

ÜLKER BİSKÜVİ SANAYİ A.Ş
ANNUAL REPORT FOR THE
PERIOD BETWEEN
JANUARY 1 – DECEMBER 31, 2017

KEY FINANCIAL INDICATORS

In 2017, Ülker Bisküvi increased its sales by 14.7% and reached the all-time highest turnover level of its history with TL 4.8 billion.

Summary Balance Sheet (TL)	2016 Restated	2017
Current Assets	3.599.182.282	4.796.550.026
Non-Current Assets	2.401.043.645	3.529.902.400
TOTAL LIABILITIES AND EQUITY	6.000.225.927	8.326.452.426
Current Liabilities	3.153.740.946	1.999.151.376
Non-Current Liabilities	1.247.463.757	3.631.397.896
Equity Attributable To Equity Holders' of the Parent	1.399.603.255	2.427.359.715
Non-Controlling Interest	199.417.969	268.543.439
TOTAL LIABILITIES AND EQUITY	6.000.225.927	8.326.452.426

Summary P&L (TL)	2016 Restated	2017
Revenue	4.193.774.746	4.811.032.525
Gross Profit	1.074.049.647	1.276.935.898
Operating Profit	508.681.416	594.602.063
Net Profit (Equity Holders of the Parent)	272.663.250	383.153.137

Ratios	2016 Restated	2017
Gross Profit Margin (%)	25,6%	26,5%
Net Margin (Equity Holders of the parent)	6,5%	8,0%
Earning per Share (TL)	0,80	1,12

With effective and incessant cost management, Ülker Bisküvi continued its double digit growth in operating profit also in 2017, and increased its profit by 16.9% to TL 594.6 million.

	2016	2017
Operating Profit (mn TL)	508,7	594,6
Equity Attributable To Equity Holders' of the Parent (mn TL)	1.399,6	2.429,5
Net Profit (Equity Holders of the Parent, mn TL)	273	383
Net Profit Margin (Equity Holders of the Parent)	6,5%	8,0%
EBITDA (mn TL)	575,3	701,4
EBITDA margin	13,7%	14,6%

SALES VOLUME AND INCOME GROWTH

Continuing its successful performance also in 2017, Ülker Bisküvi reached a sales volume of 575 thousand tons, and increased its turnover to TL 4.8 billion.

Volume by Category (tonns)	2016	2017
<i>Biscuits</i>	286.494	305.950
<i>Chocolates</i>	177.637	177.513
<i>Cake</i>	61.868	59.502
<i>Other</i>	96.367	32.153
<i>Total</i>	622.366	575.118
Net Sales by Category (KTL)	2016	2017
<i>Biscuits</i>	1.668.482	2.041.739
<i>Chocolates</i>	1.960.124	2.235.117
<i>Cake</i>	418.008	446.133
<i>Other</i>	147.161	88.044
<i>Total</i>	4.193.775	4.811.033

CAPITAL STRUCTURE

The successful financial and operational results of Ülker Bisküvi are the proof of the strong ground the Company sustainably has under any circumstances.

Name of the Shareholders	Share	31 December 2017
		Percentage
pladis Foods Limited (*)	174.420.000	51,00%
Ülker Family	25.580.499	7,48%
Other	141.999.501	41,52%
	342.000.000	100,00%

(*) In line with Yıldız Holding's strategy of gathering all confectionary business under pladis umbrella and transform the structure of pladis as a pure confectionary company consolidating the assets like Ülker Bisküvi, United Biscuits and Star brands, on 29th of December Yıldız Holding transferred the remaining Ülker shares to pladis. After the transaction, pladis holds 51% of Ülker Bisküvi shares.

ÜLKER'S SHARE PERFORMANCE ON THE BIST

41.52% of Ülker's shares are publicly traded on the BIST National Market under the ticker symbol ULKER.IS. Investors who sought a long-term investment with consistent returns continued to invest in Ülker. The Company's share price stood at TL 19.67 as of December 29, 2017. At year-end, Ülker's market capitalization totaled TL 6,727 million, while the market value of its free-float shares had risen to TL 2,793 million.

Company	Ülker Bisküvi
Reuters & Forex Code	ULKER.IS
Bloomberg Code	ULKER TI
Industry	FOOD
Related BIST Index	BIST 100 / BIST ALL SHARES / BIST STARS / BIST 100-30 / BIST INDUSTRIALS / BIST ANKARA / BIST DIVIDEND / BIST 50 / BIST SUSTAINABILITY / BIST FOOD, BEVERAGE

Ülker stock performance compared to BIST-100 index performance for the period between the 1st of January and 31st of December 2017 is given in the below chart:

As of 29.12.2017

Closing Price (TL)	19.67
Free Float (%)	41.52
Market Value (TL)	6.727 million

Share Performance (%)	2016	2017
TL	-7	23
USD	-23	15

ABOUT pladis

pladis aims to be a strong player in the chocolate & chocolate products, and waffle, cake, gum and sugar segments as well as sweet and savory segments.

pladis is a new global company which brings together Yıldız Holding's core snacking businesses with Godiva Chocolatier, United Biscuits and other Ülker brands under one umbrella. By revenue it forms the largest part of its parent company, Yıldız Holding.

Carrying out production activities in 13 countries with 34 factories, and integrating its 300-year sector expertise, the main them of pladis company is "To promise happiness to the world with every bite". Setting out on the road with this approach, the company carries out activities with 26.000 employees in 180 countries of different geographies in the world, and has got a wide range of products rich enough to meet different consumer expectations and needs in biscuit, chocolate, cake, confectionery and gum categories particularly with its premium chocolate brand Godiva, England's leader biscuit brand McVitie's, and Turkey's and MENA region's leader snacks brand Ülker.

pladis finished its first year with double digit growth and a turnover of TL 14.3 billion on its way to become the fastest growing actor in the sector and achieved a double size growth compared to the sector.

Yıldız Holding's Revenue Breakdown Consolidated Turnover

Yıldız Food	TL 6.1 billion
pladis	TL 17.2 billion
Yıldız Non – Food	TL 14.4 billion
Gözde	TL 4.5 billion
Consolidated	TL 42.3 billion

PRODUCTION FACILITIES

Manufacturing with 3 factories in the country and 6 factories outside the country, Ülker Bisküvi is the leader of the sector in biscuit market,

Silivri, Istanbul Factory

Chocolate, chocolate covered biscuit

Established in 1995

Capacity:

45 thousand ton/year

Hadımköy, Istanbul Factory

Cake

Established in 1992

Capacity:

62 thousand ton/year

Topkapı, Istanbul Factory

Chocolate

Established in 1991

Capacity:

195 thousand ton/year

Ankara Factory

Biscuit

Established in 1969

Capacity:

150 thousand ton/year

Karaman Factory

Biscuit, cake, cracker & chocolate

Established in 1986

Capacity:

215 thousand ton/year

Gebze, İzmit Factory

Biscuit & cracker

Established in 1997

Capacity:

122 thousand ton/year

Egypt Factory

Purchased in 2016

Capacity:

44 thousand ton/year

Kazakhstan Factory

Bought in 2017.

Capacity:

47 thousand ton/year

Saudi Arabia Factory

Purchased in 2016

Capacity:

57 thousand ton/year

MESSAGE FROM THE CHAIRMAN

Esteemed Shareholders,

While continued global economic growth was a positive development in 2017, “optimistic expectations” were negatively affected by the geopolitical instability around the world. The presidential election and the atmosphere it created in the United States, the world's largest economy, had varying effects on other economies in the world. North Korea's weapons program remained a major cause for concern in terms of instability. Another hot topic was the Brexit process. A strong partner's exit from the EU had a profound effect on not only European countries, but also all countries that have trade relations with the EU. The ongoing political instability in the Middle East remained a major source of uncertainty for both our region and the world. Fed's three rate hikes during the year and the emergence of the digital currency “bitcoin” towards the end of the year were among the significant events that affected financial markets.

In spite of the expectation that Turkey would be affected by the adverse conditions caused by political instability in its neighboring countries, the Turkish economy grew by an impressive 11.1% in the third quarter, casting Turkey as the fastest-growing economy among developing countries. Many international institutions and organizations, mainly the International Monetary Fund (“IMF”) and the Organization for Economic Cooperation and Development (“OECD”), revised up their growth forecasts for Turkey, which indicated that Turkey's strong growth potential was recognized globally. The BIST 100 index began its rise at 71,792 points in December 2016 and maintained its upward trend at record rates for nine months, finally exceeding 115,000 points in 2017. Our company's shares have also performed very well and even better at times.

I can say that Ülker Bisküvi wasn't affected by the geopolitical events that unfolded in 2017 in the countries where we operate. Ülker Bisküvi has built a lasting and robust manufacturing, sales and distribution organization in the countries and regions where it operates. Additionally, Ülker Bisküvi has positioned itself as a national, regional and local brand in line with its strategy, and it responds to consumer demands and regional needs in a fast and effective manner. Therefore, existing and potential risks do not affect our company's operations.

We will confidently move forward towards becoming a local production base for the Middle East and North Africa regions by gaining a competitive edge in terms of cost, sales and distribution, thanks to our advanced production facilities in Saudi Arabia and Egypt, and the overseas acquisitions, the second phase of which we finalized in the last days of 2017.

In 2017, we also acquired the rights to manufacture, sell and distribute the products of United Biscuits in the Middle East and North Africa, which marked another important milestone for our company. The synergy created through this merger enabled Ülker to develop and manufacture hybrid products based on its 74 years of experience in the chocolate and biscuit industry, and to export these products to international markets, and primarily the United Kingdom. Exported products include Godiva branded chocolates.

The global food industry is undergoing a transformation as a result of the shifting dynamics throughout the world. We see that younger generations are more interested in and more open to trying new brands and products. As a developing country, Turkey presents major opportunities for our industry such as the expected increase in per capita GDP, which will drive consumer spending, the increase in production and consumption in line with Turkey's young and growing population, and our industry's fourth-place ranking, with 17% share, in e-commerce sales. We have the capabilities needed to closely observe these changes in the industry and turn risks into opportunities. In that regard, we are preparing for the future.

We will continue to invest in our brands, products, consumers, distributors, sales channels, and our entire value chain in our country and other regions where we operate. We are moving confidently forward towards becoming a production hub in the Middle East, North Africa and Central Asia.

Together with our business partners, consumers, customers and employees, we are willing and determined to achieve pleasing results in the coming period as well.

Sincerely,

Murat ÜLKER
Chairman

BOARD OF DIRECTORS

Murat ÜLKER

Chairman

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

Mehmet TÜTÜNCÜ

Deputy Chairman - CEO

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

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

Ali ÜLKER

Board Member

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

Ahmet ÖZOKUR**Board Member**

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

İbrahim TAŞKIN**Board Member**

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

Cengiz SOLAKOĞLU**Board Member**

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

Ahmet Murat YALNIZOĞLU**Board Member (Independent)**

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

Halil Bülent ÇORAPÇI**Board Member (Independent)**

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

Mehmet Aydın MÜDERRİSOĞLU**Board Member (Independent)**

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

(*) At the Extraordinary General Assembly held on the 7th of September 2017, the Board of Directors of our Company decided by majority vote to appoint Mehmet Aydın Müderrisoğlu, whose independency was approved by the Capital Markets Board on the 28th of April 2017, as an Independent Member of the Board of Directors for the vacant position of late Duran Akbulut who passed away on the 23rd of March 2017.

MESSAGE FROM THE CEO

The shifting global economic and political landscape affected the Turkish economy in 2017. While developing countries were positively affected by global growth rates, the expectation that the central banks of developed countries, such as Fed, would start tightening their monetary policies earlier than expected caused some fluctuations in global markets. Rising oil and commodity prices, protectionist policies in international trade and heightened geopolitical tensions were the main factors affecting Turkey.

The official start to the Brexit process in the U.K., civil wars and tensions in neighboring countries and the Middle East, suggestions that many European countries will be leaving the EU, political and economic developments in Turkey were some of the events that shaped financial markets in 2017.

The Turkish economy grew 5.3% in the first quarter, 5.4% in the second quarter, and 11.1% in the third quarter, recording its strongest quarterly growth since Q3 2011 and making Turkey one of the fastest growing economies in the world.

In 2017, Ülker Bisküvi increased its sales by 14.7% and posted a record-high turnover of TL 4.8 billion. Through effective cost management, we maintained double-digit growth in our real operating profit, which rose 16.7% to reach TL 594.6 million in 2017.

In 2017, we posted stable, strong and record growth rates, and achieved the highest turnover and net profit in our company's history.

The following efforts have been instrumental in our success:

- In 2017, we continued our investments that create value for our Company. Accordingly, we completed our strategy to become a production and distribution base in Central Asia by acquiring our Group's subsidiary "Hamle" in Kazakhstan in March.
- In December, we acquired the entire shares of UI Mena B.V., which holds the rights to manufacture and distribute the products of United Biscuits Limited in Saudi Arabia, Middle East and North Africa. This acquisition was a major step towards strengthening Ülker's market position in the Middle East and North Africa, consolidating operations in these markets, and becoming a local production base in the region.
- In December, we also signed an agreement for the acquisition of International Biscuits Company ("IBC"), which manufactures the products of United Biscuits in Saudi Arabia. With the acquisition of IBC in 2018, we will have a new production base in Riyadh, in addition to our factory in Jeddah; thus, we will further strengthen our supply chain in the region.
- We started manufacturing the new supermarket range of Godiva, the world's leading brand of premium chocolate, in Turkey and offered these products to our consumers in more than 8,000 retail stores. In 2017, we also began exporting the global brand Godiva from Turkey to the world, primarily to the U.K. and Europe.
- In 2017, we tried to maintain prices at affordable levels, making our products accessible to all income groups in Turkey.
- As our "star" brands continued to perform successfully, we launched new and successful products.
- We continued to add value to our consumers and distributors with our products and sales channels while establishing strategic partnerships with organized retailers.

Above all else, we gave first priority to employee motivation.

The financial and operational results we have achieved demonstrate yet again that Ülker Bisküvi San. A.Ş. is on solid and sustainable ground, regardless of external conditions. The alignment of all our operations and employees towards achieving common goals and productivity plays a significant role in our company's sustainable growth.

I would like to share with you the successful results of our sustainability activities. While we are moving steadily towards our 2024 sustainability targets, we are listed in major indexes that are closely monitored by international investors, thanks to the environmental, social and financial performance of our company. Ülker Bisküvi has been included in Borsa Istanbul's Sustainability Index for the past three years. In 2017, our company was also included in FTSE4Good Emerging Markets Index, which is managed jointly by the London Stock Exchange and Financial Times. Additionally, Ülker Bisküvi has fulfilled the criteria for inclusion in the Dow Jones Sustainability Index, the world's leading and most prestigious sustainability index.

We continued our social responsibility efforts. Since 2011, we have brought art into the lives of 17 thousand children under the Ülker Children's Art Workshop. To date, we have reached more than 6 million children, teachers and parents with the "Balance in Food Project," which is jointly carried out by Sabri Ülker Foundation and the Ministry of National Education across 10 cities in Turkey. In line with our goal of making the arts, a critical component of social development, accessible for everyone, we are carrying out "Your Thursday" project together with Istanbul Modern, which is one of the few contemporary art museums in Turkey. Under this sponsorship project, Istanbul Modern offers free admission to all visitors every Thursday and for longer hours. We are also carrying out the "Free Tuesdays" project at the Baksı Museum, which opened in 2010 in Bayburt and was awarded the Council of Europe Museum Prize.

We want to continue our growth in 2018. Although there are many economic and social factors influencing consumer behavior, we think that the ever-expanding digitalization in Turkey will lead to increased demand for speed and convenience in services.

At Ülker Bisküvi, we will continue to work towards reaching our goals and creating value for you, our shareholders, employees, suppliers, and our country's economy.

Sincerely,

Mehmet Tütüncü
CEO

STRATEGIES

In the area of productivity, we aim to:

- Become the most productive company in all segments of the industry,
- Boost product quality through operational efficiency efforts and production costs,
- Achieve further efficiency and productivity in distribution channels and sales points by cutting sales costs.
- Increasing the efficiency in manufacturing, and making better planning and forecasting with new generation digitalized technology.

In brand investments, we aim to:

- Interpreting consumer demands correctly, and making sure that consumers reach the products as the products developed in line with consumer needs are offered at the most affordable price and quality.
- Offer our powerhouse brands to consumers at reasonable prices,
- Ensure the continuity of our brand investments,
- Achieve new and strong product launches,

In the areas of strategies, we aim to:

- Increase our operating profit by achieving higher sales volumes and revenues in biscuit, chocolate and cake operations,
- Expand to become a strong regional player with our local and global brand,
- With the acquisition of the Food Manufacturing Company in Saudi Arabia, UI MENA and IBC, use the region as the main production base enabling faster access and creating synergy in the fast-growing Middle East market,
- The Egyptian Company for Advanced Food Industry (Hi-Food) in Egypt; gain a position in Egypt where consumption grows rapidly, station as the base and main production facility for North Africa sales and enhance our strength in the region with the production of McVitie,
- With the acquisition of Hamle in Kazakhstan and investments; strategical positioning as the main base to access Central Asia, Russia, and China, and meet new consumers in regions where consumption increases rapidly,
- Increasing the existing brand awareness in the Middle East, North Africa, Central Asia and Turkey even more,
- Reaching new consumers in a wide geography, implementing synergy activities both in the field and in production,
- Implement and maintain good corporate governance practices at the highest level,
- Achieve strong results that will satisfy all stakeholders.

CURRENT ECONOMIC OUTLOOK, GLOBAL AND TURKISH FOOD INDUSTRIES

The global financial markets began the year 2017 with amid uncertainties created by the geopolitical, political and economic problems inherited from the year before. New presidency period in the US, the political tension between the US and North Korea, England's decision to exit the EU, rumors about many European countries to leave the EU and geopolitical risks plus the political and economic developments within the country, were among the developments that dominated the financial markets.

Fed increased the interest rates 3 times throughout the year and the interest rates reached a range of 1.25% to 1.50%. Financial markets kept close track of the impacts of this situation.

As England triggered Article 50 of the Lisbon Treaty, and officially initiated the Brexit process to exit the EU after a 44-year membership, declining British Pound reached its lowest level vs Euro for the last 8 years. BoE decided to increase the policy interest rates for the first time almost after a decade, and raised the policy interest rate from the lowest level of all times 0.25% to 0.50%. BoE left its asset purchase target unchanged at the 435 billion-Pound level.

Whereas the ECB downsized its asset purchase program from 80 billion Euros to 60 billion Euros per month, and announced that it would continue at this level until the end of 2017.

In 2016, China's Economy grew by 6.7%, which was the slowest pace for the last 26 years. However this figure was in line with the Beijing government's economic growth target for 2016 which was between 6.5% and 6.7%. Whereas in 2017, China's Economy grew by 6.9% in the first half of the year, and the PBoC used the reverse repo instrument increasing the cost of borrowing. After the sharp decline in the previous year, Shanghai composite index had a balanced trend throughout 2017.

Within the scope of the World Economic Outlook Report, the IMF left its global growth expectation unchanged at 3.4% for 2017 and 3.6% for 2018 while revising its 2017 growth expectation from 4.2% to 4.9% for the emerging markets which had been slowing down for 5 years.

The OECD left its 2017 growth expectations at 3.5% for the global economy, and revised its growth expectations for 2018 from 3.6% to 3.7%.

Throughout the year, financial markets focused also on the geopolitical risks in addition to the economic developments. The gradual escalation in nationalization movements worldwide will increase restrictions on trade. And, with the prevention of immigration, inflation is expected to start rising in the medium term. Precursor indicators are expected to show up in the first half of 2018.

Food prices increased in 2017 when compared to 2016. Together with this rise, average prices of raw materials that shrank for about five years increased for the first time. Although sugar and vegetable oil prices have been rising, there has been an increase in average food prices, in particular due to increase in meat and dairy products. The price of cocoa, one of the main raw materials, has fallen sharply; whereas palm oil prices have increased. In 2017, the global food price index (FAO Index) increased to 175.1 points, up 8.4% from the previous year.

Turkish Economy

Despite the recession in its close trading partner countries, in particular the EU, as well as financial volatility and escalating geopolitical tensions, the Turkish economy saw 7.4% growth in the first nine months of 2017.

According to data published by the Turkish Statistical Institute (TÜİK), consumer prices rose by 0.69% in December 2017. With this increase, the annual inflation rate came to 11.92%, more than 6.92 points over the Central Bank's 5% estimate. Transportation saw the highest annual increase by 16.8% in CPI, whereas food and non-alcoholic beverages became one of the main expenditure groups with an increase by 12.70%.

PRODUCTION AND CAPACITY

Gebze factory, Established in the Gebze Organized Industrial Zone in 1997, the Gebze Factory is located on an 85,330 m² land parcel, of which 80,000 m² is covered space. In 2017, the factory operated with three work shifts. Company produced 89,380 tons of goods at its Gebze Factory in 2016.

Biskot Bisküvi, Karaman Biscuit Factory, is located on 53,600 m² land parcel, of which 27,298 m² is covered space. The factory produced 46,450 tons of biscuits during the year.

Main Brands

Ülker Pötibör, Çizi, Krispi, Haylayf, Hanımeller, Ülker Bebe, Biskrem, Krim Kraker, Probis, Çokoprens, Taç Kraker, İkrām, Canpare, Rondo, Altınbaşak, 9 Kat Tat, Halley, Kat Kat Tat, Ülker Çubuk Kraker, Saklıköy, Dore, Ülker Kremalı, Balık Kraker.

A subsidiary of Ülker, Ülker Çikolata carries out its operations on 19,716 m² closed space established on 84,537 m².

A subsidiary of Ülker, Ülker Çikolata carries out its operations on 19,716 m² closed space established on 84,537 m². In 2016, the total production of Ülker Çikolata at the Topkapı Factory was 104,174 tons. The net sales of chocolate at Silivri Factory were at 16,563.

Biskot Bisküvi produces chocolates and chocolate-coated biscuits and bars at 18 plants in 22 plants. The Karaman Chocolate Factory produced 47,005 tons of biscuits as of the year end of 2017.

CHOCOLATE

Main Brands

Ülker Çikolata Gofret, Çokokrem, Metro, Albeni, Çokonat, Dido, Cocostar, Ülker Çikolata, Laviva, Ülker Napoliten, Ülker Smart, HobbySmartt, Piko, Ece, Çikolatin, Halk Çokomilk, Caramio, Alpella and Halk

In 2017, the Esenyurt Factory operated with three work shifts. Within this scope, the factory produced 40,062 tons of goods.

Ülker produces cakes at its Esenyurt Factory, which was established in 1993 on a covered area of 27,000 m². In 2017, the factory operated with three work shifts. Within this scope, the factory produced 40,062 tons of goods.

Biskot Bisküvi produces cakes at seven plants on 25,293 m² closed space. The Karaman Cake Factory produced 14,905 tons of goods.

CAKE

Main Brands

DankeK, Kekstra, O'lala, Albeni, Alpella, Pöti, Smartt, Sekiz Kek

INVESTMENTS

In 2017, Ülker Bisküvi further reinforced its robust market position with new capital investments that included new installations in the factories, capacity increases, modifications to production lines, productivity upgrades, and improvements in hygienic conditions and warehousing processes.

Ülker's capital expenditures aim to increase consumer satisfaction, improve product quality more and more, and to make its cost structure more competitive by increasing operational efficiency.

In 2017, Ülker carried out the following modernization activities with an approximately 319 million TL investment on consolidated basis:

- Packing machinery purchase
- Production feeding unit renewal
- Service tank renewal
- New Packaging machinery purchase
- New production line assembly

SUBSIDIARIES AND FINANCIAL INVESTMENTS

Biskot Bisküvi Gıda

Thanks to the merger of AGS-Anadolu Gıda San. ve Tic. A.Ş., a cakes producer, with Biskot Bisküvi Gıda San. ve Tic. A.Ş. at 2011 year-end, the Company attained a larger production volume. Its product portfolio consists of biscuit (petit-beurre biscuits, fingers), special biscuit, cream-filled biscuits, sandwich biscuits, crackers, wafers, chocolate wafers, rolled wafers, cake (muffin, baton), chocolate-covered cakes, chocolate-covered bar, chocolate-covered marshmallow, chocolate cream, chocolate eggs with toys, and gift able chocolates. Our major brands are Ülker, Alpella and Karsa. We also produce for PL brands. Our Company was ranked 121st in the ISO 500 in 2015. The Biskot Silivri Branch comprises 10,500 square meters. Confined areas expanded to 42,500 square meters with the addition of a new building. The factory has 16 production plants. The Company stands out with its unique products, such as dragées, cornet, drops, eggs and so on.

Ülker Çikolata

In 2011, Ülker acquired a majority stake in Ülker Çikolata, previously jointly held by Yıldız Holding. Ülker Çikolata produces solid chocolate, chocolate covered products, chocolate cream, gift able chocolates and powder cocoa under. The Company is the market leader in its sector and operates the facilities located in Topkapı/Istanbul with a total covered area of 84,537 m².

Godiva

With Godiva Belgium BVBA, in which Ülker Bisküvi has a 19% stake and G-New Inc, in which Ülker Bisküvi has a 12% stake, Godiva Chocolatier Inc. is the owner of the Godiva brand, the world's leading brand of premium chocolate and chocolate coated products. In 2008, Yıldız Holding acquired Godiva Chocolatier Inc. for USD 850 million, the largest overseas acquisition by a Turkish company. Over the last five years, Godiva has truly been a success story. Since that time, Godiva has reached 32 thousand points of sale across the world, and has achieved more than 10% sales growth each year. After entering new markets such as Australia, China, Indonesia, Korea, Macau, Saudi Arabia and Turkey, Godiva has become a true global brand with international sales rising to nearly 60% of the Company's total, up from 43% five years earlier. In the coming years, Godiva plans to focus on further expansion in China, Middle East and Turkey. The Company aims to open 50 new stores every year.

İstanbul Gıda Dış Ticaret A.Ş.

İstanbul Gıda Dış Ticaret A.Ş. was established in 1987 in İstanbul. The address of the company and its main headquarters is Masaldan İş Merkezi in Çamlıca, İstanbul. İstanbul Gıda Dış Ticaret A.Ş. sells and markets Ülker products abroad. It has distribution channels and a client portfolio spanning 104 countries for the export of Ülker-branded products in the snacks category (biscuits, chocolates, cakes). The Company merged with Eksper Gıda Pazarlama Sanayi ve Ticaret A.Ş., another Group company focusing mainly on export, on December 31, 2015. For the most part, Eksper Gıda Pazarlama Sanayi ve Ticaret A.Ş. is engaged in the export of goods in the categories of vegetable oil, milk and dairy products, water and soda produced by the Group companies, as well as non-Ülker brand snacks.

Hi-Food for Advanced Food Industries (S.A.E.)

Hi-Food for Advanced Food Industries was established on January 15, 2004. Its mission is to produce, pack and sell chocolates, sugar and other food products in the factory in Egypt, and to export these to the market and the countries in the region.

Food Manufacturers Company

The Food Manufacturers Company was established on January 25, 2000. Its mission is to produce, pack and sell biscuits, cakes and chocolates in the factory in Saudi Arabia, and to export these to the market and the countries in the region.

Hamle Ltd. LLP

Bought in 2017 from Maia International B.V. which is 100% owned by Yıldız Holding A.Ş.. Biscuit, cake and coated chocolate production is carried out at the factory located in Kirgizistan to make exportation to the market and the countries in the region.

Amir Global

In line with its strategy, Ülker Bisküvi bought, in 2017, UI Mena BV company the only shareholder of Amir Global Trading FZE, which has distribution/production rights of the United Biscuits Limited products in Saudi Arabia, Middle East and North Africa.

INFORMATION ON DIRECT AND INDIRECT INVESTMENTS BY ÜLKER BİSKÜVİ IN OTHER VENTURES

The table below lists information relating to the direct subsidiaries and joint ventures of Ülker Bisküvi as of December 31, 2017.

Subsidiaries	Ratio of Direct Ownership	Ratio of Effective Ownership	Nature of Operation
Biskot Bisküvi Gıda Sanayi ve Ticaret A.Ş.	73,9%	73,9%	Manufacturing
Ülker Çikolata Sanayi A.Ş.	91,7%	91,7%	Manufacturing
Atlas Gıda Pazarlama Sanayi ve Ticaret A.Ş.	100,0%	100,0%	Trading
Reform Gıda Paz. San. ve Tic. A.Ş.	100,0%	100,0%	Trading
İstanbul Gıda Dış Ticaret A.Ş.	100,0%	100,0%	Export
UI Egypt B.V.	51,0%	51,0%	Investing
Hi-Food for Advanced Food Industries	-	51,4%	Manufacturing
Sabourne Investments Ltd	100,0%	100,0%	Investing
Food Manufacturers' Company	-	55,0%	Manufacturing
Food Manufacturers' Company for Distribution	-	52,3%	Sales
Hamle Company Ltd LLP (*)	100,0%	100,0%	Manufacturing/Sales
Ulker Star LLC (*)	-	99,0%	Sales
UI Mena BV (**)	100,0%	100,0%	Investing
Amir Global Trading FZE (**)	-	100,0%	Sales
Ulker for Trading and Marketing (**)	-	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 Ulker Star LLC (Kyrgyzstan) 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 Amir Global FZE (United Arab Emirates) and Ulker for Trading and Marketing which is owned 99,8% by Hamle Company Ltd LLP.

SUSTAINABILITY

Our Understanding of Sustainability

When we do our job, we attach importance to making other people happy, and being happy ourselves. The core of our sustainability activities goes back to the day Ülker was founded; based on our founder Sabri Ülker's "wasteless company model". Mr. Sabri Ülker created a company culture that neither wastes a gram of flour, a drop of water, nor the labor of man. He left this culture to the next generations. And with the strength he gave us, we're trying to develop this heritage, and pass it on to the next generations. The resources of our world are limited. We believe that it is our primary responsibility to consciously use these limited resources, to manage our talents correctly, and to respond both to our world that has an increasing population and to our consumers who have changing expectations; because, our leadership in the sector requires us to be a pioneer and an example in the field of sustainability.

Our Sustainability Targets for 2024

We see sustainability as protecting the land and water – one of the key steps for us to continue our work tomorrow – and watching over our farmers', employees', consumers' thus society's happiness. In line with this vision, we have set "Sustainability Targets" for the 80th year of Ülker. Within the concept of "This is our World", we announced the topics; environment, value chain, innovation, employees, social responsibility and leadership. By setting long term targets, we aim to be the leader in the field of sustainability in our country.

Among our objectives for 2024 are:

- To grow without increasing carbon emissions;
- To send zero waste to regular storage facilities;
- To reduce the water use per production by 30%;
- Have zero occupational accidents with work days lost,
- Reduce the use of plastic in flexible packages by 20%

The Sustainability Index

Activities we carry out in line with our leadership target are officially recognized by the indices that assess sustainability performances. With our environmental, social and corporate governance practices in global standards, we continue to be listed in the leader sustainability indices. We qualified to be listed in the FTSE4Good Emerging Markets Index in 2017, and met the criteria of Dow Jones Sustainability Index, the world's most prestigious leader sustainability index. In 2015 Ülker Bisküvi became the first food company to be included in the Borsa İstanbul BIST Sustainability Index, which evaluates the sustainability activities and performances of the largest 100 companies in Turkey. Ülker has maintained the growing success in the BIST Sustainability Index for three years.

Our Approach to Sustainable Management

The sustainability efforts at Ülker Bisküvi are founded on generating long-term value and establishing the necessary strategies, policies and objectives in order to manage the risks that may arise due to economic, environmental and social factors. The Ülker Bisküvi Sustainability Platform provides that these efforts comply with the Corporate Governance Principles as well as with the decisions, management and processes of the Company. The Ülker Bisküvi Sustainability Committee is represented at an executive level by the president, vice president and general manager. The Sustainability Platform continuously monitors the environmental, social and administrative developments, most of which occur outside the direct influence of Ülker Bisküvi, and fulfils its predefined duties and responsibilities.

Ülker's Journey in Sustainability and Our Principles

The sustainability efforts carried out under six categories at Ülker Bisküvi continued at an accelerated pace. We are moving towards our goals by conducting workshops in these areas in order to reach our 2024 objectives, and to determine our roadmap on this journey.

Environment

We carry out all of our activities with the awareness that our products depend on earth, water and nature. Our relationship with the environment accepted as one of the most important areas of the strategy is defined by our mission to "contribute to a happier world". Ülker Bisküvi considers issues related to environmental sustainability in different areas such as climate change and energy, natural resource management, packaging and waste management and biodiversity. In addition, we manage our impact through the Environmental Management System, which was developed within the framework of our common Environmental Policy. All our factories in Turkey have ISO 9001 and ISO 22001 certificates in addition to ISO 14001 certificates.

In line with our objective to grow without increasing carbon emissions, we continue to carry out energy studies, to establish detailed energy monitoring systems, and to develop new projects in Ülker Bisküvi factories. Since the date we set the target, we managed to grow without increase in carbon emission, and our aim is to continue this trend until 2024. As part of operational sustainability efforts, integration of two systems, Greenhouse Gas Emissions Accounting and Verification, and ISO50001 Energy Management, continues at the factories. We also provide training workshops in sustainability to our factory personnel as part of these efforts. In 2017, five of our factories received ISO50001 certification as one of our factories continued its efforts in this direction. In 2016, we kept disclosing our strategy on climate change and our data on carbon emissions to the Carbon Disclosure Project (CDP).

Protecting and managing biodiversity plays an important role in Ülker's sustainability vision, its strategic objectives and its environmental protection activities. Our main approach in this field is based on assessing and monitoring the impact of our operations on biodiversity, ensuring that we adhere to defined objectives and do the necessary reporting. We preserve the diversity of hazelnuts and support hazelnut producers with the Sustainable Hazelnut Farming Project, which is conducted in cooperation with the WWF. One of our major objectives is to show that hazelnut production can be improved in terms of ecological sustainability, as much as it can in terms of economic and social sustainability, in areas such as Giresun, where hazelnuts are found in natural vegetation and where they are produced.

We organized the Sustainable Hazelnut Farming Workshop as part of this initiative. In this workshop, we assessed the socio-economic aspects of hazelnut cultivation and its environmental impact, as well as the current state and the future of hazelnut farming, with experts and stakeholders. We also produced a report on the current situation entitled "Towards Sustainable Hazelnut Farming in Giresun." Again within the scope of the project; we started a pilot implementation in the selected gardens in Giresun and reporting of the implementations. The work is under way to extend the scope of the project in the areas of hazelnut cultivation.

Value Chain

We follow best practices in the industries in which we operate, and always aim to do better. We help all stakeholders in the value chain meet their basic needs, and advance together especially with farmers and producers. We blend our corporate values with sustainable community values and integrate these into our business practices.

In this regard, sustainable supply of raw materials, one of the most fundamental steps for sustainable growth, is of great importance to us. We build our strategy from a perspective that includes not only our own operations, but also our 2,600 suppliers. We develop our strategy so that it is not only limited to our operations, but also includes our suppliers. We procure 80% of the wheat, which is our most necessary material, domestically, and thus add value to the lives of hundreds of thousands of producers. In purchasing wheat and other agricultural raw materials, we prioritize sourcing directly from farmers. By providing seed support to farmers, we apply contracted seed sowing. As Turkey's largest cocoa user, we aim to support the economic and social development of cocoa farmers by adopting sustainable principles around cocoa supply. As a member of the World Cocoa Foundation since 2012, as Ülker Bisküvi, we participate in efforts towards obtaining cocoa, the main raw material of chocolate, from sustainable sources. Within the scope of the palm oil, which is another important raw material for us, purchased in 2016, we received GreenPalm certification, as we bought 29% of the 60,000 tons of palm oil produced in sustainable sources.

Our approach is to transform our entire value chain, and to contribute to a sustainable world. In this context, we aim to extend our approach to the whole of our value chain with our Supply Chain Policy, which includes our ethical, social and environmental principles. In the planning made according to risk categories and achievements of the suppliers within this scope, 150 suppliers were evaluated in 2017 through a program where suppliers, which qualified very successfully as a result of the 4-year evaluation, were left outside the planning process. Activities are carried out to continue risk based audit planning also in 2018, and to decrease the mentioned audits as the quality management system practices of our suppliers are improved. We established a quality certification as a prerequisite in the supplier audits made in 2016 and 2017. Likewise, we carried out quality and food safety inspections in 188 warehouses where our products are stored.

Innovation

Understanding the needs and desires of the consumers, we believe that innovation is the key to presenting the best. Adopting an understanding of respectful competition in parallel to our company values, we continuously create value for all our stakeholders and investors. We are aware of the importance of innovation for us to provide consumer the highest satisfaction and to develop ourselves on the responsibility in environmental and social sustainability. Accordingly, we continue to make R&D and innovation investments as we offer more employment opportunities in this field, and increase our research expenditure. We see innovation as the key for sustainable growth, and we continue our investments in R&D and innovation. Within this framework, in 2017 we got the permits for pladis Turkey Chocolate R&D Center from the Ministry of Science, Industry and Technology, and The Bakery Products R&D Center was certificated by the Ministry of Trade and Technology. Furthermore, there was an increase of approximately 7% in the budget we allocated for R&D and innovation in 2017. We are aware that innovation is only possible with the participation of employees at all levels in the process. We collect creative ideas from our employees through the Mental Cube system, and strive to implement them. In 2016, we received more than 8,300 suggestions within the framework of our Mind Cube project, and put 8.3% of these suggestions into practice. We got significant portion of these suggestions from Esenyurt Cake factory where an "Energy and Sustainability School" is located. Within the framework of Mind Cube, we will continue our efforts to reach our target to increase our employees' suggestions by 40% until 2024, and to put 20% of these suggestions into practice. Likewise, we offer our employees the opportunity to share their ideas and achieve their dreams through the Idea Stars, which is an idea management and sharing platform open to all employees of Yıldız Holding globally. In 2017, our employees shared 410 ideas through the Idea Stars platform.

Our Employees

Our employees are the most important part of our sustainability efforts at Ülker Bisküvi. We know that we can achieve success only through the common efforts of our employees. Our individual differences are respected, and we strive as a single team for the same goal. We keep the human being at the center, and we create the necessary foundations for the development of new talents. We refrain from hierarchical structures in internal communication and we offer to all our employees the value they deserve.

We pay attention to provide diversity and equal opportunity at work. Therefore, we support projects such as; "Young Platform" and "More Women In The Boards" which aim to empower and integrate young people and women into business life.

We consider providing a safe and hygienic working environment as one of our responsibilities. Occupational Health and Safety (OHS) efforts are managed under the responsibility of the Operational Excellence, Health, Safety, Energy and Environment General Manager and the senior executives who are members of the Sustainability Platform. We aim to proactively assess potential OHS risks and take precautionary measures, thereby preventing accidents. As part of our efforts on operational excellence, we create awareness in our employees about safe behaviors and provide regular trainings on this topic. We gave 17 hours of training per employee in 2015, and in 2016 we increased this figure by 30% to 21 hours per employee. Our activities for raising awareness in the field of Occupational Health & Safety, help us move with firm steps towards our zero accident target. In 2017, we decreased the number of occupational accidents with work days lost by 14.7% from 244 to 191 compared to 2016. As a result, we achieved a decrease in the number of lost days arising due to occupational accidents.

We have been awarded a gold medal in Brandon Hall Awards, in the category of Training and Development, with our “Zero Mistake Training Program” which we have been implementing in our factories since 2012 using the motto “Our Target is Zero Mistake”. In addition to this, our aim is to give our employees sustainability trainings and help them adopt sustainability both in their personal and in their professional lives. Within this scope we have organized trainings for 2500 employees.

Happiness of our employees is a priority for us. 2015 results of the survey we perform every two years on employee commitment and satisfaction, which is another important issue of primary importance for us, showed that employee commitment was; 63% for our employees covered in the Collective Agreement and 76% for our employees not-covered in the Collective Agreement. We aim to further improve these rates, which are already above the average in Turkey, and to be included among the “High Performance Companies.” We aim to reduce our employee turnover rate to 3.5% from 5% by 2024.

Social Responsibility

We put a healthy and active life at the forefront of our activities, and inform all our consumers and other stakeholders in a transparent manner. While promoting a healthy society, we focus on making life easier and more streamlined.

We believe that when a happy child becomes a happy individual, he/she will be useful both for society and for humanity. We have added value to 300,000 children's lives with our social responsibility projects on sports, arts and culture, and balanced nutrition. We carried out “University-School Collaboration”, “Istanbul U14 Schools League”, “Elite Football Villages” projects where we gave football training to students. In 2016, we continued our activities in the field of culture and art such as; “Ülker Art Studio for Children”, “Ülker Movie Festival for Children”, “Istanbul Modern - Your Thursday Sponsorship” and “Printing Museum - Free Tuesday Day Support”.

Leadership

We act with the responsibility of being a pioneer in the industry and aware of these. With our determination to succeed and our diligence, we put our heart into what we do and work target oriented. We follow global developments, determine the rules, and provide sectoral transformation leadership in an innovative and original way.

In 2017, we won the first prize in Turkey in REC Turkey European Union Environment Awards, Management category with our sustainability management model “Ülker – This Is Our Bu World”.

With an assessment of our corporate sustainability performance, we are listed in FTSE4 Good Emerging Markets Index; and we have met the criteria of Dow Jones Sustainability Index and we have kept our inclusion in the BIST Sustainability Index for three years.

Through our partnerships and industrial memberships, we engage in collaborations that will carry our industry forward in areas such as value chain sustainability, and nutrition and healthy living. In addition to being the first Turkish company to become a member of the World Cocoa Foundation, in 2015 we also became a member of the European Food Information Council (EUFIC), which aims to create awareness in consumers about nutrition and food safety.

HUMAN RESOURCES

In line with Ülker's vision to “become a food and beverage company which always pleases its consumers, customers, employees and shareholders, and makes them smile,” Ülker acts with its global vision and an innovative and sustainable system. The Company's human resources vision is to establish a competitive, active, pioneer in innovation and an innovator organization, to embrace a culture based on ethical principles and earned values, and always sticking to rational decisions.

The Company aims to increase its competitive advantages in both domestic and foreign markets via effective human resources practices, which aim to achieve superior quality in all business processes, high levels of motivation and loyalty among employees, and a culture of collaboration. As in previous years, the Company organized a series of events in 2017 to increase the level of motivation of the entire workforce, encourage social interaction among employees and foster their loyalty toward the Company:

Stars of the Year

Traditionally organized for all our employees to participate in, with the aim of sharing the best business practices, and of awarding behaviors that contribute to team work, the project “Stars of the Year” encourages our employees to practice new and different ideas. Within the scope of “Stars of the Year”, Projects are developed and put into practice under categories such as; GOYA, Zero Mistake, Unity of Purpose, Leadership, Contribution to Growth, Innovation, Cost Advantage, Digital Leadership, Occupational Safety.

Voice of the Stars

With the Employee Loyalty Survey “Voice of the Stars” made every two years in order to enable sustained employee satisfaction, Ülker Bisküvi hears its employees’ voice. The survey organized by an international and independent consultancy firm, was made in global scale for the first time in 2017. Major categories of the survey were; Communication, Collaboration, Customer Oriented Approach, Innovation, Career Development, Quality, Loyalty. The survey results are shared with all our employees and a platform is prepared where we talk about (with the Focus Groups that we also structure within the company) and implement the actions that can be taken. Thus, not only operational changes are made but also extra activities increasing motivation and corporate loyalty are also organized in order to carry our company to a better position. Ülker is committed to supporting its employees, viewed as “the Company’s most important capital and asset,” not only to reach business targets and enhance competitiveness, but also for their own personal development. Ülker offers personnel various training opportunities in a diverse range of topics that include:

- Leadership Trainings (Leadership Summit, Leadership Compass, Leadership Map, First Step to Leadership)
- Personal Development (Catalogue) Trainings
- Ethical and Operational Principles Training,
- Occupational Safety and Health Training,
- Manager Training,
- Star Operator Training
- Technical Trainings

In line with the Human Resources Planning program, initiated across Ülker companies in 2011 and further enhanced with various measures in 2013, Ülker developed a backup system for managerial positions to ensure the continuity of the Company’s success. In addition, the Company devised Individual Development Plans to ensure the career development of personnel. In order to create a “feedback culture” within the framework of the Human Resources Planning and Performance Management Process initiatives, the Company actively encouraged managers to provide feedback to employees.

With “We First” slogan, in order to provide our employees with opportunities that can use their potentials or lead a career in our affiliates, internal job notices were created for open positions and shared with employees. With its superior quality standards, Ülker has created “Happy Moments” for the Turkish people since 1944; and the Company is committed to developing its human capital in line with its future goals and in keeping with the principle of continuity of service.

<i>Breakdown by Age</i>	<i>30 and below</i>	<i>Between 31-44</i>	<i>Between 31-44</i>
<i>Ankara</i>	264	539	82
<i>Esenyurt</i>	100	287	34
<i>Gebze</i>	352	408	71
<i>Karaman</i>	395	1067	249
<i>Silivri</i>	110	282	88
<i>Çikolata</i>	260	671	171
<i>Total</i>	1.481	3.254	695

<i>Breakdown by Seniority</i>	<i>0-5 Years</i>	<i>6-10 Years</i>	<i>10 Years +</i>
<i>Ankara</i>	280	187	418
<i>Esenyurt</i>	178	58	185
<i>Gebze</i>	540	95	196
<i>Karaman</i>	1071	307	333
<i>Silivri</i>	240	121	119
<i>Çikolata</i>	362	218	522
<i>Total</i>	2.671	986	1773

<i>Breakdown by Education</i>	<i>Primary School</i>	<i>High School</i>	<i>Associate Degree</i>	<i>Bachelor's Degree and Higher</i>
<i>Ankara</i>	36	752	54	43
<i>Esenyurt</i>	99	271	29	22
<i>Gebze</i>	112	578	56	85
<i>Karaman</i>	1300	283	52	76
<i>Silivri</i>	318	110	26	26
<i>Çikolata</i>	220	693	61	128
<i>Total</i>	2.085	2.687	278	380

QUALITY AND R&D

Ülker Biscuit Quality System, Principles and Importance

Under the umbrella of Zero Defects Manual Trainings, we provided systematic training sessions to Ülker's own employees and to the employees of our contractors on the topics of Quality, Food Safety, Occupational Health and Safety, Environment Management Systems, Allergenic Substances, Pest Control and CCP. Ülker Biscuit Quality System is a control system built upon Input, Process Control and Food Safety requisites. In this system the aim is to make sure that Input, Process Control and Food Safety parameters work in accordance with the "zero defect" principle. In case a defect or non-conformity occurs, corrective and preventive measures are taken within the framework of continuous enhancement so that the non-conformity does not occur again. Regarding the products demanded by the consumers, the general principle is to continuously manufacture them at the same standards each time and to establish and operate the entire infrastructure and control system required for delivering them to the consumers. Quality teams lead the activities carried out to eliminate "non-conformity" for sustainable quality standards and keep track of the outcomes. Continuous and sustainable quality approach carries us to Zero Defect. Within the framework of sustainable quality approach, targets are set and systematically monitored in the following issues. Operational Perfection efforts make a great deal of contribution to the sustainability of the quality system. Within this scope, we make sure production line workers actively participate in enhancement activities regarding quality problems and ensure that they solve these problems. Problems are examined by forming Star Development Teams (YGT). 5S, consumer feedback, Q points, pollution sources, lubrication points, line panels and production line cleaning processes are some of these activities.

Biscuit and Cake Quality Assurance

The specifications of the products and raw materials manufactured in Ülker factories in Esenyurt, Gebze and Ankara are identified by R&D, Marketing and Quality within the regulatory compliance. From raw material to the end product, Ülker production always meets the prescribed requirements and standards. As part of the quality control procedures, elements that can pose a risk to product quality and food safety were controlled by critical control points (CCP). Shelf life analyses were also regularly monitored. Supervisory work on product scoring, equipment hygiene, the environment and employees also were carried out on a regular basis. Ülker provided training sessions to its own employees and the employees of its contractors on the topics of Quality, Food Safety, Occupational Safety and Health, Environment Management Systems and Energy Management Systems, and Allergenic Substances. Pest Control and CCP trainings were organized and repeated systematically under the title of Zero Defects (ZD) Book Trainings. Ülker always aims to consistently increase customer satisfaction. Therefore, the Company continuously solicits consumer feedback and takes any corrective action that is required.

Our Company makes prompt and highly efficient manufacturing in conformity with Food Laws and Legislations in national and international markets. In addition, inspections and analyses are conducted in collaboration with suppliers to prevent any quality-related problems at the source. To this end, the Company initiated the project for setting up the Food Quality and Safety Chain from the Supplier to Consumer (AIB - American Institute of Bakery), and conducted factory inspections on a weekly basis. To reach sustainable quality and ensure employee compliance with Ülker principles and values, Company personnel completed AIB Awareness and Internal Inspection trainings, and internal inspection teams were set up in the three factories. The teams carry out internal food safety inspections in all sections of each factory on a monthly basis. Furthermore, each and every factory of the Company had food safety inspections twice a year undertaken by AIB (American Institute of Baking). Food safety inspections of Ülker Bisküvi suppliers and distributors at different sites were carried out throughout the year by AIB/Quality teams to ensure food safety and quality during storage throughout each stage, beginning from the suppliers of the raw materials used in its products until the product reaches the customer. Products are inspected at the point of sale during visits by sale representatives, and observations are reported to factory management. Ülker Bisküvi uses all its resources most effectively, and continues to develop with technological renovation, institutionalization, new markets, new products, and the new investments it makes in line with its targets. Furthermore, Ülker Bisküvi manufactures products in a manner sensitive to environment, respecting ethical principles, paying attention to food defense, and thus the Company offers products to its consumers accordingly. Within the scope of the optimization project carried out in 2017 for Biskot Karaman Factories, 3 locations were reduced to 2, and the lines were modernized. Clean-room system was built in the cake manufacturing facilities, and production conditions were improved while preparations began for a project to make Gluten- free production. Ülker consistently produces “Delicious, Healthy and Trusted” products of superior quality, in compliance with existing laws and regulations, and under stringent hygienic conditions. Accordingly, the Ülker Ankara, Gebze and Esenyurt factories hold the following quality certifications:

- ISO 9001:2008 Quality Management System
- ISO 22000 Food Safety Management Systems
- ISO 14001 Environment Management Systems
- OHSAS 18001 Occupational Health and Safety Management System
- ISO 27001 Information Security Management System
- ISO 5001 Energy Management System
- BRC (Achieved Grade: A)
- IFS (Higher Level)
- AIB

Biscuit R&D

Having completed its global R&D organization structure in biscuit R&D activities, Ülker has clarified its global targets, and added new missions to the activities carried out within this scope.

In 2017, Biscuit R&D unit carried out numerous projects. In line with the determined strategies, customer oriented activities continued incessantly and rapidly in areas such as; new-product development, existing-product improvement, cost reduction, quality development, alternative raw material approval, and technical/technological support. Projects were evaluated on business, consumer and technology basis, and innovative projects were considered primarily. Accordingly, the R&D team proposes new projects in order to adopt the innovation culture. As one of the most important steps taken in the “quality movement” launched within its quality road map, Ülker continues to update and develop its areas of expertise. System and product revisions in conformity with the quality priority are monitored and carried out with full force. 60 out of 153 projects in total were completed within the scope of R&D activities in 2017, and 63 projects are to continue. 28 consumer tests were made, and the taste of the products were documented and detailed through consumer tests. In 2017, a new R&D lab infrastructure and office sections were built, and pilot equipment investments are to continue in 2018. The new-built lab infrastructure provided a great environment for making product development trials in the lab, and gave the opportunity to develop products rapidly at lower costs. 1086 R&D trials, both big-scale and small-scale, were made by means of the new R&D center’s infrastructure in 2017.

New products:

- Rulokat 3 new assortments; coconut, chocolate and strawberry,
- Biskrem sour cherry,
- Çokomel lokmalık 2 new assortments; coconut and caramel,
- Çokomel products’ renewed taste,
- Hanimeller Çokodolu 2 new assortments; sour cherry and hazelnut,
- Altınbaşak Thin Grissini,
- 9 layer bar wafers 2 new assortments; coconut and cacao,
- Ülker Ayıcık Cracker,
- Biskrem fig Re-launch.

Cake R&D;

With the completion of the Global R&D organizational structure in cake R&D, the global objectives of Ülker have further clarified. In this regard, new missions and tasks have been added to ongoing activities. Biscuit R&D Unit implemented numerous projects in 2017. The Company carried out many R&D related projects in rapid succession in line with corporate and consumer-focused strategies in a wide range of areas including new product development, current product improvement, cost cutting, quality enhancement, alternative raw material approval and technical/technological support. Ülker assessed these projects in terms of business, consumer and technology, and prioritized those that were most innovative. In order to continue to bolster its culture of innovation, the Company planned a variety of new R&D initiatives for the future. Ülker continued to update and develop specialty fields, one of the most important steps in the quality movement initiated as part of the quality road map. System and product revisions that are suitable for quality priority were followed up with full force. 9 out of 48 projects in total were completed within the scope of R&D activities in 2017, and 39 projects are to continue. Within the scope of the sauce project, apart from these projects, 17 out of 23 sauces were approved, and 9 of them began to be produced. We conducted in total 982 large- and small-scale R&D trials in 2016. In 2017, Sabri Ülker Bakery Products R&D Center was established, and ministry support was received. As a result, R&D activities find the opportunity to be considered nationwide while tax immunity is provided in financial issues. The laboratory investment made within the scope of the R&D center, was completed, and investments in technical equipment continued. This situation gave the opportunity to develop products faster with lower costs.

Topics of the R&D activities carried out are as follows:

- Mini Soufflé product launch in May 2017.
- Çokokrem Pancake product launch in December 2017.
- P-3 approval was received in the Waffle Project, TTA tests are to continue.
- Cocostar cake project reached the p-3 approval phase, and activities are to continue.
- At the Gebze Factory 22nd Facility, Strawberry Roll Cake manufacturing began.
- Within the scope of the activities carried out to comply with the regulation, MPG was removed from all product recipes, alternative raw material development activities were completed, and all product recipes were revised.
- All assortments of 8 Kek were re-launched.
- Sauce, Waffle and Pancake projects are carried out within the scope of the R&D center.
- Existing soufflé, orange soufflé, ginger – custard cream soufflé and orange roll cake works continue within the scope of the Global projects.
- Şok cakes project has reached the final phase, and product launch is to take place in February 2018.
- Activities were carried out to increase capacity in manufacturing;
 - O'lala Bar 4.5%
 - Choco Chocolate %12.5%
 - Dancake Wet Cake 13.5%
- Downsize and Upsize activities were carried out.
- Alternative raw material activities were carried out while TL 2,239,287 financial return was gained.
- Sauce production line was launched, and activities continue to develop alternatives for the sauces purchased from external resources.
- Process improvement activities were carried out;
 - Selective back placement on the 2nd line
 - Process additions and improvements on the new sauce production lines
 - Gebze mini soufflé process improvement
 - Pancake production line was turned into a controlled room

Chocolate Quality Assurance 2017

The quality focus points for 2017 were determined in accordance with our factory quality results in 2016, and quality operations in line with these focus points were conducted. Our focus points are:

- Completing Quality Index with 100 points.
- To conduct risk analyses on food defense and to define priority action points
- To reduce costs associated with poor quality
- To increase quality awareness in operators
- To decrease the number of notifications from customers about foreign substances
- To increase quality awareness at FAZ 3 facilities through efforts in operational excellence and to complete quality process
- To apply Zero Defect hand book revisions and to complete trainings

Our success in unannounced AIB inspections:

The last 12 inspections carried out at the Ülker Çikolata facility very successful and found no threats that could jeopardize food safety. Internal inspections undertaken across the factory within the scope of food safety continue to be carried out by inspector teams according to a set schedule. Project operations on food safety carried out throughout the chain, from raw materials to consumer, has positively affected our business output.

Zero Defect Trainings

The Zero-Defect Trainings began in 2015 with six internal trainers. The trainings, which can be completed in three modules, continued in 2017. Internal trainers provided sessions on zero defect, quality and food safety to 400 operators for a total of seven hours in two different modules. The efficiency of the training was measured with a test at the conclusion of the training, in addition to a production line test. Successful operators received a Zero Defect certificate. In total, 546 workers received four hours of zero-defect training, with the training efficiency measured by the trainers.

Audits

Ülker Çikolata consistently produces “Delicious, Healthy and Trusted” products of superior quality, in compliance with applicable laws and regulations, and under stringent hygienic conditions. Accordingly, the Company completed to audit the following certifications successfully:

- ISO 27001: Information Security Management System
- IFS Food: International Food Standard
- ISO 9001:2015 Quality Management Systems
- ISO 22000 2015 Food Safety Management Systems
- BRC7: Food Technical Standard
- AIB: American Institute of Baking, Precaution and Food Safety
- Halal 22000: Halal Food Certificate
- GMP Audit (Best Manufacturing Implementations)
- KOSHER
- TSE
- GODIVA

Chocolate R&D

Ülker Çikolata R&D continues its work in four different categories: Coated Products; Solid-Spread Cocoa and Cocoa Products, Dragee and PL products, Packaging Development and Design. The Ülker Çikolata R&D department was engaged in a total of 650 projects directed towards new product development, cost improvement, alternative raw materials, and process quality improvement, packaging development in Ülker Çikolata, Önem Gıda, Ülker Çikolata Silivri, Biskot Karaman. In 2016, as part of an initiative to develop projects in line with customer needs and emerging trends, a total of 94 products were launched. These included new products, changes in the weight of the products and line extension, Multi Pack packaging studies and global products. In addition to the new products launched, system infrastructure works required for moving 84 different bayram (religious holiday) and Godiva products from Topkapı to Silivri, were completed. In 2017, in addition to the products promoted for the national market, products were developed for various international markets, USA, UK, China, Japan, and Saudi Arabia in particular. Godiva Masterpieces' line of products was launched with 54 SKUs in 7 different countries. 3 SKU product launch was completed with Godiva 300g tablet project. A line of Godiva 90 g tablets was completed in 2017, and product launch is planned for the 1st quarter of 2018. Godiva Belgian dough match was completed at Önem Gıda, and dough transition was made in markets apart from UK and Europe. In addition to the McVities Nibbles product launch in 2 different packagings for Nordic and France, the same product with different SKUs was also launched in China, Australia and the Middle East in 2017. Godiva Chocolate Dome product launch was made at Ülker Çikolata Silivri factory. In the framework of the works with EksperGıda in out-of-home consumption channel, in order to respond to the competition in the market, 5 different products were added to our portfolio as a result of the activities carried out under the line of No 2 products. Within the scope of cost reduction activities, a total saving potential of TL 12.4 million was created at the Ülker Çikolata, Önem Gıda and Ülker Çikolata Silivri factories as a consequence of the activities like finding alternative raw materials, process development, and packaging development. As part of new product development and cost improvement in existing products, we carried out studies in coordination with the Northstar Department of Consumer Technical Research, and we conducted 21 consumer tests, ten QDA surveys and a QSI test, a new research method. As part of new product development and in relation to existing products, a total of 112 difference test surveys were conducted with employees who were selected as panelists from the Ülker Çikolata Silivri and Ülker Çikolata factories. Packaging R&D Executive Gökhan Karasu attended and spoke in two different congresses; European Packaging Congress and Packaging Excellence Congress.

SOCIAL RESPONSIBILITY

Perceiving Sabri Ülker's motto "We believe everyone has the right to have a nice childhood no matter where they live on this world." as a source of inspiration in every field, Ülker Bisküvi builds all its social responsibility projects on the main theme of "children and happiness". Having witnessed dozens of generations grow up since 1944, Ülker has had awareness and continuity in the field of social responsibility as a consequence of its rooted history. Thanks to the projects carried out under three major topics; sports, culture & arts, and balanced diet trainings, our Company contributes to physical, social, cultural and mental development of children. Having reached approximately 7 million children in the last decade with projects like Ülker Children Movie Festival, Ülker Children Art Studio and Balanced Diet; Ülker continues to work for a happier future generation. Ülker Bisküvi has supported multi-dimensional development of more than 330 thousand children with the children's football projects organized between 2007 and 2016.

Ülker Children's Art Workshop

Thinking that art has a significant role for children to have the courage to make their dreams come true, Ülker believes that; art, just like sports, is one of the most important tools for children to express themselves, and that; individuals who can express themselves are the foundation of a happy society and future. Being aware of the fact that art is a road to happiness, Ülker supports projects which would help children meet arts and develop an esthetic approach at a young age. Founded with the aim of helping children develop love of art at a young age and become art enthusiasts, Ülker Children's Art Studio has offered thousands of children the opportunity to meet contemporary art in different platforms at the Art Beat Istanbul Contemporary Art Expo every year since 2011. In these workshops, children also have the opportunity to meet the famous artists of the era, and to benefit from their artistic experience. With richer content every year, Ülker Children Art Studio so far has given approximately 17,000 children the opportunity to meet art.

Istanbul Modern Your Thursday

With the aim of making art, which is a crucial aspect in social development, more accessible, Ülker carries out "Your Thursday" project in collaboration with Istanbul Modern, *one of the important contemporary art museums in Turkey*. Within the scope of the project, Istanbul Modern opens its doors every Thursday free of charge to all its visitors for longer hours so that art enthusiasts can visit all exhibitions and see film shows at Istanbul Modern free of charge on Thursdays from 10.00 to 20.00.

Print Museum Free Tuesday Project

Ülker Bisküvi carries out the Free Tuesday project in collaboration with the Print Museum, which was founded in 2010 in Bayburt, and developed in a short period of time to receive The Best Museum In Europe award.

Balanced Diet Project

Creating the most comprehensive and nutrition education program in Turkey, the Sabri Ülker Foundation reaches out to children with the Balanced Diet Project, in order that they may comprehend the importance of a balanced diet from school age. The Balanced Diet Training Project was put into practice in 2011 with the aim of "contributing to developing healthy lifestyle awareness", which is one of the key missions of Sabri Ülker Foundation. With its main message "You can eat anything in a balanced manner. All you have to do is to learn how to make a balance.", the Balanced Diet project aims to develop a balanced eating and healthy lifestyle habit in children. In 7 years, the Balanced Diet Project has reached more than 6 million children, teachers, and parents in 10 cities (Istanbul, Izmir, Aydın, Gaziantep, Kahramanmaraş, Trabzon, Sinop, Kayseri, Antalya, and Erzurum).

PART I- CORPORATE GOVERNANCE PRINCIPLES: COMPLIANCE STATEMENT

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

Reasons for the Corporate Governance Principles that are not implemented:

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

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

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

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

There are no female members in the Board of Directors.

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

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

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

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

PART II – SHAREHOLDERS

2.1 INVESTOR RELATIONS UNIT

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

Serkan Aslıyüce- Finance Director
Tel: +90 216 524 25 56
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Verda Beste Taşar-Director of Investment Relations
Tel: +90 216 524 25 56
Fax: 0 216 316 43 44
beste.tasar@ulker.com.tr
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The Unit processes any and all written or online inquiries submitted by our shareholders and attends all local and international investor conferences.

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

2.2 SHAREHOLDERS' RIGHT TO INFORMATION

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

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

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

2.3. GENERAL ASSEMBLY MEETINGS

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

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

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

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

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

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

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

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

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

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

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

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

2.4. VOTING AND MINORITY RIGHTS

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

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

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

2.5. DIVIDEND RIGHTS

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

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

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

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

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

2.6. SHARE TRANSFER

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

PART III – PUBLIC DISCLOSURE AND TRANSPARENCY

3.1. COMPANY'S WEBSITE AND CONTENTS THEREOF

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

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

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

3.2. ANNUAL REPORT

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

PART IV – STAKEHOLDERS

4.1. INFORMATION TO STAKEHOLDERS

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

4.2. PARTICIPATION OF STAKEHOLDERS IN MANAGEMENT

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

4.3. HUMAN RESOURCES POLICY

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

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

4.4. CODE OF CONDUCT AND SOCIAL RESPONSIBILITY

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

PART V – BOARD OF DIRECTORS

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

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

Murat ÜLKER

Chairman

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

Mehmet TÜTÜNCÜ

Deputy Chairman - CEO

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

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

Ali ÜLKER

Board Member

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

Ahmet ÖZOKUR**Board Member**

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

İbrahim TAŞKIN**Board Member**

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

Cengiz SOLAKOĞLU**Board Member**

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

Ahmet Murat YALNIZOĞLU**Board Member (Independent)**

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

Halil Bülent ÇORAPÇI**Board Member (Independent)**

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

Mehmet Aydın MÜDERRİSOĞLU**Board Member (Independent)**

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

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

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

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

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

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

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

5.2. RULES OF CONDUCT OF THE BOARD OF DIRECTORS

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

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

www.ulkerbiskuvi.com.tr.

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

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

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

AUDIT COMMITTEE

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

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

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

CORPORATE GOVERNANCE COMMITTEE:

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

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

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

RISK COMMITTEE

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

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

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

5.4. RISK MANAGEMENT AND INTERNAL AUDIT MECHANISM

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

5.5. STRATEGIC OBJECTIVES OF THE COMPANY

Mission, Vision, and Strategic Objectives of the Company

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

5.6. REMUNERATION

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

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

RISK MANAGEMENT

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

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

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

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

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

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

INVESTOR RELATIONS

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

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

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

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

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

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

Tasks of the Unit are as follows:

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

OTHER ISSUES

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

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

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

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

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

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

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

N/A.

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

N/A.

STATEMENT OF RESPONSIBILITY REGARDING THE ANNUAL REPORT

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

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

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

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

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

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

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

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

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

SUBSIDIARY COMPANY REPORT RESULTS

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

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



**CONVENIENCE TRANSLATION INTO ENGLISH OF
INDEPENDENT AUDITOR'S REPORT
ON THE BOARD OF DIRECTORS' ANNUAL REPORT
ORIGINALLY ISSUED IN TURKISH**

To the General Assembly of Ülker Bisküvi Sanayi A.Ş.

1. Opinion

We have audited the annual report of Ülker Bisküvi Sanayi A.Ş. (the "Company") and its subsidiaries (collectively referred to as the "Group") for the 1 January - 31 December 2017 period.

In our opinion, the financial information and the analysis made by the Board of Directors by using the information included in the audited financial statements regarding the Group's position in the Board of Directors' Annual Report are consistent and presented fairly, in all material respects, with the audited full set consolidated financial statements and with the information obtained in the course of independent audit.

2. Basis for Opinion

Our independent audit was conducted in accordance with the Independent Standards on Auditing that are part of the Turkish Standards on Auditing (the "TSA") issued by the Public Oversight Accounting and Auditing Standards Authority ("POA"). Our responsibilities under those standards are further described in the Auditor's Responsibilities in the Audit of the Board of Directors' Annual Report section of our report. We hereby declare that we are independent of the Group in accordance with the Ethical Rules for Independent Auditors (the "Ethical Rules") and the ethical requirements regarding independent audit in regulations issued by POA that are relevant to our audit of the financial statements. We have also fulfilled our other ethical responsibilities in accordance with the Ethical Rules and regulations. We believe that the audit evidence we have obtained during the independent audit provides a sufficient and appropriate basis for our opinion.

3. Our Audit Opinion on the Full Set Consolidated Financial Statements

We expressed an unqualified opinion in the auditor's report dated 6 March 2018 on the full set consolidated financial statements for the 1 January - 31 December 2017 period.

4. Board of Director's Responsibility for the Annual Report

Group management's responsibilities related to the annual report according to Articles 514 and 516 of Turkish Commercial Code ("TCC") No. 6102 and Capital Markets Board's ("CMB") Communiqué Serial II, No:14.1, "Principles of Financial Reporting in Capital Markets" (the "Communiqué") are as follows:

- a) to prepare the annual report within the first three months following the balance sheet date and present it to the general assembly;

- b) to prepare the annual report to reflect the Group's operations in that year and the financial position in a true, complete, straightforward, fair and proper manner in all respects. In this report financial position is assessed in accordance with the financial statements. Also in the report, developments and possible risks which the Group may encounter are clearly indicated. The assessments of the Board of Directors in regards to these matters are also included in the report.
- c) to include the matters below in the annual report:
- events of particular importance that occurred in the Company after the operating year,
 - the Group's research and development activities,
 - financial benefits such as salaries, bonuses, premiums and allowances, travel, accommodation and representation expenses, benefits in cash and in kind, insurance and similar guarantees paid to members of the Board of Directors and senior management.

When preparing the annual report, the Board of Directors considers secondary legislation arrangements enacted by the Ministry of Customs and Trade and other relevant institutions.

5. Independent Auditor's Responsibility in the Audit of the Annual Report

Our aim is to express an opinion and issue a report comprising our opinion within the framework of TCC and Communiqué provisions regarding whether or not the financial information and the analysis made by the Board of Directors by using the information included in the audited financial statements in the annual report are consistent and presented fairly with the audited consolidated financial statements of the Group and with the information we obtained in the course of independent audit.

Our audit was conducted in accordance with the TSAs. These standards require that ethical requirements are complied with and that the independent audit is planned and performed in a way to obtain reasonable assurance of whether or not the financial information and the analysis made by the Board of Directors by using the information included in the audited financial statements in the annual report are consistent and presented fairly with the audited consolidated financial statements and with the information obtained in the course of audit.

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



Mert Tüten, SMMM
Partner

İstanbul, 6 Mart 2018

**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
INDEPENDENT AUDITOR'S REPORT
ORIGINALLY ISSUED IN TURKISH**

INDEPENDENT AUDITOR'S REPORT

To the General Assembly of Ülker Bisküvi Sanayi A.Ş.

A. Audit of the Consolidated Financial Statements

1. Opinion

We have audited the accompanying consolidated financial statements of Ülker Bisküvi Sanayi A.Ş. (the "Company") and its subsidiaries (collectively referred to as the "Group"), which comprise the consolidated statement of financial position as at 31 December 2017 and the consolidated statement of profit or loss, consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended and the notes to the consolidated financial statements and a summary of significant accounting policies and consolidated financial statement notes.

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of the Group Company as at 31 December 2017, and its financial performance and its cash flows for the year then ended in accordance with Turkish Accounting Standards ("TAS").

2. Basis for Opinion

Our audit was conducted in accordance with the Standards on Independent Auditing (the "SIA") that are part of Turkish Standards on Auditing issued by the Public Oversight Accounting and Auditing Standards Authority (the "POA"). Our responsibilities under these standards are further described in the "Auditor's Responsibilities for the Audit of the Consolidated Financial Statements" section of our report. We hereby declare that we are independent of the Group in accordance with the Ethical Rules for Independent Auditors (the "Ethical Rules") and the ethical requirements regarding independent audit in regulations issued by POA that are relevant to our audit of the financial statements. We have also fulfilled our other ethical responsibilities in accordance with the Ethical Rules and regulations. We believe that the audit evidence we have obtained during the independent audit provides a sufficient and appropriate basis for our opinion.

3. Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. Key audit matters were addressed in the context of our independent audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key audit matters	How our audit addressed the key audit matter
Fair value of available-for-sale financial assets As disclosed in Note 6, the companies conducting operations for Godiva brand are included in financial investments. These investments amounting to TRY 934 million were accounted at their fair value in the Group's consolidated financial statements and there are no active market for these financial investments. The fair values of these financial investments were calculated by an independent valuation company using discounted cash flows and were checked with the comparable company method. Reasons why we focused on this topic: - the fair value calculation includes data that cannot be easily observed in the market, the calculation depends on the growth rate, the weighted average cost of capital estimations (Note 2.5) and the achievement of projections for the next five years, - significance of financial assets in consolidated financial statements.	We determined that these financial investments were made based on the main areas of activity (USA, Canada and Other) of discounted cash flows, in US dollars and using growth rates and the weighted average cost of capital. The technical competency and independence of the valuation company that conducted the work was assessed by checking the relevant licenses. We, together with PwC Turkey valuation experts, communicated with experts from the independent valuation company and examined the valuation method and variables. Together with PwC experts, we determined that variables included in the calculation methods for the weighted average cost of capital rates are within the acceptable range in comparison with economic and financial data and comparable companies in the region. The reasonableness of the growth rates used was assessed by comparing the rates with the economic data for the relevant regions, and no inconsistency was detected. We obtained projections for the next five years based on the main activity areas and discussed their feasibility with Group management. We learned the status of specific region-based projects in estimations and assessed their impact on projections. We compared the previous business models with the current business models, determined the reasons for differences and, together with Group management, examined their affects on future models. We performed an analysis to test the sensitivity amounts of fair value work in scenarios with poor estimations. In our audit, we found no fair value change in calculated value which does not reasonable. We checked the mathematical accuracy of the fair value calculation and found no mistakes. We checked the sufficiency of the disclosure notes.

Key audit matters	How our audit addressed the key audit matter
Business combinations involving entities or businesses under common control As disclosed in Note 3, the Company acquired the Central Asia and Northern Africa operations of United Biscuits, a subsidiary of the ultimate parent company Yıldız Holding A.Ş. Considered a business combination under common control, this transaction was recognised as per relevant reporting standards and resolutions. As of 31 December 2017, the values recognised at ultimate parent's consolidated financial statements resulting from previous acquisition, including goodwill amounting to TRY 244 million and reacquired rights amounting to TRY 150 million, were accounted in the Group consolidated financial statements. Reasons why we focused on this topic: • the significance of the amounts in the consolidated financial statements which were accounted as goodwill, reacquired rights and fund as under common control in the equity; • important estimations such as weighted average cost of capital, growth rates and projections, which were made during the allocation of the purchase price of the business combination at the ultimate parent company level, and if these estimations had been different, the amount on the consolidated financial statements would have changed significantly.	We assessed the compliance of the relevant accounting transactions with TFRS with PwC Turkey TFRS technical teams. We examined the allocation of the purchase price, which was performed at the ultimate parent company, together with the PwC Turkey valuation experts. We examined work related with the distribution of operations purchased by the Group and together with PwC experts compared estimations with economic and financial activities in the region. We paid special attention to ensuring that these assessments included variables in the first acquisition process at the ultimate parent company level. We checked if the variables included in calculation methods for weighted average cost of capital are within acceptable ranges. The reasonableness of the growth rates used was assessed by comparing the rates with the economic data for the relevant regions. We examined the feasibility of the projections with Company management by comparing the projections with previous financial performance and current evaluations. We checked the mathematical accuracy of calculations and found no exception. We checked the sufficiency of the disclosure notes. We did not detect any inconsistency during our work.

Key audit matters	How our audit addressed the key audit matter
Fair value of buildings and land As disclosed in the Notes 2 and 13, the Group began to carry its land and buildings at their fair value as of 31 December 2017. The fair value of land and buildings in consolidated financial statements is TRY 731 million as of 31 December 2017, and TRY 654 million was recognised under equity as a change in fair value. Land and buildings were valued at the fair value reflecting market conditions on the balance sheet date, in line with valuations reports obtained from licensed real estate valuation companies as per the provisions of capital markets legislation. Fair values were determined based on a method comparing the existing price of comparable real estate which was leased out or sold and located near the real estate in question. Reasons why we focused on this topic are, significance of fair values in the consolidated financial statements and; their values were determined via estimations (room for negotiation, location adjustment, etc.)	The technical competency and independence of the valuation company that conducted the work was assessed by checking the relevant licenses, agreements and statements. The valuation work prepared for each property was obtained, and audit work was performed on valuation reports related to properties with significant fair value increases. The carrying value of relevant property were checked for the accuracy of the increases in fair value. The accuracy of the valuation method was checked against the usage purpose of relevant property. Square meter areas used in fair value calculations were checked against the real estate title deeds. Various values used in average comparable value calculations by the valuation company were selected using the sampling method and compared with market values. Sensitivities created using estimations such as room for negotiation and location adjustment to the total value were assessed. Fair values in the valuation report were compared with the notes to assess if the values in notes and accounting records are consistent with the valuation report and the disclosure notes are sufficient in terms of TAS. We did not detect any significant inconsistency during our work.



4. Responsibilities of Management and Those Charged with Governance for the Consolidated Financial Statements

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

In preparing the consolidated financial statements, management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Group's Company's financial reporting process.

5. Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Responsibilities of independent auditors in an independent audit are as follows:

Our aim is to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an independent auditor's report that includes our opinion. Reasonable assurance expressed as a result of an independent audit conducted in accordance with SIA is a high level of assurance but does not guarantee that a material misstatement will always be detected. Misstatements can arise from fraud or error. Misstatements are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an independent audit conducted in accordance with SIA, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement in the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Assess the internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.



- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our independent auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence. We also communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.



B. Other Responsibilities Arising From Regulatory Requirements

1. No matter has come to our attention that is significant according to subparagraph 4 of Article 402 of Turkish Commercial Code ("TCC") No. 6102 and that causes us to believe that the Company's bookkeeping activities concerning the period from 1 January to 31 December 2017 period are not in compliance with the TCC and provisions of the Company's articles of association related to financial reporting.
2. In accordance with subparagraph 4 of Article 402 of the TCC, the Board of Directors submitted the necessary explanations to us and provided the documents required within the context of our audit.
3. In accordance with subparagraph 4 of Article 398 of the TCC, the auditor's report on the early risk identification system and committee was submitted to the Company's Board of Directors on 6 March 2018.

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

A handwritten signature in blue ink, appearing to read "Mert Tüten", is positioned above the printed name and title.

Mert Tüten, SMMM
Partner

İstanbul, 6 March 2018

**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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**CONVENIENCE TRANSLATION INTO ENGLISH OF CONSOLIDATED FINANCIAL STATEMENTS
ORIGINALLY ISSUED IN TURKISH
ÜLKER BİSKÜVİ SANAYİ A.Ş. AND ITS SUBSIDIARIES
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.

**CONVENIENCE TRANSLATION INTO ENGLISH OF CONSOLIDATED FINANCIAL STATEMENTS
ORIGINALLY ISSUED IN TURKISH
ÜLKER BİSKÜVİ SANAYİ A.Ş. AND ITS SUBSIDIARIES
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

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

CONVENIENCE TRANSLATION INTO ENGLISH OF CONSOLIDATED FINANCIAL STATEMENTS ORIGINALLY
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

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

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

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

CONVENIENCE TRANSLATION INTO ENGLISH OF CONSOLIDATED FINANCIAL STATEMENTS ORIGINALLY ISSUED IN TURKISH
ÜLKER BİSKÜVİ SANAYİ A.Ş. AND ITS SUBSIDIARIES
CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY FOR THE YEAR ENDED 31 DECEMBER 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.

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

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

CONVENIENCE TRANSLATION INTO ENGLISH OF CONSOLIDATED FINANCIAL STATEMENTS

ORIGINALLY ISSUED IN TURKISH

ÜLKER BİSKÜVİ SANAYİ A.Ş. AND ITS SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2017

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

1. ORGANIZATION AND OPERATIONS OF THE GROUP

Ülker Bisküvi Sanayi A.Ş. (“the Company”) and its subsidiaries (all together “the Group”), comprises of the parent Ülker Bisküvi Sanayi A.Ş. (“the Company”) and 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.

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

ÜLKER BİSKÜVİ SANAYİ A.Ş. AND ITS SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2017

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

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")

**CONVENIENCE TRANSLATION INTO ENGLISH OF CONSOLIDATED FINANCIAL STATEMENTS
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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2017**
(Amounts expressed in Turkish Lira (TL) unless otherwise stated.)

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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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2017**
(Amounts expressed in Turkish Lira (TL) unless otherwise stated.)

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.

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.

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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.

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

Movement of Unused Vacation Provision

	2017	2016
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

Movement of Performance Premium Provision

	2017	2016
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

	31 December 2017	31 December 2016	31 December 2015
Long Term Liabilities for Employee Benefits			
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	Amount	31 December	Amount	31 December
		2017 Share		2016 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:

	<u>31 December 2017</u>	<u>31 December 2016</u>	<u>31 December 2015</u>	<u>31 December 2017</u>	<u>31 December 2016</u>	<u>31 December 2015</u>
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:

	<u>2017</u>	<u>2016</u>
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	<u><u>75.260.975</u></u>	<u><u>52.264.134</u></u>

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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				Deposit in Bank	Derivative instruments
	Trade Receivables		Other Receivables			
	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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35. NATURE AND LEVEL OF RISKS DERIVED FROM FINANCIAL INSTRUMENTS (cont'd)

(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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(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.