used in financing activities	(9.350.234)	60.979

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3. BUSINESS COMBINATIONS

The Company purchased 100% shares of UI Mena B.V from Maia International B.V. which is 100% owned by Yıldız Holding A.Ş. as of 20 December 2017 with an amount of EUR 134 thousand. Since the acquisition realized from Maia International B.V. which is 100% owned by Yıldız Holding A.Ş., who is the ultimate shareholder of the Company; the transaction is considered as “Transactions Under Common Control” and accounted in the shareholder’s equity. The net asset acquired and the effects of transaction in equity are presented as follows:

	31 December 2017
Net Assets within the Scope of Consolidation	Asset/(Liability)
Current Assets	
Cash and cash equivalents	12.904.898
Trade receivables	67.843.536
Other receivables	2.959.974
Other current assets	2.127.593
Non-Current Assets	
Tangible and intangible assets (Net) (*)	394.148.665
Current Liabilities	
Trade Payables	(10.677.982)
Other current liabilities	(25.369.171)
Non-Current Liabilities	
Trade Payables	(8.025.199)
Other non-current liabilities	(615.690.778)
Net Assets added into the scope of consolidation	(179.778.464)
Total share of the Group ownership	100%
The portion of the net assets to the Group	(179.778.464)
Cash paid for the acquisition	(606.631)
Net Equity Impact from the acquisition of subsidiary	(180.385.095)
Net Profit for 1 January – 31 December 2017	46.910.280
Net Equity Impact as of 1 January 2017	(227.295.375)

(*) Consist of book values at Yıldız Holding’s financial statements related with the acquisition of United Biscuits LTD.

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3. BUSINESS COMBINATIONS (cont'd)

The Company purchased 100% shares of Hamle Company Ltd LLP from Maia International B.V. which is 100% owned by Yıldız Holding A.Ş. as of 31 March 2017 with an amount of USD 3 million. Since the acquisition realized from Maia International B.V. which is 100% owned by Yıldız Holding A.Ş., who is the major shareholder of the Company; the transaction is considered as “Transactions Under Common Control” and accounted in the shareholder’s equity. The net asset acquired and the effects of transaction in equity are presented as follows:

	31 December 2016
Net Assets within the Scope of Consolidation	Asset/(Liability)
Current Assets	
Cash and cash equivalents	98.691.498
Trade receivables	7.107.451
Other receivables	32.940
Other current assets	30.990.460
Non-Current Assets	
Tangible and intangible assets (Net)	18.643.562
Other non-current assets	10.457.472
Current Liabilities	
Financial liabilities	(295.387)
Trade payables	(24.648.072)
Other current liabilities	(3.187.138)
Non-Current Liabilities	
Financial liabilities	(184.765.680)
Net Assets added into the scope of consolidation	(46.972.894)
Capital Increase	13.772.456
Total share of the Group ownership	%100
The portion of the net assets to the Group	(33.200.438)
Cash paid for the acquisition	(10.855.800)
Net Equity Impact from the acquisition of subsidiary	(44.056.238)

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3. BUSINESS COMBINATIONS (cont'd)

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 TL 43 million as of 31 March 2016. The net assets acquired and the effects of transaction in equity are presented as follows:

	31 December 2015
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
The portion of the net assets to the 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 100% 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	31 December 2015 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 the 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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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	31 December 2015 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
The portion of the net assets to the 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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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 2016 and 1 January - 31 December 2017.

	Domestic	Foreign	1 January-31 December 2017
Revenue	3.201.227.796	1.609.804.729	4.811.032.525
Gross Profit	704.180.468	572.755.430	1.276.935.898
Operating Profit (*)	371.798.692	224.269.753	596.068.445
Investment expenditures	248.647.417	70.760.814	319.408.231

(*) Profit before other income/expense.

	Domestic	Foreign	1 January-31 December 2016
Revenue	2.849.673.659	1.344.101.087	4.193.774.746
Gross Profit	650.893.205	423.156.442	1.074.049.647
Operating Profit (*)	350.651.954	137.305.138	487.957.092
Investment expenditures	210.263.045	58.234.037	268.497.082

(*) Profit before other income/expense.

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5. CASH AND CASH EQUIVALENTS

	31 December 2017	31 December 2016	31 December 2015
Cash on hand	808.629	1.693.596	463.410
Demand deposits	65.193.382	39.639.276	35.952.378
Time deposits (*)	3.115.117.710	2.231.237.954	1.323.587.043
	3.181.119.721	2.272.570.826	1.360.002.831

(*) As of 31 December 2017, TL 3.114.121.072 of time deposits is overnight (31 December 2016: TL 2.230.821.625 and 31 December 2015: TL 1.323.587.043).

Details of time deposits are shown below:

Currency Type	Annual Weighted Average Effective Interest Rate (%)	Maturity	31 December 2017
TL	%13,27	January 2018	428.779.117
EUR	%2,02	January 2018	2.072.345.914
USD	%3,71	January 2018	608.363.550
GBP	%0,25	January 2018	2.133.760
EGP	%15,00	January 2018	996.638
KZT	%8,50	January 2018	2.498.731
			3.115.117.710

Currency Type	Annual Weighted Average Effective Interest Rate (%)	Maturity	31 December 2016
TL	%10,62	January 2017	374.319.771
EUR	%1,50	January 2017	672.616.138
USD	%2,49	January 2017	1.102.402.307
EGP	%14,5	February 2017	416.329
KZT	%10,50	January 2017	81.483.409
			2.231.237.954

Currency Type	Annual Weighted Average Effective Interest Rate (%)	Maturity	31 December 2015
EUR	%1,59	January 2016	533.399.795
USD	%2,47	January 2016	790.187.248
			1.323.587.043

6. FINANCIAL INVESTMENTS

<u>Short Term Financial Investments:</u>	31 December 2017	31 December 2016	31 December 2015
Available for sale financial assets	619.243	754.935	704.437
	619.243	754.935	704.437

<u>Long Term Financial Investments:</u>	31 December 2017	31 December 2016	31 December 2015
Available for sales financial assets	981.131.837	928.800.295	765.334.184
	981.131.837	928.800.295	765.334.184

<u>Long Term Available for Sale Financial Investments</u>	31 December 2017	31 December 2016	31 December 2015
G New, Inc	113.184.316	187.228.229	196.711.611
Godiva Belgium BVBA	821.098.904	712.010.658	537.772.863
BİM Birleşik Mağazalar A.Ş.	46.648.499	29.361.290	30.649.592
Other	200.118	200.118	200.118
	981.131.837	928.800.295	765.334.184

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6. FINANCIAL INVESTMENTS (cont'd)

Available for sale financial assets are presented at their fair values. The after tax difference belonging to equity holder of TL 743.709.841 as of 31 December 2017 (31 December 2016: TL 695.363.441) 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 (31 December 2016: TL 200.118 and 31 December 2015: TL 200.118) that are not traded in an active market are high and expected values are not reliably measured, these have been presented at historical cost in accompanying consolidated financial statements.

7. FINANCIAL LIABILITIES

	31 December 2017	31 December 2016	31 December 2015
Short Term Liabilities	433.370.981	544.791.623	1.011.718.472
Short Term Portion of Long Term Liabilities	450.951.781	1.815.575.753	27.836.991
Long Term Liabilities	3.407.606.328	569.609.803	1.735.335.344
	4.291.929.090	2.929.977.179	2.774.890.807
<u>Short Term Liabilities</u>	31 December 2017	31 December 2016	31 December 2015
Bank Loans	403.276.809	514.162.247	1.011.718.472
Funds Borrowed from Related Parties (Note 34)	30.094.172	30.629.376	-
	433.370.981	544.791.623	1.011.718.472
<u>Short Term Portion of Long Term Liabilities</u>	31 December 2017	31 December 2016	31 December 2015
Bank Loans	450.951.781	1.815.569.289	27.410.569
Financial Lease Payables	-	6.464	426.422
	450.951.781	1.815.575.753	27.836.991
<u>Long Term Liabilities</u>	31 December 2017	31 December 2016	31 December 2015
Bank Loans	3.407.606.328	569.544.167	1.735.258.415
Financial Lease Payables	-	65.636	76.929
	3.407.606.328	569.609.803	1.735.335.344

The syndication loans have received as of 20 April 2017 and 27 November 2017. Details of Group's syndication loans are as follows:

Syndication loan borrowed as of 20 April 2017 consists of two credit trenches which are USD 136.000.000 and EUR 225.144.922. 14 international banks joined to the syndication. Effective interest rate for both credit trenches are Euribor + 3.00% for EUR, Libor+ 3.10% for USD and the maturity date is 20 April 2020. Principal payments of the loans are repaid at maturity with semi-annual interest payments

The Group borrowed new syndication loan as of 27 November 2017 in addition to syndication loan borrowed as of 20 April 2017.

Syndication loan borrowed as of 27 November 2017 consists of two credit trenches which are USD 111.498.684 and EUR 290.559.069. 15 international banks joined to the syndication. Effective interest rate for both credit trenches are Euribor + 3.00% for EUR, Libor+ 2.90% for USD and the maturity date is 27 November 2020. Principal payments of the loans are repaid at maturity with semi-annual interest payments

The covenants which belong to syndication loan are as follows:

- a) **Leverage:** The ratio of the consolidated net debt at balance sheet date to the last twelve months consolidated EBITDA (Earnings before interest, tax, depreciation and amortization) in the valid period should not be over 3,50 to 1.
- b) **Interest Coverage:** Consolidated interest coverage ratio of the Group should be at least 2 to 1.

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7. FINANCIAL LIABILITIES (cont'd)

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

Borrowings:

31 December 2017

<u>Currency Type</u>	<u>Maturity</u>	<u>Effective Weighted</u>	<u>Short Term</u>	<u>Long Term</u>
		<u>Average</u> <u>Interest Rate (%)</u>		
TL	February 2018- January 2021	%12,42	368.680.327	8.000.000
EUR	May 2018- November 2020	%3,32	294.206.039	2.308.403.672
USD	January 2018-November 2020	%4,64	215.284.839	891.589.075
EGP	March 2018-September 2019	%20,75	2.612.231	1.146.582
KZT	December 2023	%8,50	3.539.326	198.466.999
			884.322.762	3.407.606.328

31 December 2016

<u>Currency Type</u>	<u>Maturity</u>	<u>Effective Weighted</u>	<u>Short Term</u>	<u>Long Term</u>
		<u>Average</u> <u>Interest Rate (%)</u>		
TL	January 2017-January 2021	Spot-%10,59	14.383.813	199.500.000
EUR	January 2017-December 2023	%2,75	809.483.182	268.745.770
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	-
KZT	April 2017-December 2023	%9,50	288.923	91.726.800
			2.360.360.912	569.544.167

31 December 2015

<u>Currency Type</u>	<u>Maturity</u>	<u>Effective Weighted</u>	<u>Short Term</u>	<u>Long Term</u>
		<u>Average</u> <u>Interest Rate (%)</u>		
TL	January 2016-July 2016	Spot	1.398.009	-
EUR	February 2016-June 2020	%2,76	164.435.311	750.213.250
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-January 2017	%1,43	7.063.662	-
			1.039.129.041	1.735.258.415

Repayment schedule of bank loans are as follows:

	<u>31 December</u> <u>2017</u>	<u>31 December</u> <u>2016</u>	<u>31 December</u> <u>2015</u>
to be paid within 1 year	884.322.762	2.360.360.912	1.039.129.041
to be paid within 1-2 years	60.074.443	510.947.273	1.663.089.616
to be paid within 2-3 years	3.224.671.328	32.255.242	27.349.497
to be paid within 3-4 years	37.803.221	26.341.652	25.683.250
to be paid within 4-5 years	37.803.210	-	19.136.052
Above 5 years	47.254.126	-	-
	4.291.929.090	2.929.905.079	2.774.387.456

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7. FINANCIAL LIABILITIES (cont'd)

Financial Lease Payables

	31 December 2017	31 December 2016	31 December 2015
Short-Term Financial Lease Payables			
Financial lease payables	-	6.464	426.422
	-	6.464	426.422
Long-Term Financial Lease Payables			
Financial lease payables	-	67.729	479.097
Deferred financial lease payables costs (-)	-	(2.093)	(402.168)
	-	65.636	76.929

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

	31 December 2017	31 December 2016	31 December 2015
to be paid within 1 year	-	6.464	426.422
to be paid within 1-5 years	-	65.636	76.929
	-	72.100	503.351

Movements of financial borrowings as of 31 December 2017 and 2016 are as follows:

	2017	2016
Opening - 1 January	2.929.977.179	2.774.890.807
Proceeds from borrowings	3.599.629.935	952.561.529
Repayments of borrowings	(2.776.885.538)	(1.219.550.719)
Change in foreign currency	492.661.718	416.600.901
Change in interest accrual	22.761.029	4.382.077
Currency translation adjustments	23.784.767	1.092.584
Closing - 31 December	4.291.929.090	2.929.977.179

8. TRADE RECEIVABLES AND PAYABLES

	31 December 2017	31 December 2016	31 December 2015
Short Term Due from Related Parties			
Due from related parties (Note 34), (Net)	533.605.767	584.672.083	558.982.064
	533.605.767	584.672.083	558.982.064
Other Trade Receivables			
Trade receivables	246.680.264	154.206.227	176.096.416
Notes receivables	425.790	1.042.270	1.116.360
Provision for doubtful receivables (-)	(8.211.833)	(7.260.018)	(5.846.038)
	238.894.221	147.988.479	171.366.738
Total Short Term Trade Receivables	772.499.988	732.660.562	730.348.802

The provision for trade receivables is provided for based on the estimated irrecoverable amounts from sale of goods, determined by reference to past default experience.

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8. TRADE RECEIVABLES AND PAYABLES (cont'd)

The movement of the allowance for doubtful receivables as of 31 December 2017 and 2016 is as follows:

	1 January - 31 December 2017	1 January - 31 December 2016
Opening balance	(7.260.018)	(5.846.038)
Charge for the period	(2.745.260)	(1.323.294)
Reversal of provision	1.754.708	77.986
Currency translation adjustments	36.964	(192.347)
Collections	1.773	23.675
Closing balance	(8.211.833)	(7.260.018)

	31 December 2017	31 December 2016	31 December 2015
Short Term Trade Payables			
Due to related parties (Note 34)	352.892.197	341.189.197	315.390.068
Trade payables	585.828.803	305.399.236	289.277.738
	938.721.000	646.588.433	604.667.806

Trade payables are disclosed at discounted net realizable value using the effective yield method.

9. OTHER RECEIVABLES AND PAYABLES

	31 December 2017	31 December 2016	31 December 2015
Other Receivables			
Due from related parties (Note 34)	416.371	4.903.097	807.731.876
Short term other receivables	23.684.496	20.286.040	36.327.262
	24.100.867	25.189.137	844.059.138
	31 December 2017	31 December 2016	31 December 2015
Other Short Term Receivables			
VAT receivables	16.834.348	11.969.170	15.463.094
Receivables from personnel	1.694.794	1.369.308	1.311.113
Deposits and guarantees given	1.043.241	502.473	31.374
Insurance compensation receivable	-	-	13.319.191
Other	4.112.112	6.445.089	6.202.490
	23.684.496	20.286.040	36.327.262
	31 December 2017	31 December 2016	31 December 2015
Other Long Term Receivables			
Deposits and guarantees given	183.255	271.206	323.179
	183.255	271.206	323.179
	31 December 2017	31 December 2016	31 December 2015
Other Payables			
Due to related parties (Note 34)	129.486	61.507	79.062.187
Other short term payables	8.088.499	7.005.233	4.588.350
	8.217.985	7.066.740	83.650.537
	31 December 2017	31 December 2016	31 December 2015
Other short term payables			
Other short term payables	4.296.832	4.135.121	2.430.526
Deposits and guarantees received	3.791.667	2.870.112	2.157.824
	8.088.499	7.005.233	4.588.350

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10. DERIVATIVE INSTRUMENTS

As date of 20 April 2017, the Group received syndication loans which are USD 136.000.000 and EUR 225.144.922 respectively. Effective interest rate for both credits are fluctuated and the maturity date is April 2020. Principal payments of the loans are repaid at maturity with semi-annual interest payments in parallel with repayment schedule, the Group entered into a cross currency fixed interest rate swap contracts amounting to USD 116.000.000 and EUR 30.000.000 respectively to manage its exposure to interest rate and foreign currency fluctuations.

Derivative instruments as of 31 December 2017 and 2016 are as follows:

	31 December 2017		31 December 2016	
	Contract Amount	Fair Value	Contract Amount	Fair Value
Derivative instruments held for hedge				
Cross Currency Fixed Interest Rate Swap	528.131.800	55.912.400	-	-
Total Assets	528.131.800	55.912.400	-	-

11. INVENTORIES

Details of inventory are as follows:

	31 December 2017	31 December 2016	31 December 2015
Raw materials	285.009.771	196.373.898	144.952.181
Work in progress	13.937.795	10.532.864	11.270.572
Finished goods	208.191.611	163.451.679	154.073.202
Trade goods	32.373.731	8.180.515	5.553.918
Other inventories	35.234.826	24.615.181	24.922.623
Allowance for impairment on inventory(-)	(10.062.269)	(10.403.034)	(9.285.373)
	564.685.465	392.751.103	331.487.123

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 2017 and 2016 are below:

	2017	2016
Opening balance	(10.403.034)	(9.285.373)
Charge for the year	(4.182.254)	(2.240.020)
Used allowance	4.903.805	1.455.006
Currency translation differences	(380.786)	(332.647)
Closing balance	(10.062.269)	(10.403.034)

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12. INVESTMENT PROPERTIES

	2017	2016
Opening balance	14.587.592	12.904.161
Increase in fair value	1.630.000	1.705.000
Charge for the year	(25.423)	(21.569)
Closing balance	16.192.169	14.587.592

The fair value of the Group's investment properties at 31 December 2017 and 2016 has been calculated on the basis of a valuation carried out at that date by 31 December 2017 and 31 December 2016 , 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 rent income earned by the Group from its investment properties amounting to TL 953.281 (31 December 2016: TL 1.371.045) within the current period. Direct operating expenses arising from the investment properties in the current period amounting to TL 87.929 (31 December 2016: TL 78.686).

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13. TANGIBLE ASSETS

Movement of tangible assets between 1 January 2017 and 31 December 2017 is as follows:

Cost	1 January 2017	Addition	Disposal	Transfers (Note 15)	Revaluation Increase	Currency translation differencies	31 December 2017
Land	129.067.094	6.120.964	(34.822)	-	594.920.470	930.006	731.003.712
Buildings	253.973.139	5.786.666	(193.746)	11.160.898	455.260.958	4.792.714	730.780.629
Machinery, plant and equipment	1.259.992.687	41.414.697	(41.312.213)	211.456.150	-	17.448.178	1.488.999.499
Vehicles	9.142.434	1.293.662	(664.607)	-	-	339.061	10.110.550
Furniture and fixture	65.507.541	5.497.945	(608.526)	3.281.490	-	2.779.977	76.458.427
Leasehold improvements	25.775.295	6.627.282	(1.403.561)	6.363.209	-	-	37.362.225
Other tangible assets	4.412.932	555.942	(4.730.615)	-	-	317.685	555.944
Construction in progress	161.032.572	250.783.627	(336.447)	(232.277.382)	-	8.252.799	187.455.169
	1.908.903.694	318.080.785	(49.284.537)	(15.635)	1.050.181.428	34.860.420	3.262.726.155
Accumulated Depreciation	1 January 2017	Charge for the Period	Disposal	Transfers (Note 15)	Revaluation Increase	Currency translation differencies	31 December 2017
Buildings	(123.492.241)	(12.294.415)	115.797	-	(297.584.366)	(2.358.711)	(435.613.936)
Machinery, plant and equipment	(663.453.600)	(82.557.466)	34.868.037	-	-	(9.602.134)	(720.745.163)
Vehicles	(4.128.065)	(1.094.020)	588.384	-	-	(219.495)	(4.853.196)
Furniture and fixture	(48.551.509)	(5.789.594)	354.128	-	-	(2.728.729)	(56.715.704)
Leasehold improvements	(14.049.053)	(2.721.817)	790.085	-	-	-	(15.980.785)
Other tangible assets	(4.412.932)	(20.746)	4.464.786	-	-	(316.211)	(285.103)
	(858.087.400)	(104.478.058)	41.181.217	-	(297.584.366)	(15.225.280)	(1.234.193.887)
Net Book Value	1.050.816.294						2.028.532.268

If the Group recognized land and buildings at historical cost, net book value of land would be TL 136.083.242 and TL 137.490.101 for buildings.

From depreciation and amortization expenses, TL 94.991.427 (2016: TL 79.412.394) is included in cost of goods sold, TL 367.344 (2016: TL 306.994) is included in research and development expenses, TL 2.118.884 (2016: TL 1.828.142) is included in marketing and selling expenses, TL 7.823.861 (2016: TL 5.823.342) 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 2017, the Group has capitalized TL 6.475.091 interest and TL 5.754.849 foreign exchange losses with regards to borrowings and accounted for such borrowing costs under tangible assets, whereas TL 12.229.940 was transferred to machinery, plant and equipment (TL 2016: 3.361.811 interest, TL 9.625.185 foreign exchange loss).

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13. TANGIBLE ASSETS (cont'd)

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

Cost	1 January 2016	Addition	Disposal	Transfers (Note 15)	Currency translation differences	31 December 2016
Land	133.148.364	1.616.579	-	-	(5.697.849)	129.067.094
Buildings	194.102.261	6.935.462	-	53.835.652	(900.236)	253.973.139
Machinery, plant and equipments	1.100.513.466	30.494.296	(14.913.115)	147.558.692	(3.660.652)	1.259.992.687
Vehicles	5.157.556	4.581.219	(355.696)	-	(240.645)	9.142.434
Furniture and fixtures	58.942.313	4.476.237	(376.248)	3.255.869	(790.630)	65.507.541
Leasehold improvements	19.930.469	3.371.082	-	2.473.744	-	25.775.295
Other tangible assets	5.621.014	-	-	(1.950.887)	742.805	4.412.932
Constructions in progress	164.303.786	216.573.643	-	(205.241.705)	(14.603.152)	161.032.572
	1.681.719.229	268.048.518	(15.645.059)	(68.635)	(25.150.359)	1.908.903.694

Accumulated Depreciation	1 January 2016	Charge for the Period	Disposal	Transfers (Note 15)	Currency translation differences	31 December 2016
Buildings	(107.927.991)	(12.141.250)	-	-	(3.423.000)	(123.492.241)
Machinery, plant and equipment	(604.569.041)	(66.617.434)	10.014.857	-	(2.281.982)	(663.453.600)
Vehicles	(3.564.995)	(727.446)	220.898	-	(56.522)	(4.128.065)
Furniture and fixture	(45.016.261)	(4.456.705)	304.735	-	616.722	(48.551.509)
Leasehold improvements	(12.061.213)	(1.987.840)	-	-	-	(14.049.053)
Other tangible assets	(3.414.647)	(567.104)	-	-	(431.181)	(4.412.932)
	(776.554.148)	(86.497.779)	10.540.490	-	(5.575.963)	(858.087.400)

Net Book Value	905.165.081					1.050.816.294
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There are not any fixed assets acquired through financial leasing for the twelve months period ended 31 December 2016. There is not any mortgage or collateral on tangible assets.

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13. 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

The Group decided to apply revaluation model to land and buildings in accordance with TMS 16. Land and buildings were revalued with “compare with similars” technique on 15 January 2018. The revaluation was performed by Nova Taşınmaz Değerleme ve Danışmanlık A.Ş. authorized by Capital Markets Board. Properties were accounted on 31 December 2017 financial statements based on their fair values. The frequency of revaluations are related with the changes on the market values of the properties. If there is material change at the fair value, revaluation is performed. If not, properties are only subject to periodical revaluation. Revalued properties as of 31 December 2017 are shown on the movement table.

14. GOODWILL

	2017	2016
1 January	207.307.200	206.433.600
Currency translation adjustments	36.547.200	873.600
31 December	243.854.400	207.307.200

Goodwill details are as follow:

	31 December 2017	31 December 2016
Company		
UI Mena B.V.	243.854.400	207.307.200
	243.854.400	207.307.200

Goodwill impairment test:

Goodwill allocated to cash generated units is subject to annual impairment test as described in Note 2.

UI MENA B.V.

Yıldız Holding A.Ş. acquired United Biscuit Group as of 3 November 2014. Goodwill accounted at Yıldız Holding’s financial statement related with UI MENA operations is accounted to these financial statement with restating prior periods.

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15. INTANGIBLE ASSETS

Movements of intangible assets between 1 January 2017 – 31 December 2017 are as follows:

Cost	1 January 2017	Addition	Disposal	Transfers (Note 13)	Currency Translation Differencies	31 December 2017
Rights (*)	142.863.935	1.251.114	-	-	10.729.358	154.844.407
Development costs	675.004	-	(675.004)	-	-	-
Other intangible assets	3.038.530	76.332	(3.095)	15.635	(7.318)	3.120.084
	146.577.469	1.327.446	(678.099)	15.635	10.722.040	157.964.491

Accumulated Amortization	1 January 2017	Charge for the Period	Disposal	Transfers (Note 13)	Currency Translation Differencies	31 December 2017
Rights	(2.329.654)	(298.073)	-	-	19.769	(2.607.958)
Development costs	(357.294)	(101.249)	458.543	-	-	-
Other intangible assets	(2.105.141)	(398.713)	3.473	-	(458.543)	(2.958.924)
	(4.792.089)	(798.035)	462.016	-	(438.774)	(5.566.882)

Net Book Value	141.785.380					152.397.609
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Movements of intangible assets between 1 January 2017 - 31 December 2017 are as follows:

Cost	1 January 2016	Addition	Disposal	Transfers (Note 13)	Currency Translation Differencies	31 December 2016
Rights (*)	2.599.638	140.126.827	(2.771)	68.635	71.606	142.863.935
Development costs	675.004	-	-	-	-	675.004
Other intangible assets	2.643.591	448.564	(53.625)	-	-	3.038.530
	5.918.233	140.575.391	(56.396)	68.635	71.606	146.577.469

Accumulated Amortization	1 January 2016	Charge for the Period	Disposal	Transfers (Note 13)	Currency Translation Differencies	31 December 2016
Rights	(2.068.106)	(252.339)	-	-	(9.209)	(2.329.654)
Development costs	(222.292)	(135.002)	-	-	-	(357.294)
Other intangible assets	(1.694.583)	(464.183)	53.625	-	-	(2.105.141)
	(3.984.981)	(851.524)	53.625	-	(9.209)	(4.792.089)

Net Book Value	1.933.252					141.785.380
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(*) As of 31 December 2017 Rights contain reacquired rights related with Saudi Arabia distribution agreements of Groups products in Saudi Arabia amounting to TL 150.076.357 (31 December 2016: TL 140.021.930). Reacquired rights are not subject to depreciation and has indefinite useful life. Impairment test is applied every year of when there is any indicator that impairment may occur.

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15. INTANGIBLE ASSETS (cont'd)

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

	<u>Useful Life</u>
Rights	2 years – unlimited life
Development costs	5 years
Other intangible assets	2 – 12 years

16. 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 has been approved by MinisTL of Economy at 19 November 2013 with respect to the expansion and product diversification investment of Ülker Bisküvi San. A.Ş. Gebze Factory. 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 210.800.770 in Karaman plant. The Group has utilized TL 31.355.357 (2016: TL 18.863.586) portion of such incentives and accounted for defferred tax assets by TL 51.039.269 (2015: TL 44.285.820) for the remaining portion of these earned incentives (Note 32).

The Group has received government incentives amounting TL 33.041.309 in current year (2016: TL 21.441.493). In 2017, TL 8.956.125 stems from employment grants, TL 8.832.153 stems from agricultural products export incentives, TL 5.824.769 stems from investment incentive, TL 2.605.564 stems from research and development grants and TL 6.822.699 stems from other grants (2016: TL 9.580.615 stems from employment grants, TL 7.488.477 stems from agricultural products export incentives, TL 1.994.630 stems from investment incentives and TL 2.377.801 stems from other grants).

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17. OTHER PROVISIONS, CONTINGENT ASSETS AND LIABILITIES

Short Term Debt Provisions	31 December 2017	31 December 2016	31 December 2015
Provisions for lawsuits	6.059.736	5.547.396	4.312.544
Provision for returns	-	-	4.007.038
Fuel support provision	-	-	953.430
Provision for marketing activities	27.799.771	10.454.091	9.168.567
Other	14.470.765	9.649.007	7.771.326
	48.330.272	25.650.494	26.212.905

Movement for lawsuit provisions for December 2017 and 2016 is as follows:

	2017	2016
Opening balance	5.547.396	4.312.544
Charge for the period	1.037.558	2.260.968
Terminated provisions	(386.527)	(1.023.228)
Payment/relinquishment (-)	(138.691)	(2.888)
	6.059.736	5.547.396

A significant portion of the lawsuit provisions as of 31 December 2017 and 2016 is related to legal filings made by the personnel.

a) Guarantees Given

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

	31 December 2017			31 December 2016		
	TL	USD	EUR	TL	USD	EUR
A) CPM's given in the name of own legal personality	185.145.602	1.186.500	-	70.285.091	-	50.000
B) CPM's given on behalf of the fully consolidated companies	1.326.000	-	37.922.171	1.916.000	-	5.622.171
C) CPM's given on behalf of third parties for ordinary course of business (*)	-	-	115.000.000	-	-	75.000.000
D) Total amount of other CPM's given	-	-	-	-	80.000.000	-
i. Total amount of CPM's given on behalf of the majority shareholder (**)	-	-	-	-	80.000.000	-
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	186.471.602	1.186.500	152.922.171	72.201.091	80.000.000	80.672.171

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

(**) As of 31 December 2017, the ratio of other CPM's to the Group's equity is zero (31 December 2016: 20,1%).

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

b) Lawsuits Filed by and Against to the Group

ba) As of 31 December 2017;

Lawsuits filed by the Group:

	TL	EUR
Compensation litigations	-	102.942
Tax litigations (*)	3.029.148	-
Action of debts	519.473	-
Criminal cases	3.000	-
	3.551.621	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	572.031	-
Foreclosure litigations	1.858.281	-
Compensation litigations	3.648.089	400.000
	6.078.402	400.000

The provision of TL 6.059.736 as of 31 December 2017 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 (31 December 2016: TL 5.547.396, 31 December 2015: TL 4.312.544).

bb) 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	-
Criminal cases	3.000		
	9.679.732	3.404.577	102.942

(*) Major part of tax litigatons are related to VAT return receivable litigations.

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

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

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

bc) 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

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

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

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.

The Group's rental income from its operational leasing agreements for tangible assets and investment properties leased is TL 6.815.205 (2016: TL 7.152.333). In the current year, operational leasing expense is TL 320.664 (2016: TL 1.128.552). Due to non-cancellable rent agreements, the Group's rental revenue to be received in the future periods is TL 8.404.820 (2016: TL 7.153.608) 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 are TL 342.000 (2016: TL 1.220.988) and are all payable in a one year period.

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18. COMMITMENTS AND OBLIGATIONS

The Group's export commitments amount to USD 192.719.334 as of 31 December 2017 (2016: USD 157.500.263). 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 2017 have been realized completely (2016: have been realized completely).

19. PROVISION FOR EMPLOYEE BENEFITS

	31 December 2017	31 December 2016	31 December 2015
Short Term Liabilities for Employee Benefits			
Unused vacation accrual	22.158.510	17.823.594	15.096.330
Performance premium accrual	17.115.150	15.792.891	13.999.670
	39.273.660	33.616.485	29.096.000
<u>Movement of Unused Vacation Provision</u>	<u>2017</u>	<u>2016</u>	
Opening balance	17.823.594	15.096.330	
Decrease in period	(8.775.191)	(8.413.317)	
Increase in period	12.559.457	9.243.677	
Currency translation differences	550.650	1.896.904	
Closing balance	22.158.510	17.823.594	
<u>Movement of Performance Premium Provision</u>	<u>2017</u>	<u>2016</u>	
Opening balance	15.792.891	13.999.670	
Cash payments in period	(15.622.078)	(14.394.528)	
Increase in period	16.409.660	14.894.595	
Currency translation differences	534.677	1.293.154	
Closing balance	17.115.150	15.792.891	
Long Term Liabilities for Employee Benefits	31 December 2017	31 December 2016	31 December 2015
Provision for employee termination benefits	81.386.937	72.898.651	38.304.798
	81.386.937	72.898.651	38.304.798

Under Turkish Labor Law, the Group 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 were 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 TL 4.732,48 for each period of service as of 31 December 2017 (2016: TL 4.297,21).

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19. PROVISION FOR EMPLOYEE BENEFITS (cont'd)

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 2017, 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% and a discount rate of 11.8%, resulting in a real discount rate of approximately 4,50% (2016: 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 5.001,76 which became effective as of 1 January 2018. As of 2017 year end, the probability of resignation of employees is 5,5% (2016: 5,3%).

Movement of provision for employee termination benefits is as below:

	2017	2016
Opening balance	72.898.651	38.304.798
Services cost	21.742.948	33.120.337
Interest cost	8.587.339	3.689.012
Actuarial loss / gain	(1.804.645)	21.221.658
Currency translation differences	749.628	(236.473)
Cash payments during year	(20.786.984)	(23.200.681)
Closing balance	81.386.937	72.898.651

20. PREPAID EXPENSES

	31 December 2017	31 December 2016	31 December 2015
Short Term Prepaid Expenses			
Advances given to related parties (Note 34)	97.093.512	78.046.637	112.601.084
Advances given to third parties	34.718.714	30.181.922	52.768.938
Prepaid expenses	5.253.614	7.667.320	5.848.569
	137.065.840	115.895.879	171.218.591
Long Term Prepaid Expenses			
Advances given to third parties	61.256.520	14.132.127	28.528.378
Prepaid expenses	17.971	27.932	33.965
	61.274.491	14.160.059	28.562.343

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21. EMPLOYEE BENEFITS RELATED LIABILITIES

	31 December 2017	31 December 2016	31 December 2015
Payables to personnel	17.700.339	16.209.811	19.011.459
Social security premiums payable	9.973.570	15.247.744	9.103.752
	27.673.909	31.457.555	28.115.211

22. OTHER ASSETS AND LIABILITIES

Other Current Assets	31 December 2017	31 December 2016	31 December 2015
VAT carried forward	60.196.019	48.137.488	45.471.292
Other	350.483	158.711	417.215
	60.546.502	48.296.199	45.888.507
Other Current Liabilities	31 December 2017	31 December 2016	31 December 2015
Taxes and fund payables	14.545.910	14.409.518	13.095.144
Other liabilities	626.572	501.612	602.754
	15.172.482	14.911.130	13.697.898

23. DEFERRED REVENUE

Deferred revenue	31 December 2017	31 December 2016	31 December 2015
Advances received	17.958.230	18.316.242	17.333.931
Short term deferred revenue	751.790	947.942	693.597
	18.710.020	19.264.184	18.027.528

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24. SHAREHOLDERS' EQUITY

a) Capital Structure

The composition of the Company's paid-in share capital as of 31 December 2017 and 2016 is as follows:

Shareholders	31 December 2017		31 December 2016	
	Amount	Share	Amount	Share
Yıldız Holding A.Ş.	-	-	98.912.930	28,92%
pladis Foods Limited	174.420.000	51,00%	71.820.000	21,00%
Yıldız Holding A.Ş. Subsidiaries and Ülker Family	25.580.499	7,48%	29.267.569	8,56%
Other	141.999.501	41,52%	141.999.501	41,52%
	342.000.000	100%	342.000.000	100%

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 2017 the Group has financial asset valuation fund of TL 743.709.841 (2016: TL 695.363.441).

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 1.630.000 in 2017, TL 1.705.000 in 2016 and TL 865.000 in 2015 have been accounted under the income statement (Note 29). 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.

Land and Buildings Revaluation Fund:

Increases in the carrying amounts arising from revaluation of land and buildings are recognised, net off tax, in other comprehensive income and accumulated in reserves in shareholders' equity. To the extent that the increase reverses a decrease previously recognised in profit or loss, the increase is first recognised in profit or loss. Decreases that reverse previous increases of the same asset are first recognised in other comprehensive income to the extent of the remaining surplus attributable to the asset; all other decreases are charged to profit or loss. Each year, the difference between depreciation based on the revalued carrying amount of the asset charged to profit or loss and depreciation based on the asset's original cost, net of tax, is reclassified from the property, plant and equipment revaluation surplus to retained earnings

The Group revalued its land and buildings. As a result, revaluation fund after tax, accounted is amounting to TL 659.037.402 as of 31 December 2017.

c) Restricted Reserves

Restricted reserves 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% of the financial statutory profits per annum, until the total reserve reaches 20% of the historical paid-in share capital. The second legal reserve is calculated 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.

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24. SHAREHOLDERS' EQUITY (cont'd)

c) Restricted Reserves (cont'd)

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

In addition, in accordance with the CMB's requirements which were effective until 1 January 2008, at the first-time application of inflation adjustments on financial statements, equity items, namely "Capital", "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 "Share Premium" should be carried at their registered amounts in statutory records. Restatement differences (e.g. inflation adjustment 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 "Share Premium" 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", terms of articles of corporations and profit distribution policies publicly disclosed by the companies.

Resources Available for Profit Distribution:

The Group has fund amounting to TL 932.923.837 (2016: TL 827.576.714) that can be utilized for profit distribution.

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24. SHAREHOLDERS' EQUITY (cont'd)

d) Retained Earnings

Details of retained earnings are as follows:

	31 December 2017	31 December 2016
Retained earnings	187.256.598	(456.063.425)
Extraordinary reserves	358.389.597	281.263.051
Inflation restatement differences of shareholders' equity accounts other than capital and legal reserves	(18.214.566)	(18.214.566)
Other reserves	26.368.522	585.026.023
	553.800.151	392.011.083

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

The amount of non-controlling interest as of 31 December 2017 is equal to TL 268.543.439 (2016: TL 199.417.969). The minority share of TL 47.738.266 generated within the current year has been presented separately from the profit for the same period in these consolidated statements of income. (2016: TL 11.633.166).

25. REVENUE AND COST OF SALES

a) Revenue

The detail of operating income is as follows:

	2017	2016
Domestic sales	5.239.084.217	4.439.717.976
Export sales	990.437.950	933.520.150
Sales returns and discounts	(1.418.489.642)	(1.179.463.380)
Sales Income (net)	4.811.032.525	4.193.774.746

b) Cost of Sales

	2017	2016
Raw materials	(2.488.935.348)	(2.175.746.465)
Personnel expenses	(435.036.946)	(378.482.143)
Production overheads	(383.062.081)	(296.625.773)
Depreciation and amortization expenses	(94.991.427)	(79.412.394)
Change in work-in-progress inventories	3.404.931	(737.707)
Change in finished goods inventories	44.739.933	9.378.476
Cost of merchandises sold	(3.353.880.938)	(2.921.626.006)
Cost of trade goods sold	(180.215.689)	(198.099.093)
Cost of sales	(3.534.096.627)	(3.119.725.099)

26. RESEARCH EXPENSES, MARKETING EXPENSES, GENERAL ADMINISTRATIVE EXPENSES

	2017	2016
General administrative expenses	(136.350.951)	(128.282.607)
Marketing expenses	(530.991.254)	(449.076.432)
Research and development expenses	(13.525.248)	(8.733.516)
	(680.867.453)	(586.092.555)

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27. EXPENSES BY NATURE

The detail of operating expenses is as follow:

	2017	2016
General Administrative Expenses		
Personnel expenses	(65.112.217)	(55.928.707)
Operating expenses (*)	(34.618.228)	(43.291.430)
Depreciation and amortization expenses	(7.823.861)	(5.823.342)
Consultancy expenses	(5.738.974)	(2.966.509)
Other	(23.057.671)	(20.272.619)
	(136.350.951)	(128.282.607)
Marketing Expenses		
Marketing operating expenses	(411.615.005)	(350.676.710)
Personnel expenses	(81.137.687)	(64.027.042)
Rent expenses	(4.599.579)	(4.069.568)
Depreciation and amortization expenses	(2.118.884)	(1.828.142)
Other	(31.520.099)	(28.474.970)
	(530.991.254)	(449.076.432)
Research Expenses		
Personnel expenses	(7.382.687)	(3.724.383)
Materials used	(1.957.184)	(2.085.562)
Depreciation and amortization expenses	(367.344)	(306.994)
Other	(3.818.033)	(2.616.577)
	(13.525.248)	(8.733.516)

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

28. OTHER OPERATING INCOME AND EXPENSES

a) The detail of other operating income is as follow:

	2017	2016
Foreign exchange gains	31.075.913	20.269.120
Rediscount income	13.420.254	3.398.484
Service income	1.941.657	2.047.207
Provisions no longer required	991.147	354.505
Other income	11.192.073	11.147.661
	58.621.044	37.216.977

b) The detail of other operating expense is as follow:

	2017	2016
Foreign exchange loss	(23.610.957)	(5.008.100)
Donation expenses	(16.769.619)	(352.678)
Financial expense on credit sales	(5.641.670)	-
Provision expenses	(5.207.540)	(2.574.894)
Other expenses	(8.857.640)	(8.556.981)
	(60.087.426)	(16.492.653)

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29. INCOME AND EXPENSES FROM INVESTMENT ACTIVITIES

a) The detail of investment income is as follow:

	2017	2016
Foreign exchange gain	543.947.413	356.448.978
Interest income	125.519.534	76.906.418
Rent income	7.948.020	7.679.254
Dividend income	915.527	683.686
Fair value increase in investment property (Note 12)	1.630.000	1.705.000
Income on sales of tangible assets	534.500	685.124
Other	-	50.499
	680.494.994	444.158.959

b) The detail of investment expenses is as follow:

	2017	2016
Foreign exchange losses	(96.703.547)	(110.874.407)
Loss on sales of tangible assets	(928.495)	(1.631.461)
Other	-	(718.894)
	(97.632.042)	(113.224.762)

30. FINANCIAL INCOME

	2017	2016
Foreign exchange gain	19.038.395	131.057.298
Income from derivative instruments	6.909.007	-
Other	1.912.196	3.969.122
	27.859.598	135.026.420

31. FINANCIAL EXPENSES

	2017	2016
Foreign exchange losses from financing	(461.179.494)	(547.658.199)
Interest expenses	(218.917.030)	(80.262.332)
Loss from derivative instruments	(2.098.902)	-
Other	(16.976.809)	(10.160.952)
	(699.172.235)	(638.081.483)

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32. TAX ASSET 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 TFRS. 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 TFRS. 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 Law was published in the Official Gazette on 5 December 2017. Accordingly, the corporate income tax rate for all companies will be increased from 20% to 22% for the years 2018, 2019 and 2020. Therefore, deferred tax assets and liabilities shall be measured in accordance with materiality at the tax rate of 22% that are expected to apply to these periods when the assets is realised or the liability is settled, based on the Law that have been enacted. For the periods 2021 and after, the reversals of temporary differences will be measured by 20%. At the same time, the exemption to be applied on the capital gains obtained from their sales of real estate held by the taxpayers for at least two years has been reduced from 75% to 50% by the regulation published in the Official Gazette dated 5 December 2017.

The rate applied in the calculation of deferred tax assets and liabilities in Turkey is 20% (2016: 20%, 2018: 22%, 2019: 22%, 2020: 22%), for entities in Saudi Arabia and Kazakhstan is 20%, for entities in Egypt 22,5% (2016: 22,5%), for entity in Kyrgyzstan 10% (2016: 10%) and for entity in the United Arab Emirates is zero (2016: zero).

Deferred tax bases:

	31 December 2017	31 December 2016	31 December 2015	31 December 2017	31 December 2016	31 December 2015
Indexation and useful life differences of tangible and intangible assets	-	-	-	966.516.207	196.250.875	168.369.510
Investment properties valuation differences	-	-	-	16.300.000	13.036.360	11.284.960
Marketable securities valuation differences	-	-	-	785.073.740	732.877.901	569.361.288
Derivative instruments	-	-	-	55.912.400	-	-
Profit elimination on inventories	(1.969.520)	(3.531.800)	(3.139.435)	-	-	-
Discount of trade receivables / payables (net)	-	-	(1.773.475)	13.894.855	1.319.445	-
Allowance of employee termination benefits	(68.925.647)	(62.985.130)	(29.412.870)	-	-	-
Provision for doubtful receivables	(2.745.260)	(1.324.187)	(953.210)	-	-	-
Previous year losses	(54.288.266)	(51.250.558)	(52.213.102)	-	-	-
Provision for lawsuits	(6.059.736)	(5.547.396)	(4.312.538)	-	-	-
Impairment on inventories	(10.062.269)	(10.403.024)	(9.285.373)	-	-	-
Performance premium provision	(2.345.218)	-	-	-	-	-
Provision for unused vacation	(13.506.589)	(11.882.574)	(10.024.015)	-	-	-
Other	(18.690.904)	(9.628.520)	(14.687.210)	27.467.770	4.105.474	14.216.628
	<u>(178.593.409)</u>	<u>(156.553.189)</u>	<u>(125.801.228)</u>	<u>1.865.164.972</u>	<u>947.590.055</u>	<u>763.232.386</u>

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32. TAX ASSET AND LIABILITIES (cont'd)

Deferred tax assets / liabilities:

	31 December 2017	31 December 2016	31 December 2015	31 December 2017	31 December 2016	31 December 2015
Indexation and useful life differences of tangible and intangible assets	-	-	-	122.487.519	39.250.175	33.673.902
Investment properties valuation differences	-	-	-	1.630.000	651.818	564.248
Marketable securities valuation differences	-	-	-	39.253.687	36.643.895	28.468.064
Derivative instruments	-	-	-	11.182.480	-	-
Profit elimination on inventories	(393.904)	(706.360)	(627.887)	-	-	-
Discount of trade receivables / payables (net)	-	-	(354.695)	2.778.971	263.889	-
Allowance of employee termination benefits	(13.785.129)	(12.597.026)	(5.882.574)	-	-	-
Provision for doubtful receivables	(549.052)	(264.837)	(190.642)	-	-	-
Previous year losses	(10.857.653)	(10.250.112)	(10.442.620)	-	-	-
Provision for lawsuits	(1.211.947)	(1.109.479)	(862.508)	-	-	-
Impairment on inventories	(2.012.454)	(2.080.605)	(1.857.075)	-	-	-
Performance premium provision	(469.044)	-	-	-	-	-
Investment incentive	(51.039.269)	(44.285.820)	(32.736.325)	-	-	-
Provision for unused vacation	(2.701.318)	(2.376.515)	(2.004.803)	-	-	-
Other	(3.738.181)	(1.925.704)	(2.937.442)	5.493.554	821.095	2.843.326
	<u>(86.757.951)</u>	<u>(75.596.458)</u>	<u>(57.896.571)</u>	<u>182.826.211</u>	<u>77.630.872</u>	<u>65.549.540</u>

Movement of Deferred Tax Liabilities:

	2017	2016
Opening balance	2.034.414	7.652.969
Taxes netted from funds recognised under equity	85.057.365	3.928.974
Currency translation adjustments	(860.240)	(1.986.634)
Deferred tax income	9.836.721	(7.560.895)
	<u>96.068.260</u>	<u>2.034.414</u>

As of 31 December 2017, the Group calculated deferred tax assets of TL 54.288.266 for deductible financial losses in the consolidated financial statements for the current year (31 December 2016: TL 51.250.558, 31 December 2015: TL 52.213.102). The maturities of these losses are as follows:

	31 December 2017	31 December 2016
2017	-	832.325
2025	54.288.266	50.418.233
Total	<u>54.288.266</u>	<u>51.250.558</u>

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32. TAX ASSET AND LIABILITIES (cont'd)

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 2017 is 20% (2016: 20%).

In Turkey, advance tax returns are filed on a quarterly basis. The advance corporate income tax rate is 20% in 2017 (2016: 20%).

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

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

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

Until December 2018, Hi Food for Advanced Food Industries, the Group's subsidiary, is exempt from corporate tax earnings gained from operating activities due to tax incentives made within the scope of foreign trade legislation.

The corporate tax rate in Saudi Arabia where Food Manufacturers' Company, a subsidiary of the Group is 20% (2016: 20%). The corporate tax in Kazakhstan where Hamle Company Ltd LLP, a subsidiary of the Group is 20% (2016: 20%). The corporate tax in Kyrgyzstan where Ülker Star LLC, a subsidiary of the Group is 10% (2016: 10%).

Income withholding tax

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

Provision for taxation as of 31 December 2017 and 2016 is as follows:

	31 December 2017	31 December 2016
Current year corporate tax provision	(65.424.254)	(59.825.029)
Prepaid taxes and funds	46.694.968	45.006.480
Tax provision in the balance sheet	(18.729.286)	(14.818.549)
	2017	2016
Current year corporate tax provision	65.424.254	59.825.029
Deferred tax expense/(income)	9.836.721	(7.560.895)
Tax expense in the income statement	75.260.975	52.264.134

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32. TAX ASSET AND LIABILITIES (cont'd)

The reconciliation of provision for taxation as of 31 December 2017 and 2016 are as follows:

	2017	2016
Reconciliation of taxation:		
Profit before taxation and non-controlling interest	506.152.378	336.560.550
Effective tax rate	%20	%20
Calculated tax	101.230.476	67.312.110
Tax effects of:		
-Non-deductible expenses	4.000.183	2.471.608
-Dividend and other non-taxable income	(5.004.518)	(764.630)
-Investment incentive	(14.671.769)	(13.314.219)
-Effect of carry forward tax loss	-	6.746.769
-Carry forward tax loss which were not subject to deferred tax	(1.096.312)	-
-Tax rate difference	(8.780.160)	(9.815.076)
-Other	(416.925)	(372.428)
Taxation in the income statement	75.260.975	52.264.134

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33. EARNINGS PER SHARE

A summary of the Group's weighted average number of shares outstanding as of 31 December 2017 and 2016 and computation of earnings per share set out here as follows:

	2017	2016
Weighted average number of common stock outstanding	34.200.000.000	34.200.000.000
Net profit	383.153.137	272.663.250
Basic Earnings per Share (TL 1 per value each)	1,12	0,80

34. BALANCES AND TRANSACTIONS WITH RELATED PARTIES

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

	31 December 2017	31 December 2016	31 December 2015
Trade receivables	533.605.767	584.672.083	558.982.064
Non-trade receivables	416.371	4.903.097	807.731.876
	534.022.138	589.575.180	1.366.713.940

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

	31 December 2017		31 December 2016		31 December 2015	
	Trade	Non-Trade	Trade	Non-Trade	Trade	Non-Trade
Principle Shareholder						
Yıldız Holding A.Ş. (*)	-	-	327.442	2.916.656	-	567.533.361
Other Companies						
Controlled						
by the						
Principle Shareholder						
Horizon Hızlı Tük. Ür.						
Paz. Sat. ve Tic. A.Ş.	165.982.105	-	286.184.297	-	299.341.610	-
Pasifik Tük. Ürün. Satış						
ve Ticaret A.Ş.	221.851.390	-	209.964.008	-	186.668.812	-
Teközel Gıda T. Sağ.						
Mrk. Hiz. San. Tic. A.Ş.	38.642.038	-	46.952.482	-	44.551.725	-
Eksper Tüketim Mad.						
Sat. ve Paz. A.Ş.	27.862.327	-	19.054.792	-	17.859.339	-
United Biscuits (UK) Ltd.	52.608.641	-	9.571.379	-	-	-
Misbis Gıda San.						
Tic. A.Ş.	-	-	1.990.685	1.618.637	3.608.941	7.297.899
Besler Gıda ve Kimya						
San. ve Tic. A.Ş. (*)	-	-	-	-	-	232.607.241
Diğer	26.659.266	416.371	10.626.998	367.804	6.951.637	293.375
	533.605.767	416.371	584.672.083	4.903.097	558.982.064	807.731.876

(*) Non-trade receivables as of 31 December 2016 and 2015 consist of receivables of subsidiaries stem from effect of business combinations under common control realised 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.

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

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

	31 December 2017	31 December 2016	31 December 2015
Önem Gıda San. ve Tic. A.Ş.	97.093.512	78.046.637	112.601.084
	97.093.512	78.046.637	112.601.084

c) The detail of payables to related parties is as follows:

	31 December 2017	31 December 2016	31 December 2015
Trade payables	352.892.197	341.189.197	315.390.068
Non-trade payables	129.486	559.666.777	425.127.039
	353.021.683	900.855.974	740.517.107

The detail of payables to related parties is as follows:

	31 December 2017		31 December 2016		31 December 2015	
	Trade	Non-Trade	Trade	Non-Trade	Trade	Non-Trade
Principle Shareholder						
Yıldız Holding A.Ş.	18.797.205	-	12.885.684	-	25.147.433	-
Other Companies						
Controlled by the						
Principle Shareholder						
United Biscuits (UK)						
Ltd.(*)	11.600.841	-	164.401	559.605.270	-	346.064.852
Önem Gıda San. ve						
Tic. A.Ş.	214.661.940	-	226.851.675	-	201.725.772	-
Besler Gıda ve Kimya						
San. ve Tic. A.Ş.	58.382.760	-	56.674.647	-	42.355.406	-
Marsa Yağ San. ve						
Tic. A.Ş.	20.016.565	-	15.411.320	-	15.197.181	-
CCC Gıda San. ve						
Tic. A.Ş.	14.022.178	-	10.409.333	-	10.295.813	-
Maia International B.V.	-	-	-	-	-	78.990.440
Diğer	15.410.707	129.487	18.792.137	61.507	20.668.463	71.747
	352.892.196	129.487	341.189.197	559.666.777	315.390.068	425.127.039

(*) Non-trade payables as of 31 December 2016 and 2015 consist of payables of subsidiaries stem from effect of business combinations under common control realised in 2016.

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

	31 December 2017	31 December 2016	31 December 2015
Yıldız Holding A.Ş.	30.094.172	30.629.376	-
	30.094.172	30.629.376	-

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

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

	2017		2016	
	Purchases	Sales	Purchases	Sales
<i>Other Companies Controlled by the Principle Shareholder</i>				
Önem Gıda San. ve Tic. A.Ş.	1.218.297.884	-	1.089.964.949	190.663
Besler Gıda ve Kimya San. ve Tic. A.Ş.	219.384.772	12.722	178.658.272	80.160
Marsa Yağ San. ve Tic. A.Ş.	59.996.335	99.818	54.743.131	560.337
Pendik Nişasta San. A.Ş.	51.864.090	-	48.665.157	-
CCC Gıda San. ve Tic. A.Ş.	29.351.521	319.696	26.789.072	147.797
Teközel Gıda Tem. Sağ. Mark. Hizm. A.Ş.	16.531	109.132.176	205.813	140.402.883
Pasifik Tüketim Ürünleri Satış ve Tic. A.Ş.	220.583	1.019.175.500	32.000	854.342.759
Horizon Hızlı Tük. Ür. Paz. Sat. ve Tic. A.Ş.	2.756.488	1.962.175.947	1.179.607	1.736.108.226
Diğer	24.156.508	217.365.249	53.973.396	120.043.627
	1.606.044.712	3.308.281.108	1.454.211.397	2.851.876.452

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

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

For the twelve months period ended 31 December 2017:

	Rent Income	Rent Expense	Service Income	Service Expense	Interest Income and Foreign Exchange Gain	Interest Expense and Foreign Exchange Loss
Principle Shareholder						
Yıldız Holding A.Ş.	67.037	(124.303)	1.666.794	(134.511.091)	444.444.943	(5.898.756)
Other Companies Controlled by Principle Shareholder						
Besler Gıda ve Kimya San. ve Tic. A.Ş.	-	-	290.624	-	272.624	(315.081)
Hüner Pazarlama San. ve Tic. A.Ş.	228.142	(3.277)	222.202	(257.140)	-	-
Horizon Hızlı Tük. Ür. Paz. Sat. ve Tic. A.Ş.	16.422	-	109.263	(11.930.017)	-	(549.027)
Önem Gıda San. ve Tic. A.Ş.	2.074.855	-	5.728.294	(40.092.410)	4.102.859	(1.486.433)
Marsa Yağ San. ve Tic. A.Ş.	7.802	-	29.098	(54.773)	34.781	(154.424)
Pasifik Tüketim Ürünleri Satış ve Tic. A.Ş.	152.931	-	66.142	(13.877.122)	-	-
İzsal Gayrimenkul Geliştirme A.Ş.	32.964	(1.440.956)	13.107	(1.000.258)	-	-
United Biscuits (UK) Ltd.	19.101	-	115	(4.185.910)	1.494.573	(1.845.067)
Diğer	36.162	(176.847)	1.735.075	(3.280.630)	12.637.912	(3.189.117)
	2.635.416	(1.745.383)	9.860.714	(209.189.351)	462.987.692	(13.437.905)

For the twelve months period ended 31 December 2016:

	Rent Income	Rent Expense	Service Income	Service Expense	Interest Income and Foreign Exchange Gain	Interest Expense and Foreign Exchange Loss
Principle Shareholder						
Yıldız Holding A.Ş.	60.206	(948)	33.234	(117.924.351)	427.363.606	(80.940.219)
Other Companies Controlled by the Principle Shareholder						
Besler Gıda ve Kimya San. ve Tic. A.Ş.	-	-	78.119	(400.554)	1.538.633	(3.766.730)
Hüner Pazarlama San. ve Tic. A.Ş.	666.450	-	304.920	(78.009)	-	-
Horizon Hızlı Tük. Ür. Paz. Sat. ve Tic. A.Ş.	46.176	(144.856)	975.049	(12.089.260)	-	-
Önem Gıda San. ve Tic. A.Ş.	3.079.755	(18.006)	4.390.439	(31.429.165)	174.672	(3.996.105)
Marsa Yağ San. ve Tic. A.Ş.	7.018	-	41.724	-	125.733	(790.883)
Pasifik Tüketim Ürünleri Satış ve Tic. A.Ş.	162.137	-	48.752	(3.601.581)	-	-
İzsal Gayrimenkul Geliştirme A.Ş.	29.952	(1.195.909)	12.904	(618.342)	-	-
Rekor Gıda Paz. San. ve Tic. A.Ş.	14.111	-	-	(34.933)	-	-
United Biscuits (UK) Ltd.	-	-	596.750	(354.177)	1.395.156	(74.151)
Diğer	44.630	(288.901)	848.118	(1.976.658)	4.502.536	(1.686.441)
	4.110.435	(1.648.620)	7.330.009	(168.507.030)	435.100.336	(91.254.529)

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

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

	2017	2016
Fees and other short term benefits	18.222.850	16.150.823
	18.222.850	16.150.823

35. 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 24.

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.

Net liability / Total capital ratio as of 31 December 2017 and 2016 are as follows:

	31 December 2017	31 December 2016
Total financial liabilities	4.291.929.090	2.929.977.179
Negative: Cash & cash equivalent	(3.181.119.721)	(2.272.570.826)
Net liabilities	1.110.809.369	657.406.353
Total shareholders' equity	2.427.359.715	1.399.603.255
Total capital	3.538.169.084	2.057.009.608
Net liabilities/Total Capital Ratio	%31	%32

a) 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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35. 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	Derivative instruments
	Related Party	Third Party	Related Party	Third Party		
2017						
Maximum net credit risk as of balance sheet date (*)	533.605.767	238.894.221	416.371	23.867.751	3.180.311.092	55.912.400
- The part of maximum risk under guarantee with collateral etc (**)	-	99.564.857	-	-	-	-
A. Net book value of financial assets that are neither past due nor impaired	500.769.249	229.638.824	416.371	23.867.751	3.180.311.092	55.912.400
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	32.836.518	9.255.397	-	-	-	-
- The part under guarantee with collateral etc	-	-	-	-	-	-
D. Net book value of impaired assets	-	-	-	-	-	-
- Past due (gross carrying amount)	-	8.211.833	-	-	-	-
- Impairment (-)	-	(8.211.833)	-	-	-	-
- The part of net value under guarantee with collateral etc	-	-	-	-	-	-
- 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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35. 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	Derivative instruments
	Related Party	Third Party	Related Party	Third Party		
2016						
Maximum net credit risk as of balance sheet date (*)	584.672.083	147.988.479	4.903.097	20.557.246	2.270.877.230	-
- The part of maximum risk under guarantee with collateral etc (**)	-	113.253.016	-	-	-	-
A. Net book value of financial assets that are neither past due nor impaired	575.717.641	139.291.355	4.903.097	20.557.246	2.270.877.230	-
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	8.954.442	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)	-	7.308.324	-	-	-	-
- Impairment (-)	-	(7.260.018)	-	-	-	-
- 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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35. 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		Trade Receivables		Deposit in Bank	Derivative instruments
2015	Related Party	Third Party	Related Party	Third Party		
Maximum net credit risk as of balance sheet date (*)	558.982.064	171.366.738	807.731.876	36.650.441	1.359.539.421	
- The part of maximum risk under guarantee with collateral etc (**)	-	-	-	-	-	-
A. Net book value of financial assets that are neither past due nor impaired	547.212.769	156.126.927	807.731.876	36.650.441	1.359.539.421	-
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	11.769.295	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)	-	5.889.701	-	-	-	-
- Impairment (-)	-	(5.846.038)	-	-	-	-
- 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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35. 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 2017, 2016 and 2015 is as follows:

	Receivables		
	Trade Receivables	Other Receivables	Total Receivables
31 December 2017			
Overdue between 1-30 days	24.285.948	-	24.285.948
Overdue between 1-3 months	8.411.914	-	8.411.914
Overdue between 3-12 months	8.343.865	-	8.343.865
Overdue between 1-5 years	1.050.188	-	1.050.188
Overdue more than 5 years	-	-	-
Total overdue receivables	42.091.915	-	42.091.915
<i>The portion of under guarantee with collateral etc</i>	<i>-</i>	<i>-</i>	<i>-</i>

	Receivables		
	Trade Receivables	Other Receivables	Total 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
Overdue more than 5 years	-	-	-
Total overdue receivables	17.603.260	-	17.603.260
<i>The portion of under guarantee with collateral etc</i>	<i>156.983</i>		<i>156.983</i>

	Receivables		
	Trade Receivables	Other Receivables	Total 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
Overdue more than 5 years	-	-	-
Total overdue receivables	26.965.443	-	26.965.443
<i>The portion of under guarantee with collateral etc</i>	<i>780.978</i>		<i>780.978</i>

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

	2017	2016	2015
	Fair Value	Fair Value	Fair Value
Guarantees Received	-	108.677	737.515
	-	108.677	737.515

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35. 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:

	2017	2016	2015
	Fair Value	Fair Value	Fair Value
Guarantees Received	-	48.306	43.663
	-	48.306	43.663

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 payments of the Group's cash outflows for its on-balance sheet financial liabilities according to remaining maturities as at 31 December 2017, 2016 and 2015. The amounts shown in the table are the contractual undiscounted cash flows and the Group's liquidity management takes into account the expected undiscounted cash flows.

Contractual maturity analysis 2017	Carrying value	Total cash outflow according to contract (I +II+ III+IV)	Less than 3 months (I)	3-12 months (II)	1-5 years (III)	More than 5 years (IV)
Non-derivative financial liabilities						
Bank borrowing	4.291.929.090	4.732.665.334	187.817.352	708.232.644	3.789.361.212	47.254.126
Financial lease liabilities	-	-	-	-	-	-
Trade payables	938.721.000	952.057.182	881.901.321	62.130.662	8.025.199	-
Other payables	8.217.985	8.217.985	8.217.985	-	-	-
Total liabilities	5.238.868.075	5.692.940.501	1.077.936.658	770.363.306	3.797.386.411	47.254.126
Derivative instruments (net)	55.912.400	(91.980.082)	-	(54.868.634)	(37.111.448)	-
Cash inflow regarding derivative instruments	621.013.597	633.284.561	-	24.161.390	609.123.171	-
Cash outflow regarding derivative instruments	(565.101.197)	(725.264.643)	-	(79.030.024)	(646.234.620)	-

The expected maturities are same as the maturities per contracts.

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

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

Liquidity risk charts (cont'd)

<u>Contractual maturity analysis 2016</u>	Carrying value	Total cash outflow according to contract (I +II+ III+IV)	Less than 3 months (I)	3-12 months (II)	1-5 years (III)	More than 5 years (IV)
Non-derivative financial liabilities						
Bank borrowing	2.929.905.079	2.998.624.890	124.279.597	2.298.413.319	390.870.907	185.061.067
Financial lease liabilities	72.100	74.193	6.464	-	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	3.576.389.482	3.651.515.353	760.244.498	2.315.271.152	390.938.636	185.061.067
Derivative instruments (net)						
Cash inflow regarding derivative instruments	-	-	-	-	-	-
Cash outflow regarding derivative instruments	-	-	-	-	-	-

The expected maturities are same as the maturities per contracts.

<u>Contractual maturity analysis 2015</u>	Carrying value	Total cash outflow according to contract (I +II+ III+IV)	Less than 3 months (I)	3-12 months (II)	1-5 years (III)	More than 5 years (IV)
Non-derivative financial liabilities						
Bank borrowing	2.774.387.456	2.858.354.088	995.578.861	84.682.973	1.778.092.254	-
Financial lease liabilities	503.351	905.519	-	426.422	479.097	-
Trade payables	604.667.806	617.686.634	613.927.058	3.759.576	-	-
Other payables	83.650.537	83.650.537	83.650.537	-	-	-
Total liabilities	3.463.209.150	3.560.596.778	1.693.156.456	88.868.971	1.778.571.351	-
Derivative instruments (net)						
Cash inflow regarding derivative instruments	-	-	-	-	-	-
Cash outflow regarding derivative instruments	-	-	-	-	-	-

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

(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.

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

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:

	31 December 2017					
	TL Equivalent	USD	EUR	GBP	CHF	DKK
1. Trade Receivables	132.013.578	21.553.853	10.381.402	755.345	-	-
2a. Monetary Financial Assets	3.310.280.972	326.807.233	459.479.396	542.443	13.283	17.474
2b. Non-Monetary Financial Assets	-	-	-	-	-	-
3. Other	6.490.851	1.078.433	530.058	5.571	345	-
4. CURRENT ASSETS	3.448.785.401	349.439.519	470.390.856	1.303.359	13.628	17.474
5. Trade Receivables	-	-	-	-	-	-
6a. Monetary Financial Assets	98.605	26.142	-	-	-	-
6b. Non-Monetary Financial Assets	-	-	-	-	-	-
7. Other	70.375.091	1.060.061	14.665.002	4.902	34.224	-
8. NON-CURRENT ASSETS	70.473.696	1.086.203	14.665.002	4.902	34.224	-
9. TOTAL ASSETS	3.519.259.097	350.525.722	485.055.858	1.308.261	47.852	17.474
10. Trade Payables	109.805.248	17.878.645	8.807.518	454.789	74.705	-
11. Financial Liabilities	509.490.879	57.075.967	65.154.698	-	-	-
12a. Other Monetary Financial Liabilities	10.144.734	-	2.246.234	367	-	-
12b. Other Non-monetary Financial Liabilities	14.078.258	2.691.324	217.694	579.465	-	-
13. CURRENT LIABILITIES	643.519.119	77.645.936	76.426.144	1.034.621	74.705	-
14. Trade Payables	-	-	-	-	-	-
15. Financial Liabilities	3.199.992.748	236.376.647	511.217.733	-	-	-
16a. Other Monetary Financial Liabilities	-	-	-	-	-	-
16b. Other Non-monetary Financial Liabilities	-	-	-	-	-	-
17. NON-CURRENT LIABILITIES	3.199.992.748	236.376.647	511.217.733	-	-	-
18. TOTAL LIABILITIES	3.843.511.867	314.022.583	587.643.877	1.034.621	74.705	-
19. Net Assets of Off Statement of Financial Position (19a-19b)	573.005.400	116.000.000	30.000.000	-	-	-
19a. Net Assets of Statement of Off Balance Sheet	-	-	-	-	-	-
19b. Net Liabilities of Statement of Off Balance Sheet	(573.005.400)	(116.000.000)	(30.000.000)	-	-	-
20. Net Foreign Currency Asset / (Liability) Position (9-18+19)	248.752.630	152.503.139	(72.588.019)	273.640	(26.853)	17.474
21. Monetary Items Net Foreign Currency Asset / (Liability) Position (1+2a+5+6a-10-11-12a-14-15-16a)	(387.040.454)	37.055.969	(117.565.385)	842.632	(61.422)	17.474
22. Total Fair Value of Financial Instruments Used to Hedge the Foreign Currency Position	(55.912.400)	(9.051.870)	(4.821.095)	-	-	-
23. Total value of Hedged Foreign Currency Assets	-	-	-	-	-	-
24. Total value of Hedged Foreign Currency Liabilities	-	-	-	-	-	-

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

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

	31 December 2016					
	TL Equivalent	USD	EUR	GBP	CHF	DKK
1. Trade Receivable	131.482.744	22.826.158	12.914.995	750.096	-	-
2a. Monetary Financial Assets	2.370.945.998	474.046.789	188.977.905	344.041	28.550	14.378
2b. Non-Monetary Financial Assets	-	-	-	-	-	-
3. Other	3.297.187	610.393	309.420	272	-	-
4. CURRENT ASSETS	2.505.725.929	497.483.340	202.202.320	1.094.409	28.550	14.378
5. Trade Receivable	-	-	-	-	-	-
6a. Monetary Financial Assets	-	-	-	-	-	-
6b. Non-Monetary Financial Assets	-	-	-	-	-	-
7. Other	11.365.194	1.113.078	1.984.440	4.902	18.809	-
8. NON-CURRENT ASSETS	11.365.194	1.113.078	1.984.440	4.902	18.809	-
9. TOTAL ASSETS	2.517.091.123	498.596.418	204.186.760	1.099.311	47.359	14.378
10. Trade Payables	127.315.526	25.047.595	10.227.995	272.198	13.814	-
11. Financial Liabilities	2.332.245.484	432.701.268	218.195.418	-	-	-
12a. Other Monetary Financial Liabilities	33.175.315	755.756	7.371.738	733.346	-	-
12b. Other Non-Monetary Financial Liabilities	16.035.548	3.730.275	782.109	1.486	-	-
13. CURRENT LIABILITIES	2.508.771.873	462.234.894	236.577.260	1.007.030	13.814	-
14. Trade Payables	-	-	-	-	-	-
15. Financial Liabilities	276.724.273	2.267.135	72.440.166	-	-	-
16a. Other Monetary Financial Liabilities	559.605.271	159.014.910	-	-	-	-
16b. Other Non-Monetary Financial Liabilities	-	-	-	-	-	-
17. NON-CURRENT LIABILITIES	836.329.544	161.282.045	72.440.166	-	-	-
18. TOTAL LIABILITIES	3.345.101.417	623.516.939	309.017.426	1.007.030	13.814	-
19. Net Assets of Off Statement of Financial Position (19a-19b)	-	-	-	-	-	-
19a. Net Assets of Statement of Off Balance Sheet	-	-	-	-	-	-
19b. Net Liabilities of Statement of Off Balance Sheet	-	-	-	-	-	-
20. Net Foreign Currency Asset / (Liability) Position (9-18+19)	(828.010.294)	(124.920.521)	(104.830.666)	92.281	33.545	14.378
21. Monetary Items Net Foreign Currency Asset / (Liability) Position (1+2a+5+6a-10-11-12a-14-15-16a)	(826.637.127)	(122.913.718)	(106.342.417)	88.593	14.736	14.378
22. Total Fair Value of Financial Instruments Used to Hedge the Foreign Currency Position	-	-	-	-	-	-
23. Total value of Hedged Foreign Currency Assets	-	-	-	-	-	-
24. Total value of Hedged Foreign Currency Liabilities	-	-	-	-	-	-

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

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

	31 December 2015					
	TL Equivalent	USD	EUR	GBP	CHF	DKK
1. Trade Receivables	130.777.364	28.658.857	13.171.446	1.301.017	-	-
2a. Monetary Financial Assets	2.472.890.837	666.267.913	167.980.741	427.947	8.426	22.365
2b. Non-Monetary Financial Assets	704.436	242.274	-	-	-	-
3. Other	4.523.312	1.313.947	217.227	644	3.364	-
4. CURRENT ASSETS	2.608.895.949	696.482.991	181.369.414	1.729.608	11.790	22.365
5. Trade Receivable	-	-	-	-	-	-
6a. Monetary Financial Assets	-	-	-	-	-	-
6b. Non-Monetary Financial Assets	-	-	-	-	-	-
7. Other	23.884.603	1.634.213	5.997.235	4.902	18.809	-
8. NON-CURRENT ASSETS	23.884.603	1.634.213	5.997.235	4.902	18.809	-
9. TOTAL ASSETS	2.632.780.552	698.117.204	187.366.649	1.734.510	30.599	22.365
10. Trade Payables	84.961.264	12.468.043	13.523.938	1.291.878	61.322	-
11. Financial Liabilities	1.019.833.191	294.195.029	51.747.144	-	-	-
12a. Other Monetary Financial Liabilities	81.860.702	136.555	25.307.663	243.222	-	-
12b. Other Non-Monetary Financial Liabilities	12.777.763	3.167.266	1.121.044	1.486	-	-
13. CURRENT LIABILITIES	1.199.432.920	309.966.893	91.699.789	1.536.586	61.322	-
14. Trade Payables	-	-	-	-	-	-
15. Financial Liabilities	1.729.088.695	336.662.082	236.093.286	-	-	-
16a. Other Monetary Financial Liabilities	346.064.852	119.020.791	-	-	-	-
16b. Other Non-Monetary Financial Liabilities	-	-	-	-	-	-
17. NON-CURRENT LIABILITIES	2.075.153.547	455.682.873	236.093.286	-	-	-
18. TOTAL LIABILITIES	3.274.586.467	765.649.766	327.793.075	1.536.586	61.322	-
19. Net Assets of Off Statement of Financial Position (19a-19b)	-	-	-	-	-	-
19a. Net Assets of Statement of Off Balance Sheet	-	-	-	-	-	-
19b. Net Liabilities of Statement of Off Balance Sheet	-	-	-	-	-	-
20. Net Foreign Currency Asset / (Liability) Position (9-18+19)	(641.805.915)	(67.532.562)	(140.426.426)	197.924	(30.723)	22.365
21. Monetary Items Net Foreign Currency Asset / (Liability) Position (1+2a+5+6a-10-11-12a-14-15-16a)	(658.140.503)	(67.555.729)	(145.519.844)	193.864	(52.896)	22.365
22. Total Fair Value of Financial Instruments Used to Hedge the Foreign Currency Position	-	-	-	-	-	-
23. Total value of Hedged Foreign Currency Assets	-	-	-	-	-	-
24. Total value of Hedged Foreign Currency Liabilities	-	-	-	-	-	-

The Group's export and import balances for twelve-month periods are presented below:

	2017	2016
Total exports	990.437.950	933.520.150
Total imports	351.784.494	267.456.659

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

Foreign currency risk sensitivity

The Group is exposed to foreign exchange risk arising primarily from USD and EUR. In the table below, the foreign currency sensitivity of the Company arising from 10% change in US dollar and EUR rates. The rate used as 10% is a fair benchmark for the Company as it is limited to capital commitment threshold. 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.

	31 December 2017		31 December 2016	
	Income / Expense		Income / Expense	
	Appreciation of foreign currency	Depreciation of foreign currency	Appreciation of foreign currency	Depreciation of foreign currency
In case of %10 appreciation of USD against TL				
1 - US Dollar net asset / liability	57.731.181	(57.731.181)	(43.255.796)	43.255.796
2- Part of hedged from US Dollar risk (-)				
3- US Dollar net effect (1 +2)	57.731.181	(57.731.181)	(43.255.796)	43.255.796
In case of %10 appreciation of EUR against TL				
4 -Euro net asset / liability	(39.540.150)	39.540.150	(45.599.760)	45.599.760
5 - Part of hedged from Euro risk (-)				
6- Euro net effect (4+5)	(39.540.150)	39.540.150	(45.599.760)	45.599.760
Total (3 + 6)	18.191.031	(18.191.031)	(88.855.556)	88.855.556

(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 profit of the Group would have been decreased by TL 2.427.243 (Net profit in 2016 would have been decreased by TL 1.756.800). 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 2.430.603 (Net profit in 2016 would have been increased by TL 755.142)

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

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

		31 December 2017	31 December 2016	31 December 2015
Fixed interest rate financial instruments				
Financial Assets	Cash and Cash Equivalents	3.115.117.710	2.231.237.954	1.323.587.043
	Non-trade receivables from related parties	-	-	-
	Other Receivables	23.867.751	17.526.691	36.650.441
Financial Liabilities	Borrowings	1.010.761.902	1.339.719.102	1.457.170.005
	Loan Payables due to Related Parties	-	-	-
	Other payables to Related Parties	-	-	-
	Financial lease payables	-	72.100	503.351
	Other Payables	8.088.499	7.005.233	4.588.350
Floating interest rate financial instruments				
Financial Assets	Non-trade receivables from related parties	416.371	4.903.097	807.731.876
	Other Receivables	-	3.030.555	-
Financial Liabilities	Borrowings	3.251.073.016	1.559.556.601	1.317.217.451
	Loan Payables due to Related Parties	30.094.172	30.629.376	-
	Loan Payables due to Third Parties	129.486	61.507	79.062.187

(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 2017, 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 4.664.850 TL (2016: increase/decrease of TL 2.936.129). This situation is the result of the changes in the fair value of available for sale securities.

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36. FINANCIAL INSTRUMENTS

Classifications and fair values of financial instruments

31 December 2017	Financial assets presented at amortized cost	Credits and receivables	Available for sale financial assets	Financial liabilities at amortized cost	Fair Value Change Through Profit and Loss	Carrying value	Notes
<u>Financial Assets</u>							
Cash and cash equivalents	3.181.119.721	-	-	-	-	3.181.119.721	5
Trade receivables	-	238.894.221	-	-	-	238.894.221	8
Due from related parties	-	534.022.138	-	-	-	534.022.138	34
Financial investments	-	-	981.751.080	-	-	981.751.080	6
Derivative Instruments	55.912.400	-	-	-	-	55.912.400	10
<u>Financial Liabilities</u>							
Financial liabilities							
Trade payables	-	-	-	4.291.929.090	-	4.291.929.090	7
Payable to related parties	-	-	-	585.828.803	-	585.828.803	8
Financial Assets	-	-	-	353.021.683	-	353.021.683	34

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36. FINANCIAL INSTRUMENTS (cont'd)

Classifications and fair values of financial instruments (cont'd)

31 December 2016	Financial assets presented at amortized cost	Credits and receivables	Available for sale financial assets	Financial liabilities at amortized cost	Fair Value Change Through Profit and Loss	Carrying value	Notes
<u>Financial Assets</u>							
Cash and cash equivalents	2.272.570.826	-	-	-	-	2.272.570.826	5
Trade receivables	-	147.988.479	-	-	-	147.988.479	8
Due from related parties	-	589.575.180	-	-	-	589.575.180	34
Financial investments	-	-	929.555.230	-	-	929.555.230	6
<u>Financial Liabilities</u>							
Financial liabilities	-	-	-	2.929.977.179	-	2.929.977.179	7
Trade payables	-	-	-	305.399.236	-	305.399.236	8
Payable to related parties	-	-	-	341.250.704	-	341.250.704	34

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36. FINANCIAL INSTRUMENTS (cont.)

Classifications and fair values of financial instruments (cont'd)

31 December 2015	Financial assets presented at amortized cost	Credits and receivables	Available for sale financial assets	Financial liabilities at amortized cost	Fair Value Change Through Profit and Loss	Carrying value	Notes
<u>Financial Assets</u>							
Cash and cash equivalents	1.360.002.831	-	-	-	-	1.360.002.831	5
Trade receivables	-	171.366.738	-	-	-	171.366.738	8
Due from related parties	-	1.366.713.940	-	-	-	1.366.713.940	34
Financial investments	-	-	766.038.621	-	-	766.038.621	6
<u>Financial Liabilities</u>							
Financial liabilities	-	-	-	2.774.890.807	-	2.774.890.807	7
Trade payables	-	-	-	289.277.738	-	289.277.738	8
Payable to related parties	-	-	-	394.452.255	-	394.452.255	34

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

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36. FINANCIAL INSTRUMENTS (cont'd)

Fair Value of Financial Instruments

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

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

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

	31 December 2017	Fair value hierarchy as of reporting date		
		Level 1 TL	Level 2 TL	Level 3 TL
Financial assets				
Financial assets at fair value through profit and loss				
- Shares	619.243	619.243	-	-
Financial assets at fair value through comprehensive income statement				
- Shares	980.931.719	46.648.499	934.283.220	-
- Derivative instruments	55.912.400	-	55.912.400	-
- Land and Buildings	752.597.061	-	752.597.061	-
Total	1.790.060.423	47.267.742	1.724.792.681	-

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36. FINANCIAL INSTRUMENTS (cont'd)

Fair Value of Financial Instruments (cont'd)

Financial assets	31 December 2016	Fair value hierarchy as of reporting date		
		Level 1 TL	Level 2 TL	Level 3 TL
Financial assets at fair value through profit and loss				
- Shares	754.935	754.935	-	-
Financial assets at fair value through comprehensive income statement				
- Shares	928.600.177	29.361.290	899.238.887	-
Total	929.355.112	30.116.225	899.238.887	-

Financial assets	31 December 2015	Fair value hierarchy as of reporting date		
		Level 1 TL	Level 2 TL	Level 3 TL
Financial assets at fair value through comprehensive income statement				
- Shares	704.437	704.437	-	-
Financial assets at fair value through comprehensive income statement				
- Shares	765.134.066	30.649.592	734.484.474	-
Total	765.838.503	31.354.029	734.484.474	-

37. EVENTS AFTER THE BALANCE SHEET DATE

None.