

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

**CONVENIENCE TRANSLATION INTO ENGLISH OF
CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2014
TOGETHER WITH INDEPENDENT AUDITOR'S REPORT**

(ORIGINALLY ISSUED IN TURKISH)



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

INDEPENDENT AUDITOR'S REPORT

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

Report on the Consolidated Financial Statements

1. We have audited the accompanying consolidated financial statements of Ülker Bisküvi Sanayi A.Ş. (the "Company") and its subsidiaries (collectively referred to as the "Group"), which comprise the consolidated balance sheet as at 31 December 2014 and the consolidated statement of profit or loss, consolidated statement of other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the period then ended and a summary of significant accounting policies and other explanatory notes.

Management's Responsibility for the Consolidated Financial Statements

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

Independent Auditor's Responsibility

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

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

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



Opinion

4. In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of Ülker Bisküvi Sanayi A.Ş. and its subsidiaries as at 31 December 2014 and their financial performance and cash flows for the period then ended in accordance with Turkish Accounting Standards.

Other Responsibilities Arising From Regulatory Requirements

5. In accordance with subparagraph 4 of Article 398 of the Turkish Commercial Code ("TCC") No: 6102; auditor's report on the early risk identification system and committee has been submitted to the Company's Board of Directors on 4 March 2015.
6. In accordance with subparagraph 4 of Article 402 of the TCC; no significant matter has come to our attention that causes us to believe that the Company's bookkeeping activities for the period 1 January - 31 December 2014 is not in compliance with the code and provisions of the Company's articles of association in relation to financial reporting.
7. In accordance with subparagraph 4 of Article 402 of the TCC; the Board of Directors submitted to us the necessary explanations and provided required documents within the context of audit.

Başaran Nas Bağımsız Denetim ve
Serbest Muhasebeci Mali Müşavirlik A.Ş.
a member of
PricewaterhouseCoopers

Mert Tüten, SMMM
Partner

Istanbul, 4 March 2015

**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 2014**

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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 YEAR ENDED 31 DECEMBER 2014**

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

ASSETS	Notes	Audited Current Year 2014	Reclassified(*) Audited Previous Year 2013
Current Assets		2.037.226.487	2.128.504.531
Cash and Cash Equivalents	5	1.033.829.882	1.164.383.158
Financial Investments	6	778.877	611.476
Trade Receivables			
- Due from related parties	8-31	555.788.783	446.815.319
- Other trade receivables	8	48.053.601	201.954.749
Other Receivables			
- Due from related parties	9-31	-	3.417.357
- Other receivables	9	13.676.676	23.721.543
Inventories	10	212.335.266	198.321.733
Prepaid Expenses	18	129.778.124	47.436.206
Current Income Tax Assets	29	239.096	1.879.695
Other Current Assets	20	42.746.182	39.963.295
Non-Current Assets		1.150.964.524	1.033.447.409
Financial Investments	6	529.047.891	464.661.239
Trade Receivables			
- Due from related parties	8-31	5.016.739	-
Other Receivables			
- Other receivables	9	171.384	161.464
Investment Properties	11	11.000.000	10.035.000
Tangible Assets	12	568.962.508	532.558.107
Intangible Assets	13	1.313.408	791.589
Prepaid Expenses	18	25.993.023	20.991.312
Deferred Tax Assets	29	9.455.385	4.244.512
Other Non-Current Assets		4.186	4.186
TOTAL ASSETS		3.188.191.011	3.161.951.940

(*) Restatement effects have been explained in Note 2 “Comparative Information and Restatements of Prior Period Consolidated Financial Statements”.

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STATEMENTS ORIGINALLY ISSUED IN TURKISH
ÜLKER BİSKÜVİ SANAYİ A.Ş. AND ITS SUBSIDIARIES
CONSOLIDATED BALANCE SHEET FOR THE YEAR ENDED 31 DECEMBER 2014**

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

LIABILITIES	Notes	Audited Current Year 2014	Reclassified(*) Audited Previous Year 2013
Current Liabilities		657.345.668	1.826.580.192
Short Term Financial Liabilities	7	78.154.911	150.942.003
Short Term Portion of Long Term Financial Liabilities	7	13.293.204	1.098.791.211
Trade Payables			
- Due to related parties	8-31	270.908.832	273.321.957
- Other trade payables	8	240.430.678	235.142.437
Employee Benefit Related Liabilities	19	16.818.074	17.716.822
Other Payables			
- Due to related parties	9-31	-	86.857
- Other payables	9	944.034	344.940
Current Income Tax Liabilities	29	9.354.763	11.471.653
Short Term Provisions			
- Provisions for employee benefits	17	13.144.632	14.273.061
- Other short term provisions	15	6.424.730	8.699.625
Other Current Liabilities	20	7.871.810	15.789.626
Non-Current Liabilities		1.300.876.650	67.203.301
Long Term Financial Liabilities	7	1.243.537.763	9.851.176
Long Term Provisions			
- Provisions for employee benefits	17	25.985.036	23.380.797
Deferred Tax Liabilities	29	31.199.837	33.935.757
Other Non-Current Liabilities	20	154.014	35.571
SHAREHOLDERS' EQUITY	21	1.229.968.693	1.268.168.447
Equity Attributable To Equity Holders' of the Parent		1.137.602.999	1.129.829.508
Share Capital		342.000.000	342.000.000
Inflation Adjustments to Share Capital		108.056.201	108.056.201
Other Comprehensive Income/Expense not to be Reclassified to Profit and Loss			
- Actuarial loss on post employment termination benefit obligation		(695.347)	(1.307.850)
- Investment property valuation funds		5.231.735	5.231.735
Other Comprehensive Income/Expense to be Reclassified to Profit and Loss			
- Financial assets revaluation fund		315.553.570	254.670.905
Restricted Reserves Appropriated from Profits		104.901.091	93.311.091
Retained Earnings		50.843.109	139.218.981
Net Profit for the Period		211.712.640	188.648.445
Non-Controlling Interest		92.365.694	138.338.939
TOTAL LIABILITIES AND EQUITY		3.188.191.011	3.161.951.940

**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 YEAR ENDED 31 DECEMBER 2014**

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

	<u>Notes</u>	<u>Audited Current Year 2014</u>	<u>Audited Previous Year 2013</u>
Revenue	22	2.891.213.747	2.748.370.545
Cost of Sales (-)	22	(2.283.561.429)	(2.115.060.273)
GROSS PROFIT FROM OPERATIONS		607.652.318	633.310.272
Research Expenses (-)	23-24	(13.742.311)	(13.396.585)
Marketing, Sales and Distribution Expenses (-)	23-24	(235.291.046)	(262.511.713)
General Administrative Expenses (-)	23-24	(81.228.841)	(94.030.049)
Other Operating Income	25	145.130.207	134.856.075
Other Operating Expenses (-)	25	(137.187.910)	(85.624.362)
OPERATING PROFIT FROM MAIN OPERATION		285.332.417	312.603.638
Income from Investment Activities	26	150.657.615	230.266.350
Expenses from Investment Activities (-)	26	(51.406.324)	(23.589.386)
OPERATING PROFIT BEFORE FINANCIAL INCOME AND EXPENSES		384.583.708	519.280.602
Financial Income	27	94.703.126	52.271.455
Financial Expenses (-)	28	(216.063.073)	(292.435.753)
PROFIT BEFORE TAX		263.223.761	279.116.304
Tax Expense	29	(28.239.049)	(51.785.743)
Tax on Income (-)		(41.941.707)	(51.860.071)
Deferred Tax Income		13.702.658	74.328
PROFIT FOR THE YEAR		234.984.712	227.330.561
Distribution of the Profit for the Year			
Non-Controlling Interest		23.272.072	38.682.116
Equity Holders of the Parent		211.712.640	188.648.445
Earnings per share	30	0,62	0,55

**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 YEAR
ENDED 31 DECEMBER 2014**

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

	Audited Current Year 2014	Audited Previous Year 2013
PROFIT FOR THE YEAR	234.984.712	227.330.561
Other Comprehensive Income:		
Items not to be Reclassified Under Profit and Loss	876.306	(14.747.639)
Change in Revaluation Funds of Investment Property	-	(15.415.613)
Actuarial Gain on Post Employment Termination Benefit Obligation	1.095.383	817.330
Deferred Tax Effect	(219.077)	(149.356)
Items to be Reclassified Under Profit and Loss	61.207.482	131.531.094
Change in Revaluation Funds of Financial Assets	64.428.928	138.453.783
Deferred Tax Effect	(3.221.446)	(6.922.689)
OTHER COMPREHENSIVE INCOME	62.083.788	116.783.455
TOTAL COMPREHENSIVE INCOME	297.068.500	344.114.016
Distribution of Total Comprehensive Income		
Non-Controlling Interest	23.573.488	38.710.326
Equity Holders of the Parent	273.495.012	305.403.690

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ÜLKER BİSKÜVİ SANAYİ A.Ş. AND ITS SUBSIDIARIES
CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY FOR THE YEAR ENDED 31 DECEMBER 2014**

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

	Accumulated Other Comprehensive Income To Be Reclassified Under Profit And Loss		Other Comprehensive Income Not To Be Reclassified Under Profit And Loss			Accumulated Profit					
	Share Capital	Inflation Adjustments to Share Capital	Financial Assets Valuation Fund	Investment Property Valuation Fund	Actuarial Loss on post Employment Termination Benefit Obligation	Restricted Reserves Appropriated from Profits	Net Profit for the Year	Retained Earnings	Equity Attributable to Equity Holders of the Parent	Non Controlling Interest	Total Equity
As of 1 January 2013	342.000.000	108.056.201	123.114.916	20.637.311	(1.912.682)	53.731.090	166.968.003	144.856.449	957.451.288	122.302.124	1.079.753.412
Total comprehensive income	-	-	131.555.989	(15.405.576)	604.832	-	188.648.445	-	305.403.690	38.710.326	344.114.016
Dividend paid	-	-	-	-	-	-	-	(150.000.000)	(150.000.000)	(22.673.511)	(172.673.511)
Sales of investment property	-	-	-	-	-	-	-	15.405.576	15.405.576	-	15.405.576
Transactions under common control (*)	-	-	-	-	-	-	-	1.568.954	1.568.954	-	1.568.954
Transfer	-	-	-	-	-	39.580.001	(166.968.003)	127.388.002	-	-	-
As of 31 December 2013	342.000.000	108.056.201	254.670.905	5.231.735	(1.307.850)	93.311.091	188.648.445	139.218.981	1.129.829.508	138.338.939	1.268.168.447
As of 1 January 2014	342.000.000	108.056.201	254.670.905	5.231.735	(1.307.850)	93.311.091	188.648.445	139.218.981	1.129.829.508	138.338.939	1.268.168.447
Total comprehensive income	-	-	60.882.665	-	899.707	-	211.712.640	-	273.495.012	23.573.488	297.068.500
Dividend paid	-	-	-	-	-	-	-	(133.000.000)	(133.000.000)	(6.249.993)	(139.249.993)
Transactions under common control (**)	-	-	-	-	9.844	-	-	6.488.658	6.498.502	(2.370.263)	4.128.239
Transaction with non-controlling interest (***)	-	-	-	-	(297.048)	-	-	(138.922.975)	(139.220.023)	(60.926.477)	(200.146.500)
Transfer	-	-	-	-	-	11.590.000	(188.648.445)	177.058.445	-	-	-
As of 31 December 2014	342.000.000	108.056.201	315.553.570	5.231.735	(695.347)	104.901.091	211.712.640	50.843.109	1.137.602.999	92.365.694	1.229.968.693

(*) On 18 February 2013, the Group acquired 100% stake in Reform Gıda Paz. San. ve Tic. A.Ş., from Yıldız Holding A.Ş. as “transaction under common control” and the Group has started to consolidate Reform Gıda A.Ş. since 1 January 2013. Public Oversight Accounting and Auditing Standards Authority (“POAASA”) Turkish Accounting Standards Boards has published principal related with transaction under common control in official journal as of 21 July 2013. In accordance with the publication, transaction under common controls have to perform in accordance with “Pooling of Interest Method” by restating previous year financials. The Group has decided not to restate previous year financial statements by considering acquired company size and monetary value of purchase.

(**) Consist of İstanbul Gıda Dış Ticaret A.Ş., Birleşik Dış Ticaret A.Ş., and Rekor Gıda Pazarlama A.Ş.’s disposal (Note 35).

(***) The acquisition of 30,4 % shares of Biskot Bisküvi Gıda San. Ve Tic. A.Ş and the acquisition of 1,7 % shares of Atlas Gıda Pazarlama San. ve Tic. A.Ş. (Note 1).

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ÜLKER BİSKÜVİ SANAYİ A.Ş. AND ITS SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS FOR THE YEAR ENDED
31 DECEMBER 2014**

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

	Notes	Audited Current Year 2014	Reclassified Audited Previous Year 2013
CASH FLOWS FROM OPERATING ACTIVITIES			
Net profit for the year		234.984.712	227.330.561
Adjustments to reconcile net profit / (loss) to net cash provided by operating activities			
- Depreciation expenses of tangible assets	12	54.109.974	51.519.567
- Amortization expenses of intangible assets	13	385.343	266.387
- Effect of change in useful life	12	-	(6.632.229)
- Losses from sale of investment property	11	-	3.526.906
- Revaluation of investment property	11	(965.000)	(220.000)
- Financial investment valuation	26	(167.401)	-
- Allowance for doubtful receivables	8	483.732	37.454
- Provision for employment benefits	17	13.839.633	11.010.330
- Provision for unused vacation	17	6.666.727	5.904.252
- Performance premium provision	17	7.859.873	7.928.849
- Provision for lawsuits	15	721.217	13.979
- Reversal of provision for sales return	15	(2.568.884)	(3.075.479)
- Discount expense		966.720	1.665.624
- Change in foreign currency and interest expense of financial liabilities		119.287.443	238.815.084
- Gain on sale of derivative financial instruments		-	(8.101.398)
- Loss/(Gain) on sale of tangible and intangible assets (net)	26	1.097.300	(15.098.740)
- Provision for inventory allowance	10	1.203.188	240.539
- Rent income	26	(7.666.682)	(7.373.538)
- Dividend income	26	(565.293)	(434.426)
- Change in foreign currency from investment activity (net)	26	(61.128.500)	(149.280.945)
- Interest income	26	(29.855.715)	(37.794.133)
- Tax provision	29	28.239.049	51.785.743
Net Operating cash flows provided before changes in working capital		366.927.436	372.034.387
- Increase in trade receivables		(1.425.889)	(38.269.837)
- Increase in trade receivables from related parties		(38.056.146)	(15.070.255)
- Increase in inventories		(19.174.653)	(12.413.117)
- Increase in other receivables and other current assets		(84.651.142)	(48.723.096)
- Increase in trade payables		13.504.411	11.181.664
- Increase in trade payables to related parties		19.892.865	26.044.056
- Increase/(Decrease) in other payables and liabilities		3.288.969	(3.116.119)
Net cash generated from operations		260.305.851	291.667.683
- Taxes paid	29	(42.417.998)	(41.951.377)
- Employment termination benefit paid	17	(9.531.814)	(7.166.143)
- Performance premium paid	17	(5.291.728)	(6.756.183)
- Lawsuits provision paid	15	(495.473)	(343.801)
- Collections from doubtful trade receivables	8	6.324	108.647
Net cash generated from operating activities		202.575.162	235.558.826

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ÜLKER BİSKÜVİ SANAYİ A.Ş. AND ITS SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS FOR THE YEAR ENDED
31 DECEMBER 2014**

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

	Notes	Audited Current Year 2014	Reclassified Audited Previous Year 2013
CASH FLOWS FROM INVESTING ACTIVITIES			
- Acquisitions of tangible assets	12	(95.255.551)	(77.769.003)
- Acquisitions of intangible assets	13	(497.352)	(149.765)
- Proceeds from sales of tangible and intangible assets		1.690.714	41.875.605
- Proceeds from sales of investment properties	11	-	17.118.094
- Proceeds from sales of subsidiaries	35	35.751.007	-
- Acquisitions of shares of subsidiary		(200.146.500)	-
- Change in non-trade receivables from related parties		65.417.865	277.261.804
- Rent income	26	7.666.682	7.373.538
- Dividend income	26	565.293	434.426
- Interest received	26	29.855.715	37.794.133
- Change in financial assets		-	2.351.540
Net cash generated from investing activities		(154.952.127)	306.290.372
CASH FLOWS FROM FINANCING ACTIVITIES			
- Loan repayment		(990.972.348)	(656.893.019)
- Proceeds from sales of derivative financial instruments		-	7.691.849
- Loans acquired		1.381.107.672	250.772.377
- Change in leasing liabilities		(5.259.383)	(7.015.992)
- Dividends paid	21	(139.249.993)	(172.673.511)
- Interest paid		(41.270.611)	(66.909.391)
- Changes in non-trade payables to related parties		(4.394.018)	(166.424)
Net cash used in financing activities		199.961.319	(645.194.111)
NET CHANGE IN CASH AND CASH EQUIVALENTS		247.584.354	(103.344.913)
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR	5	1.164.383.158	1.267.728.071
CASH OUTFLOW DUE TO SUBSIDIARY SALES		(378.137.630)	-
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	5	1.033.829.882	1.164.383.158

**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 2014**

(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 four subsidiaries in which the Company owns the majority share of the capital or which are controlled by the Company (2013: seven).

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 İstanbul Stock Exchange 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 / İstanbul.

As of 31 December 2014, the total number of people employed by the Group is 8.189, which contains 561 employees who worked as subcontractors (31 December 2013: 9.218, subcontractor: 519).

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

As of 31 December 2014 and 31 December 2013, the names and percentages of the shareholders holding more than 10% of the Company’s share capital are as follows:

Name of the Shareholders	2014		2013	
	Share	Percentage	Share	Percentage
Yıldız Holding A.Ş.	167.122.187	48,87%	166.967.458	48,82%
Yıldız Holding A.Ş. Subsidiaries and Ülker Family	27.738.115	8,11%	38.888.808	11,37%
Other	147.139.698	43,02%	136.143.734	39,81%
	342.000.000	100,00%	342.000.000	100,00%

As of 31 December 2014 and 2013, the details of the subsidiaries under full consolidation in terms of direct and effective share of ownership and principal business activities are as follows:

Subsidiaries	2014		2013		Nature of Operations
	Ratio of Direct Ownership %	Ratio of Effective Ownership %	Ratio of Direct Ownership %	Ratio of Effective Ownership %	
Biskot Bisküvi Gıda Sanayi ve Ticaret A.Ş. (*)	73,9%	73,9%	43,5%	43,9%	Manufacturing
Ülker Çikolata Sanayi A.Ş.	91,7%	91,7%	91,7%	91,7%	Manufacturing
İstanbul Gıda Dış Ticaret A.Ş. (**)	-	-	83,8%	91,4%	Sales&Marketing
Atlas Gıda Pazarlama Sanayi ve Ticaret A.Ş.(****)	100,0%	100,0%	98,3%	98,3%	Trading
Birleşik Dış Ticaret A.Ş. (***)	-	-	70,0%	79,2%	Sales&Marketing
Reform Gıda Paz. San. ve Tic. A.Ş.	100,0%	100,0%	100,0%	100,0%	Trading
Rekor Gıda Pazarlama A.Ş. (****)	-	-	-	43,9%	Sales&Marketing

(*) The Company purchased 19.443.832 shares of Biskot Bisküvi Gıda Sanayi ve Ticaret A.Ş. for an amount of TL 200.000.000 from Tayyar Family as of 6 May 2014.

(**) The Company sold 12.570.003 shares of İstanbul Gıda Dış Ticaret A.Ş. for an amount of TL 25.978.007 to Yıldız Holding A.Ş and Ülker Çikolata sold 1.245.000 shares of İstanbul Gıda Dış Ticaret A.Ş. for an amount of TL 2.573.000 to Yıldız Holding A.Ş as of 6 May 2014.

(***) The Company sold 875.500 shares of Birleşik Dış Ticaret A.Ş. for an amount of TL 2.801.600 to Yıldız Holding A.Ş and Ülker Çikolata sold 124.500 shares of Birleşik Dış Ticaret A.Ş. for an amount of TL 398.400 to Yıldız Holding A.Ş as of 6 May 2014.

(****) Biskot Bisküvi Gıda Sanayi ve Ticaret A.Ş. sold 10.000.000 shares of Rekor Gıda Pazarlama A.Ş., for an amount of TL 4.000.000 to Yıldız Holding A.Ş. as of 6 May 2014.

(*****) The Company purchased 346.854 shares of Atlas Gıda Pazarlama Sanayi ve Ticaret A.Ş. for an amount of TL 146.500 from Yıldız Holding A.Ş as of 11 November 2014.

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

Biskot Bisküvi Gıda Sanayi ve Ticaret A.Ş. manufactures and sells similar products with those of Ülker Bisküvi Sanayi A.Ş. In addition, İstanbul Gıda Dış Ticaret A.Ş., Birleşik Dış Ticaret A.Ş. and Rekor Gıda Pazarlama A.Ş. are involved in domestic and international sales and marketing of products of the above mentioned companies and other food products purchased from the domestic market. The manufacturing and sales operations of chocolate and cocoa covered products of Ülker Çikolata Sanayi A.Ş.

Dividend Paid:

Group has decided to pay a dividend amount of TL 133.000.000 (31 December 2013: TL 150.000.000) in the current period. Dividend paid per share is TL 0,39 (31 December 2013: TL 0,44).

Approval of Financial Statements:

The Board of Directors has approved the financial statements and given authorization for the issuance on 4 March 2015. The General Assembly has the authority to amend the financial statements.

2. BASIS OF PRESENTATION OF CONSOLIDATED FINANCIAL STATEMENTS

2.1 Basis of the presentation:

Basis of the presentation and Significant Accounting Policies

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

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

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

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

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

2.1 Basis of the presentation(cont'd):

Principals for Preparation of Financial Statements and Significant Accounting Policies:

Functional and presentation currency

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

As of 31 December 2014, rates declared by Central Bank of Republic of Turkey are 1 Euro = TL 2,8207, 1 USD = TL 2,3189 (2013: 1 Euro = TL 2,9365, 1 USD = TL 2,1343). For the period between January 1,2014 and December 31, 2014, average rates declared by Central Bank of Republic of Turkey are 1 Euro =TL 2,9042, 1 USD = TL 2,1865 TL'dir. (2013: 1 Euro = TL 2,5290, 1 USD = TL 1,9033).

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.

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

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

c) Losses control of subsidiaries

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

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

2.2 Changes in the Accounting Policies:

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

Comparative Information and Restatement of Prior Period Consolidated Financial Statements

In order to allow the determination of financial position and performance, the Group's consolidated financial statements are prepared in comparison with the previous period. In order to comply with the presentation of consolidated financial statements the current period when deemed necessary, comparative information is reclassified, and material differences are presented. The Group has made some reclassifications in order to conform to current period financial statements for prior periods. The nature of the classifications and amounts are as follows:

ASSETS	Previously reported	Classification of VAT receivables	Reclassified
Current Assets	2.128.504.531	-	2.128.504.531
Cash and Cash Equivalent	1.164.383.158	-	1.164.383.158
Financial Investments	611.476	-	611.476
Trade Receivables			
- Due from related parties	446.815.319	-	446.815.319
- Other trade receivables	201.954.749	-	201.954.749
Other Receivables			
- Due from related parties	3.417.357	-	3.417.357
- Other receivables	16.860.567	6.860.976	23.721.543
Inventories	198.321.733	-	198.321.733
Prepaid Expenses	47.436.206	-	47.436.206
Current Income Tax Assets	1.879.695	-	1.879.695
Other Current Assets	46.824.271	(6.860.976)	39.963.295
Non-Current Assets	1.033.447.409	-	1.033.447.409
Financial Investments	464.661.239	-	464.661.239
Other Receivables			
- Other receivables	161.464	-	161.464
Investment Properties	10.035.000	-	10.035.000
Tangible Assets	532.558.107	-	532.558.107
Intangible Assets	791.589	-	791.589
Prepaid Expenses	20.991.312	-	20.991.312
Deferred Tax Assets	4.244.512	-	4.244.512
Other Non-Current Assets	4.186	-	4.186
TOTAL ASSETS	3.161.951.940	-	3.161.951.940

Reclaimed VAT receivables amounting to TL 6.860.976 that were presented under other current assets in the previous period are classified to other receivables third parties.

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

2.2 Changes in the Accounting Policies:

Comparative Information and Restatement of Prior Period Consolidated Financial Statements

SHAREHOLDERS' EQUITY	Previously reported	Classification of Restricted Reserves Appropriated from Profits	Reclassified
Equity Attributable To Equity Holders' of the Parent	1.129.829.508	-	1.129.829.508
Share Capital	342.000.000	-	342.000.000
Inflation Adjustments to Share Capital	108.056.201	-	108.056.201
Other Comprehensive Income/Expense not to be Reclassified to Profit and Loss			
- Actuarial loss on post employment termination benefit obligation	(1.307.850)	-	(1.307.850)
- Investment property valuation funds	5.231.735	-	5.231.735
Other Comprehensive Income/Expense to be Reclassified to Profit and Loss			
- Financial assets valuation fund	254.670.905	-	254.670.905
Restricted Reserves Appropriated from Profits	126.205.350	(32.894.259)	93.311.091
Retained Earnings	106.324.722	32.894.259	139.218.981
Net Profit for the Year	188.648.445	-	188.648.445
Non-Controlling Interest	138.338.939	-	138.338.939
TOTAL LIABILITIES AND EQUITY	1.268.168.447	-	1.268.168.447

The amount of TL 32.894.259 that were presented under restricted reserves appropriated from profit in the previous period are classified to retained earnings.

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

2.3 New and Revised International Financial Reporting Standards:

a. New standards, amendments and interpretations are applied to annual reporting period ended December 31,2014 of the consolidated financial statements that is as follow ;

- TAS 32 (amendment), “Financial instruments: Presentation”, on offsetting financial assets and financial liabilities, is effective for annual periods beginning on or after 1 January 2014. The amendment updates the application guidance in TAS 32, ‘Financial instruments: Presentation’, to clarify some of the requirements for offsetting financial assets and financial liabilities on the balance sheet.
- TAS 36 (amendments), “Impairment of assets” on recoverable amount disclosures is effective for annual periods beginning on or after 1 January 2014. This amendment addresses the disclosure of information about the recoverable amount of impaired assets if that amount is based on fair value less costs of disposal.
- TAS 39 (amendments) “Financial Instruments: Recognition and Measurement” - “Novation of derivatives is effective for annual periods beginning on or after 1 January 2014. This amendment provides relief from discontinuing hedge accounting when novation of a hedging instrument to a central counterparty meets specified criteria.
- TFRIC 21 – TAS 37, “Levies” is effective for annual periods beginning on or after 1 January 2014. This is an interpretation of TAS 37, 'Provisions, contingent liabilities and contingent assets'. TAS 37 sets out criteria for the recognition of a liability, one of which is the requirement for the entity to have a present obligation as a result of a past event (known as an obligating event). The interpretation clarifies that the obligating event that gives rise to a liability to pay a levy is the activity described in the relevant legislation that triggers the payment of the levy.
- TFRS 10, TFRS 12 and TAS 27 (amendments), “Consolidated financial statements”: ‘exceptions for the consolidation of subsidiaries’; is effective for annual periods beginning on or after 1 January 2014. These amendments mean that many funds and similar entities will be exempt from consolidating most of their subsidiaries. Instead they will measure them at fair value through profit or loss. The amendments give an exception to entities that meet an ‘investment entity’ definition and which display particular characteristics.

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

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

b. New TFRS standards, amendments and IFRICs effective after 1 January 2015

- Annual improvements 2012; is effective for annual periods beginning on or after 1 July 2014. These amendments include changes from the 2010-12 cycle of the annual improvements project that affect 7 standards:
 - TFRS 2, “Share Based Payment”
 - TFRS 3, “Business Combination”
 - TFRS 8, “Operating Segments”
 - TFRS 13, “Fair value measurement”
 - TAS 16, “Tangible Assets and TAS/ 38, Intangible Assets”
 - TFRS 9, “Financial Instruments: TAS 37, Provisions, Contingent Assets and Liability”
 - TFRS 39, “Financial Instruments-Recognition and Measurement”
- Annual improvements 2013; is effective for annual periods beginning on or after 1 July 2014. The amendments include changes from 2011-13 cycle of the annual improvements project that affect 4 standards:
 - TFRS 1, “First Adoption of TFRS”
 - TFRS 3, “Business Combinations”
 - TFRS 13, “Fair Value Measurement”
 - TAS 40, “Investment Properties”
- TFRS 14, “Regulatory deferral accounts”, is effective for annual periods beginning on or after 1 July 2016. ‘Regulatory deferral accounts’ permits first-time adopters to continue to recognize amounts related to rate regulation in accordance with their previous GAAP requirements when they adopt TFRS. However, to enhance comparability with entities that already apply TFRS and do not recognize such amounts, the standard requires that the effect of rate regulation must be presented separately from other items.
- TFRS 11 (amendments), “Joint Arrangements”, is effective for annual periods beginning on or after 1 July 2016. This amendment adds new guidance on how to account for the acquisition of an interest in a joint operation that constitutes a business. The amendments specify the appropriate accounting treatment for such acquisitions.
- TAS 16 and TAS 38 (amendments), “Tangible Assets”, “Intangible Assets”, is effective for annual periods beginning on or after 1 July 2016. In this amendment the IASB has clarified that the use of revenue based methods to calculate the depreciation of an asset is not appropriate because revenue generated by an activity that includes the use of an asset generally reflects factors other than the consumption of the economic benefits embodied in the asset.
- TMS 27 (amendments), ‘Separate financial statements’ on the equity method, effective from annual periods beginning on or after 1 January 2016. These amendments allow entities to use the equity method to account for investments in subsidiaries, joint ventures and associates in their separate financial statements.
- TFRS 10 (amendments), ‘Consolidated financial statements’ and IAS 28, ‘Investments in associates and joint ventures’, effective from annual periods beginning on or after 1 January 2016. These amendments address an inconsistency between the requirements in IFRS 10 and those in IAS 28 in dealing with the sale or contribution of assets between an investor and its associate or joint venture. The main consequence of the amendments is that a full gain or loss is recognised when a transaction involves a business (whether it is housed in a subsidiary or not). A partial gain or loss is recognised when a transaction involves assets that do not constitute a business, even if these assets are housed in a subsidiary.

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

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

b. New TFRS standards, amendments and IFRICs effective after 1 January 2015 (cont'd)

- IFRS 15 'Revenue from contracts with customers', effective from annual periods beginning on or after 1 January 2017. IFRS 15, 'Revenue from contracts with customers' is a converged standard from the IASB and FASB on revenue recognition. The standard will improve the financial reporting of revenue and improve comparability of the top line in financial statements globally.
- IFRS 9 'Financial instruments', effective from annual periods beginning on or after 1 January 2018. This standard replaces the guidance in IAS 39. It includes requirements on the classification and measurement of financial assets and liabilities; it also includes an expected credit losses model that replaces the current incurred loss impairment model.
- Amendments to IAS 16 'Property, plant and equipment', and IAS 41, 'Agriculture', regarding bearer plants, effective from annual periods beginning on or after 1 January 2016. These amendments change the financial reporting for bearer plants, such as grape vines, rubber trees and oil palms. It has been decided that bearer plants should be accounted for in the same way as property, plant and equipment because their operation is similar to that of manufacturing. Consequently, the amendments include them within the scope of IAS 16, instead of IAS 41. The produce growing on bearer plants will remain within the scope of IAS 41.
- Amendment to IAS 19 regarding defined benefit plans, effective from annual periods beginning on or after 1 July 2014. These narrow scope amendments apply to contributions from employees or third parties to defined benefit plans. The objective of the amendments is to simplify the accounting for contributions that are independent of the number of years of employee service, for example, employee contributions that are calculated according to a fixed percentage of salary.
- Annual improvements 2014, effective from annual periods beginning on or after 1 January 2016. These set of amendments impacts 4 standards:
 - IFRS 5, 'Non-current assets held for sale and discontinued operations' regarding methods of disposal.
 - IFRS 7, 'Financial instruments: Disclosures', (with consequential amendments to IFRS 1) regarding servicing contracts.
 - IAS 19, 'Employee benefits' regarding discount rates.
 - IAS 34, 'Interim financial reporting' regarding disclosure of information.

The Group will evaluate the effect of the aforementioned changes within its operations and apply changes starting from effective date.

2.4 Summary of Significant Accounting Policies

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

Revenue:

Most of the revenue is generated from sale of biscuit, chocolate, chocolate coated biscuit, wafer and cake.

Revenue is measured at the fair value of the consideration received or receivable, and represents amounts receivable for goods supplied, stated net of discounts, returns and value added taxes (Note 22).

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

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

Revenue (cont'd):

Sales of goods

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

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

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

Inventories:

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

Tangible Assets:

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

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

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

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

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

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

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

Leases

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

Lease - The Group as lessor

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

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

Lease - The Group as lessee

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

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

Business Combinations:

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

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

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

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.

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

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

Business Combinations cont'd):

Transactions with non-controlling interests

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

Investment Properties:

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

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

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

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

Intangible Assets:

Intangible assets acquired separately

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

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

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

Intangible Assets (cont'd):

Computer software

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

Costs associated with developing or maintaining computer software programmes are recognized as an expense as incurred. Costs that are directly associated with the development of identifiable and unique software products controlled by the Group, and that will probably generate economic benefits exceeding costs beyond one year, are recognized as intangible assets. Costs include the software development employee costs and an appropriate portion of relevant overheads.

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

Intangible assets acquired in a business combination

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

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

Derecognition of intangible assets

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

Impairment of Assets:

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

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

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

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

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

Impairment of Assets (cont'd):

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

Borrowing Costs

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

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

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

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

Financial Instruments

Financial assets

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

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

Offsetting

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

Effective interest method

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

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

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

2.4 Summary of Significant Accounting Policies (cont'd)

Financial Instruments (cont'd)

Deferred financial expenses

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

Financial assets as at fair value through profit or loss

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

Held-to-maturity investments

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

Available-for-sale financial assets

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

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

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

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

Loans and receivables

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

Impairment of financial assets

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

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

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

Financial Instruments (cont'd)

Impairment of financial assets (cont'd)

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

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

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

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

Cash and cash equivalents

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

Derecognition of financial assets

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

Financial Liabilities

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

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

Financial liabilities at FVTPL

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

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

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

Financial Liabilities (cont'd):

Other financial liabilities

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

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

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

Derivative financial instruments and hedge accounting

Group enters into foreign exchange forward contracts. According to the risk management policies of the Group, future contracts are considered as buying and selling purpose derivative instruments at the financial statements in accordance with TAS 39. Derivatives are initially recognized at fair value at the date the derivative contracts are entered into and are subsequently remeasured to their fair value at the end of each reporting period. The resulting gain or loss is recognized in profit or loss immediately unless the derivative is designated and effective as a hedging instrument, in which event the timing of the recognition in profit or loss depends on the nature of the hedge relationship.

Fair values of derivative financial instruments as financial assets at fair value through profit or loss. Fair values of derivative financial instruments are obtained from quoted market price or discounted cash flow models as appropriate. Based on positive or negative fair value, derivative financial instruments are carried as assets or liabilities respectively.

Foreign Currency Transactions:

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

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

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

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

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

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

Dividend and interest income

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

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

Earnings Per Share:

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

Events After the Reporting Period

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

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

Provisions, Contingent Assets and Contingent Liabilities:

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

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

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

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

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

Related Party Disclosures:

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

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

- (i) has control or joint control of the company,
- (ii) has significant influence over the company,
- (iii) is a member of the key management personnel of the ecompany 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 CONSOLIDATED FINANCIAL STATEMENTS (cont'd)

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

Current and deferred income tax

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

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

Current tax

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

Deferred tax

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

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

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

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

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

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

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

Current and deferred income tax (cont'd):

Current and deferred tax for the period

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

Employee Benefits

Termination and retirement benefits

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

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

Statement of Cash Flows

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

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

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

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

Share Capital and Dividends

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

Shareholders' Equity

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

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

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

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

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

Useful life of tangible assets:

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

Impairment of inventories

As of 31 December 2014, a provision has been provided for inventories that are not expected to be used and are slow moving. As of 31 December 2014, the Group has also provided provision for inventories with net realizable values lower than costs. Based on the analysis, TL 3.555.919 impairment provision has been provided for inventories (2013: TL 4.790.533).

Doubtful receivables provision

As of 31 December 2014, a provision has been provided for receivables that are not expected to be collectible and those that have not been collected for long time. As of 31 December 2014, the provision for TL 1.550.365 of the trade receivables has been provided for as doubtful receivable provision (2013: TL 6.222.135).

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 2014, the Group has accounted for deferred tax assets by TL 17.991.008 (2013: None) in consolidated financial statements due to the investment incentives regarding to expansion and product diversifications taken on 19 November 2013.

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

Fair values of derivative instruments and other financial instruments

The Group determines the fair values of its financial instruments without an active market using various market information for similar transactions, similar instruments with fair values and discounted cash flow analysis. Discounted cash flow analysis is applied with 6.9% discount rate for G-New and 7.5% discount rate for Godiva Belgium which are Group's financial investments.

A change in discount rate by 1%, effects the fair value of G New and Godiva Belgium amounting to TL 9.037.351.

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

2.6 Summary of Financial Information Related to Subsidiaries:

Set out below are the summarised financial information for each subsidiary that has non-controlling interests that are material to the Group as of 31 December 2014 and 2013.

Biskot Bisküvi Gıda Sanayi ve Ticaret A.Ş.

	2014	2013
Total assets	464.986.015	530.351.621
Total liabilities	232.324.316	334.809.498
Total shareholders' equity	232.661.699	195.542.123
Revenue	750.956.556	826.796.780
Net profit for the year	36.576.421	48.909.255
Cash flow provided from operating activities	(2.431.577)	98.755.296
Cash flow used in investment activities	(59.352.250)	(3.557.102)
Cash flow used in financing activities	(38.877.500)	(13.885.092)

3. BUSINESS COMBINATIONS

Reform Gıda Paz. San. ve Tic. A.Ş. which was acquired from Yıldız Holding A.Ş. on 18 February 2013 was fully consolidated with scope of transaction under common controls in the consolidated financial statements as of 1 January 2013.

Public Oversight Accounting and Auditing Standards Authority ("POAASA") Turkish Accounting Standards Boards has published principal related with transaction under common control in official journal as of 21 July 2013. In accordance with the publication transaction under common controls has to perform in accordance with "Pooling of interest Method" by restating previous year financials. The Group has decided not to restate previous year financials by considering company size and monetary value of purchased company.

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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.

Since the Group has operations in only one area and the decision makers use the consolidated financial information, segmental reporting in accordance with TFRS 8 have not been provided in the these consolidated financial statements.

5. CASH AND CASH EQUIVALENTS

	2014	2013
Cash	-	25.443
Demand deposits	3.019.245	9.056.986
Time deposits (*)	1.030.810.637	1.154.745.091
Cheques received	-	555.638
	1.033.829.882	1.164.383.158

(*)Time deposits consist of overnight amounting to TL 89.854.816 (31 December 2013: TL 1.150.297.129).

Details of time deposits are shown below:

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

Currency Type	Annually Weighted Average Effective Interest Rate (%)	Maturity	2013
TL		January-February 2014	145.138.421
USD	8,94%	January 2014	686.297.216
EUR	1,86%	January 2014	323.309.454
	0,2%		1.154.745.091

6. FINANCIAL INVESTMENTS

Short Term Financial Investments:

	2014	2013
Available for sale financial assets	778.877	611.476
	778.877	611.476

Long Term Financial Investments:

	2014	2013
Available for sales financial assets	529.047.891	464.661.239
	529.047.891	464.661.239

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6. FINANCIAL INVESTMENTS (cont'd)

Long Term Available for Sale Financial Investments	Share %	2014	Share %	2013
G New, Inc	19,23%	175.542.535	19,23%	148.876.952
Godiva Belgium BVBA	19,23%	323.374.698	19,23%	289.715.942
BİM Birleşik Mağazalar A.Ş.	0,20%	29.930.540	0,20%	25.825.951
Other		200.118		242.394
		529.047.891		464.661.239

Available for sale financial assets are presented at their fair values. The difference of TL 315.553.570 (2013: TL 254.670.905) in the fair values of such assets has been under equity of 31December 2014.

As the expected value gaps for available for sale financial assets of TL 200.118 (2013: TL 242.394) 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

	2014	2013
Short Term Liabilities	78.154.911	150.942.003
Short Term Portion of Long Term Liabilities	13.293.204	1.098.791.211
Long Term Liabilities	1.243.537.763	9.851.176
	1.334.985.878	1.259.584.390
<u>Short Term Liabilities</u>	2014	2013
Bank Loans	2.613.436	150.942.003
Loan Payables due to Related Parties (Note 31)	75.541.475	-
	78.154.911	150.942.003
<u>Short Term Portion of Long Term Liabilities</u>	2014	2013
Bank Loans	13.233.309	1.093.534.286
Financial Lease Payables	59.895	5.256.925
	13.293.204	1.098.791.211
<u>Long Term Liabilities</u>	2014	2013
Bank Loans	1.243.537.763	9.788.823
Financial Lease Payables	-	62.353
	1.243.537.763	9.851.176

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

Syndication loan consists of two credit trenches which are USD 284.500.00 and EUR 211.823.840. 26 international banks joined to the syndication. Effective interest rate for both credit trenches is Libor + 2,75% and the maturity date is November 2017. Principal payments of the loans are repaid at maturity with semi-annual interest payments.

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7. FINANCIAL LIABILITIES (cont'd)

The covenants which belong to syndication loan are as follows;

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

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

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

Bank Borrowings

31 December 2014

<u>Currency Type</u>	<u>Maturity</u>	<u>Effective Weighted Average Interest Rate (%)</u>	<u>Short Term</u>	<u>Long Term</u>
TL	January 2015	Spot	5.335.654	-
	April 2015-November 2017	2,97%	11.226.635	590.930.817
EUR	February 2015-November 2017	2,90%	74.825.931	652.606.946
USD			91.388.220	1.243.537.763

31 December 2013

<u>Currency Type</u>	<u>Maturity</u>	<u>Effective Weighted Average Interest Rate (%)</u>	<u>Short Term</u>	<u>Long Term</u>
TL	January 2014	Spot	4.370.289	-
	February 2014-November 2014	2,89%	783.805.171	-
EUR	February 2014-April 2015	3,92%	456.300.829	9.788.823
USD			1.244.476.289	9.788.823

Repayment schedule of bank loans are as follows:

	<u>2014</u>	<u>2013</u>
To be paid within 1 year	91.388.220	1.244.476.289
To be paid within 1-2 years	-	9.788.823
To be paid within 2-3 years	1.243.537.763	-
	1.334.925.983	1.254.265.112

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7. FINANCIAL LIABILITIES (cont'd)

a) The detail of short term financial lease payables is as follows:

Short-Term Financial Lease Payables	2014	2013
Financial lease payables	67.114	5.376.313
Deferred financial lease payables costs (-)	(7.219)	(119.388)
	59.895	5.256.925

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

Long-Term Financial Lease Payables	2014	2013
Financial lease payables	-	69.587
Deferred financial lease payables costs (-)	-	(7.234)
	-	62.353

Repayment schedule of financial lease payables is as follows:

	2014	2013
To be paid within 1 year	59.895	5.256.925
To be paid within 1-2 years	-	62.353
	59.895	5.319.278

8. TRADE RECEIVABLES AND PAYABLES

	2014	2013
Due from Related Parties		
Due from related parties (Note 31) (Net)	555.788.783	446.815.319
	555.788.783	446.815.319
Other Trade Receivables		
Trade receivables	45.049.869	173.512.466
Notes receivables	4.554.097	34.664.418
Provision for doubtful receivables	(1.550.365)	(6.222.135)
	48.053.601	201.954.749
Total Short Term Trade Receivables	603.842.384	648.770.068

Due from Related Parties	2014	2013
Due from related parties (Note 31) (Net)	5.016.739	-
Total Short Term Trade Receivables)	5.016.739	-

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8. TRADE RECEIVABLES AND PAYABLES (cont'd)

Trade receivables are disclosed at discounted net realizable value using the effective yield method. Net realizable value has been calculated over discount rate of 10.5% (2013: 8%) based on the Group's cash sales. The provision for trade receivables is provided for based on the estimated irrecoverable amounts from the sale of goods, determined by reference to past default experience.

The movement of the allowance for doubtful receivables as of 31 December 2014 and 2013 is as follows;

	<u>2014</u>	<u>2013</u>
Opening balance	(6.222.135)	(6.494.812)
Charge for the period	(483.732)	(37.454)
Provisions released	3.467.365	201.484
Disposal from the scope of consolidation	1.681.813	-
Collections	6.324	108.647
Closing balance	<u>(1.550.365)</u>	<u>(6.222.135)</u>

Description on the level and nature of the risks related to trade receivables is provided in note 32.

Short Term Trade Payables

	<u>2014</u>	<u>2013</u>
Due to related parties (Note 31) (Net)	270.908.832	273.321.957
Trade payables (Net)	240.430.678	235.142.437
	<u>511.339.510</u>	<u>508.464.394</u>

Trade payables are disclosed at discounted net realizable value using the effective yield method. Net realizable value has been calculated over discount rate of 10.5 % (2013: 8%) based on the Group's cash sales.

9. OTHER RECEIVABLES AND PAYABLES

	<u>2014</u>	<u>2013</u>
Other Receivables		
Due from related parties (Note 31)	-	3.417.357
Short term other receivables	13.676.676	23.721.543
	<u>13.676.676</u>	<u>27.138.900</u>
Other Short Term Receivables		
VAT receivables	13.261.857	13.746.977
Receivables from personnel	317.474	352.662
Deposits and guarantees given	97.345	318.056
Receivables from tangible asset sales	-	8.872.318
Other	-	431.530
	<u>13.676.676</u>	<u>23.721.543</u>

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9. OTHER RECEIVABLES AND PAYABLES (cont'd)

Other Long Term Receivables	2014	2013
Deposits and guarantees given	171.384	161.464
	171.384	161.464
Other Payables	2014	2013
Non-trade payables to related parties (Note 31)	-	86.857
Other short term payables	944.034	344.940
	944.034	431.797

Description on the level and nature of the risks related to other receivables is provided in note 32.

10. INVENTORIES:

Details of inventory are as follows;

	2014	2013
Raw materials	77.047.897	79.436.010
Work in progress	10.426.810	8.341.511
Finished goods	114.747.889	101.979.209
Trade goods	134.146	2.771.255
Other inventories	13.534.443	10.584.281
Allowance for impairment on inventory (-)	(3.555.919)	(4.790.533)
	212.335.266	198.321.733

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 2014 and 31 December 2013 are below:

	2014	2013
Opening balance	(4.790.533)	(9.147.920)
Charge for the year	(1.203.188)	(240.539)
Used allowance	2.437.802	4.597.926
Closing balance	(3.555.919)	(4.790.533)

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11. INVESTMENT PROPERTIES

	<u>2014</u>	<u>2013</u>
Opening balance	10.035.000	30.460.000
Increase in fair value	965.000	220.000
Disposal (-) (*)	-	(20.645.000)
Closing balance	<u>11.000.000</u>	<u>10.035.000</u>

The fair value of the Group's investment properties at 31 December 2014 has been calculated on the basis of a valuation carried out at that date by 1 December 2014 and 6 December 2013, 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 1.114.966 (2013: TL 581.968) within the current period. Direct operating expenses arising from the investment properties in the current period amounting to TL 75.402 (2013: 94.132 TL).

(*) The Group has sold the warehouse that is located Bayrampaşa/İstanbul, amounting to TL 17.118.094 on 30 July 2013.

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12. TANGIBLE ASSETS

Movement of tangible assets between 1 January 2014 and 31 December 2014 is as follows:

Cost	1 January 2014	Addition	Disposal	Disposal to scope of consolidation	Transfers (Note 13)	31 December 2014
Land	3.376.659	10.000	-	-	-	3.386.659
Land improvements	6.484.021	608.642	-	-	99.213	7.191.876
Buildings	242.703.970	1.341.056	(2.468.780)	(1.160.816)	497.177	240.912.607
Machinery, plant and equipment	734.359.082	21.485.968	(1.703.804)	-	34.900.360	789.041.606
Vehicles	1.109.054	55.847	(59.790)	(230.958)	56.892	931.045
Furniture and fixture	44.252.580	2.871.390	(987.958)	(2.206.843)	1.609.493	45.538.662
Leasehold improvements	16.013.470	869.531	(72.402)	(775.373)	-	16.035.226
Other tangible assets	1.396	-	-	-	-	1.396
Construction in progress	19.427.468	68.013.117	-	-	(37.629.943)	49.810.642
	1.067.727.700	95.255.551	(5.292.734)	(4.373.990)	(466.808)	1.152.849.719
Accumulated Depreciation	1 January 2014	Charge for the Year	Disposal	Disposal to scope of consolidation	Transfers (Note 13)	31 December 2014
Land improvements	(2.563.708)	(329.980)	-	-	-	(2.893.688)
Buildings	(67.163.827)	(7.148.659)	205.353	2.798	-	(74.104.335)
Machinery, plant and equipment	(416.809.998)	(43.807.890)	1.269.217	-	-	(459.348.671)
Vehicles	(1.051.259)	(45.637)	56.683	230.958	-	(809.255)
Furniture and fixture	(37.275.765)	(1.876.083)	915.867	1.902.854	-	(36.333.127)
Leasehold improvements	(10.303.640)	(901.725)	57.600	751.026	-	(10.396.739)
Other tangible assets	(1.396)	-	-	-	-	(1.396)
	(535.169.593)	(54.109.974)	2.504.720	2.887.636	-	(583.887.211)
Net Book Value	532.558.107					568.962.508

From depreciation and amortization expenses, TL 49.667.379 (2013: TL 46.489.626) is included in cost of goods sold, TL 331.619 TL (2013: TL 247.693) is included in research and development expenses, TL 1.801.513 (2013: TL 2.237.258) is included in marketing and selling expenses and TL 2.694.806 (2013: TL 2.811.377) 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 2014, the Group has capitalized TL 710.380 interest and TL 1.625.931 foreign exchange losses with regards to borrowings and accounted for such borrowing costs under construction in progress.

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12. TANGIBLE ASSETS (cont'd)

Movement of tangible assets between 1 January 2013 and 31 December 2013 is as follows:

Cost	1 January 2013	Addition	Disposal	Disposal to scope of consolidation	Transfers (Note 13)	31 December 2013
Land	8.376.659	-	(5.000.000)	-	-	3.376.659
Land improvements	6.247.149	218.343	-	-	18.529	6.484.021
Buildings	251.413.316	311.242	(12.649.602)	-	3.629.014	242.703.970
Machinery, plant and equipments	680.430.113	22.939.760	(10.838.263)	3.201.591	38.625.881	734.359.082
Vehicles	1.134.736	26.909	(52.591)	-	-	1.109.054
Furniture and fixtures	43.157.448	1.810.320	(1.475.205)	-	760.017	44.252.580
Leasehold improvements	19.655.248	1.488.838	(5.130.616)	-	-	16.013.470
Other tangible assets	1.396	-	-	-	-	1.396
Constructions in progress	12.654.101	50.973.591	(932.995)	-	(43.267.229)	19.427.468
	1.023.070.166	77.769.003	(36.079.272)	3.201.591	(233.788)	1.067.727.700
Accumulated Depreciation						
	1 January 2013	Charge for the Year	Disposal	Disposal to scope of consolidation	Transfers (Note 13)	31 December 2013
Leasehold improvements	(2.254.779)	(308.929)	-	-	-	(2.563.708)
Buildings	(61.205.894)	(7.376.112)	1.418.179	-	-	(67.163.827)
Machinery, plant and equipments	(386.987.793)	(34.389.867)	5.385.082	(817.420)	-	(416.809.998)
Vehicles	(1.040.694)	(59.590)	49.025	-	-	(1.051.259)
Furniture and fixtures	(36.847.749)	(1.842.131)	1.414.115	-	-	(37.275.765)
Leasehold improvements	(10.428.953)	(910.709)	1.036.022	-	-	(10.303.640)
Other tangible assets	(1.396)	-	-	-	-	(1.396)
	(498.767.258)	(44.887.338)	9.302.423	(817.420)	-	(535.169.593)
Net Book Value	524.302.908					532.558.107

There are no any fixed assets acquired through financial leasing between 1 January-December 2013.

There is no any mortgage or collateral on tangible assets in the prior period.

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12. TANGIBLE ASSETS (cont'd)

The estimated useful lives of tangible assets are as follow:

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

13. INTANGIBLE ASSETS

Movement of intangible assets between 1 January 2014 and 31 December 2014 is as follows:

Cost	1 January 2014	Addition	Transfers	Disposal to scope of consolidation	31 December 2014
Rights	1.926.463	315.805	-	(1.177.931)	1.064.337
Development costs	230.657	-	444.347	-	675.004
Other intangible assets	1.141.475	181.547	22.461	(281.254)	1.064.229
	3.298.595	497.352	466.808	(1.459.185)	2.803.570

Accumulated Amortization	1 January 2014	Charge of the Year	Transfers	Disposal to scope of consolidation	31 December 2014
Rights	(1.645.266)	(159.430)	-	1.121.672	(683.024)
Development costs	(23.067)	(97.974)	-	-	(121.041)
Other intangible assets	(838.673)	(127.939)	-	280.515	(686.097)
	(2.507.006)	(385.343)	-	1.402.187	(1.490.162)

Net Book Value	791.589				1.313.408
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Movement of intangible assets between 1 January 2013 and 31 December 2013 is as follows:

Cost	1 January 2013	Addition	Disposal	Transfers	31 December 2013
Rights	1.895.364	31.099	-	-	1.926.463
Development costs	-	-	-	230.657	230.657
Other intangible assets	1.047.549	118.666	(27.871)	3.131	1.141.475
	2.942.913	149.765	(27.871)	233.788	3.298.595

Accumulated Amortization	1 January 2013	Charge of the Year	Disposal	Transfer	31 December 2013
Rights	(1.535.567)	(109.699)	-	-	(1.645.266)
Development costs	-	(23.067)	-	-	(23.067)
Other intangible assets	(732.907)	(133.621)	27.855	-	(838.673)
	(2.268.474)	(266.387)	27.855	-	(2.507.006)

Net Book Value	674.439				791.589
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13. INTANGIBLE ASSETS (cont'd)

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

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

14. GOVERNMENT GRANTS AND INCENTIVES

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

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

The Group has received government incentives amounting TL 14.994.642 in current year (2012: TL 16.672.352). This benefit, regarded as government incentives, is explained in note 2. In current year the amount related to law 5084; TL 1.383.386 is from exports of agricultural product grants, TL 10.405.731 is from employment grants, TL 3.205.525 is from other grants (2012: TL 222.032 from energy grants, TL 9.156.281 from employment grants, TL 7.294.039 from other grants).

Incentive of TL 135.000.000 has been approved by Ministry of Economy at 19 November 2013 with respect to the expansion and product diversification investment of Ülker Bisküvi San. A.Ş Gebze Factory. The investment is planned to complete until 11 November 2017. Biskot Bisküvi Gıda Sanayi ve Ticaret A.Ş. has obtained two investment incentives with regards to product diversifications investments by TL 39.776.024 in Karaman plant. Biskot has utilized TL 4.468.410 portion of such incentives and accounted for deferred tax assets by TL 17.991.008 for the remaining portion of these earned incentives.

15. OTHER PROVISIONS, CONTINGENT ASSETS AND LIABILITIES

Short Term Debt Provisions	2014	2013
Provisions for lawsuits	3.505.439	3.772.686
Provisions for employee fuel-oil support	944.679	934.764
Provision for returns	-	2.568.884
Other	1.974.612	1.423.291
	6.424.730	8.699.625

Movement for lawsuit provisions for December 2014 and 2013 is as follows:

	2014	2013
Opening balance	3.772.686	4.102.508
Charge for the period	1.117.134	1.106.882
Terminated provisions	(395.917)	(1.092.903)
Disposals from the scope of consolidation (-)	(492.991)	-
Payment/relinquishment (-)	(495.473)	(343.801)
	3.505.439	3.772.686

A significant portion of the lawsuit provisions as of 31 December 2014 and 2013 is related to legal filings made by the personnel.

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

a) Guarantees Given

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

	2014		2013	
	TL	USD	TL	USD
A) CPM's given in the name of own legal personality	67.965.722	64.900	60.003.938	64.900
B) CPM's given on behalf of the fully consolidated companies	-	-	-	-
C) CPM's given on behalf of third parties for ordinary course of business	-	-	-	-
D) Total amount of other CPM's given	-	250.000.000	-	250.000.000
i. Total amount of CPM's given on behalf of the majority shareholder	-	250.000.000	-	250.000.000
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	67.965.722	250.064.900	60.003.938	250.064.900

(*) As of 31 December 2014, the procedures with regards to release of the CPMs given on behalf of the majority shareholders are still in progress.

The ratio of other CPMs to the Group's equity is 51,0% (31 December 2013: 47,2%).

b) Lawsuits Filed by and Against to the Group

ba) As of 31 December 2014;

Lawsuits filed by the Group:

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

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

Lawsuits filed against to the Group (*):

	TL	USD
Action of debts	706.516	-
Foreclosure litigations	194.339	-
Compensation litigations	3.413.033	400.000
Total	4.313.888	400.000

(*)The provision of TL 3.505.439 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 (2013: TL 3.772.686).

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

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

bb) As of 31 December 2013;

Lawsuits filed by the Group:

	TL	USD	EUR
Compensation litigations	230.000	-	-
Foreclosure litigations	17.286.710	7.100.000	107.252
Tax litigations (*)	10.467.551	-	-
Action of debts	75.674	3.404.577	-
Penalty litigations	921.392	-	-
	28.981.327	10.504.577	107.252

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

Lawsuits filed against to the Group:

	TL	USD
Action of debts	931.145	-
Foreclosure litigations	67.066	-
Compensation litigations	3.106.117	400.000
	4.104.328	400.000

Operational Leasing Agreements

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

Group's rental income from its operational leasing agreements for assets leased is TL 7.666.682 during the current year (2013: TL 7.373.538). In the current year operational leasing expenses are TL 2.688.974 (2013: TL 2.808.924). Due to non-cancellable rent agreements, the Group's rental revenue to be received in the future periods is TL 6.901.944 (2013: TL 6.638.301) and are all to be realized in a one year period. Due to non-cancellable rent agreements, the Group's rent payments to be incurred in the future periods is TL 1.267.351 (2013: TL 1.474.344) and are all payable in a one year period.

16. COMMITMENTS AND OBLIGATIONS

The Group's export commitments amount to USD 177.412.716 as of 31 December 2014 (2013: USD 306.631.805). The average period of export commitments are 2 years. If the export commitments will not be fulfilled, the Group will loss the tax advantage. All of the export commitments in 2013 have been realized and there is not any issue for export commitments realization in 2014.

17. PROVISION FOR EMPLOYEE BENEFITS

Short Term Liabilities for Employee Benefits	2014	2013
Unused vacation accrual	6.932.539	7.658.170
Performance premium accrual	6.212.093	6.614.891
	13.144.632	14.273.061
<u>Movement of Unused Vacation Provision</u>	2014	2013
Opening balance	7.658.170	6.202.714
Decrease in period	(6.375.823)	(4.448.796)
Increased in period	6.666.727	5.904.252
Disposals from the scope of consolidation	(1.016.535)	-
Closing balance	6.932.539	7.658.170

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17. PROVISION FOR EMPLOYEE BENEFITS (cont'd)

<u>Movement of Performance Premium Provision</u>	<u>2014</u>	<u>2013</u>
Opening balance	6.614.891	5.442.225
Cash payments in period	(5.291.728)	(6.756.183)
Increased in period	7.859.873	7.928.849
Disposals from the scope of consolidation	(2.970.943)	-
Closing balance	<u>6.212.093</u>	<u>6.614.891</u>
<u>Long Term Liabilities for Employee Benefits</u>	<u>2014</u>	<u>2013</u>
Provision for employee termination benefits	25.985.036	23.380.797
	<u>25.985.036</u>	<u>23.380.797</u>

Under Turkish Labor Law, the Company is required to pay employment termination benefits to each entitled employee. Also, employees are entitled to be paid their retirement pay provisions who retired by gaining right to receive retirement pay provisions according to of the prevailing 506 numbered Social Insurance Law's Article 60, as amended by 6 March 1981 dated, 2422 numbered and 25 August 1999 dated, 4447 numbered laws. Some transition provisions related to the pre-retirement service term was excluded from the law since the related law was changed as of 23 May 2002. The amount payable consists of one month's salary limited to a maximum of TL 3.438,22 for each period of service as of 31 December 2014 (2013: TL 3.254,44).

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 2014, 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 10.82%, resulting in a real discount rate of approximately 3,57% (2013: 3,57%). The maximum liability is revised semi annually. The basis considered in calculating the provisions is the amount of maximum liability of TL 3.541,37 which became effective as of 1 January 2015.

As of 2014 year end, the probability of resignation of employees is 4.7% (2012: 3,9%).

Movement of provision for employee termination benefits is as below;

	<u>2014</u>	<u>2013</u>
Opening balance	23.380.797	20.283.290
Services cost	13.026.651	10.286.217
Interest cost	812.982	724.113
Actuarial loss / gain	(1.095.383)	(746.680)
Disposals from the scope of consolidation	(608.197)	-
Cash payments during year	(9.531.814)	(7.166.143)
Closing balance	<u>25.985.036</u>	<u>23.380.797</u>

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18. PREPAID EXPENSES

Short Term Prepaid Expenses	2014	2013
Advances given to related parties (Note 31)	118.241.116	17.989.137
Advances given to third parties	10.586.891	27.599.432
Prepaid expenses	918.464	1.745.975
Other	31.653	101.662
	129.778.124	47.436.206

Long Term Prepaid Expenses	2014	2013
Advances given to third parties	25.842.428	20.903.238
Prepaid expenses	150.595	88.074
	25.993.023	20.991.312

19. EMPLOYEE BENEFITS RELATED LIABILITIES

	2014	2013
Payables to personnel	10.639.304	11.360.308
Social security premiums payable	6.178.770	6.356.514
	16.818.074	17.716.822

20. OTHER ASSET AND LIABILITIES

Other Current Asset	2014	2013
VAT carried forward	40.755.953	37.439.870
Other VAT	1.941.180	2.271.062
Other asset	49.049	252.363
	42.746.182	39.963.295

Other Current Liabilities	2014	2013
Taxes and fund payable	7.318.145	7.733.719
Advances received	244.122	7.794.298
Other liabilities	309.543	261.609
	7.871.810	15.789.626

Other Non-Current Liabilities	2014	2013
Other non-current liabilities	154.014	35.571
	154.014	35.571

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21. SHAREHOLDERS' EQUITY

a) Capital Structure

The composition of the Company's paid-in share capital as of 31 December 2014 and 2013 is as follows:

Shareholders	2014		2013	
	Amount	Share	Amount	Share
Yıldız Holding A.Ş.	167.122.187	48,87%	166.967.458	48,82%
Yıldız Holding A.Ş. Subsidiaries and Ülker Family	27.738.115	8,11%	38.888.808	11,37%
Other	147.139.698	43,02%	136.143.734	39,81%
	342.000.000	100,00%	342.000.000	100,00%

b) Valuation Funds

Financial Asset Valuation Fund:

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

As of 31 December 2014 the Group has financial asset valuation fund of TL 315.533.570 (2013: TL 254.670.905).

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 965.000 in 2014 and TL 220.000 in 2013, TL 823.000 in 2012 have been accounted under the income statement (Note 26). As of 30 July 2013, the disposal of valuation fund amounting to TL 15.405.576 has been realized due to sales of investment property

c) Restricted Reserves Appropriated from Profit

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

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

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21. SHAREHOLDERS' EQUITY (cont'd)

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

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

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

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

Other equity items are carried at the amounts valued according to the CMB's Financial Reporting Standards.

Capital restatement differences can only be included in capital.

Profit Distribution:

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

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

The Group realized dividend payments TL 133.000.000 (2013: TL 150.000.000) in the current period.

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

Resources Available for Profit Distribution:

The Group has in its legal books a profit for the period of TL 229.777.419 (2013: TL 279.437.719) that can be utilized for profit distribution. The Group has sufficient funds for profit distribution in the statutory financial statements.

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21. SHAREHOLDERS' EQUITY (cont'd)

d) Retained Earnings

Details of retained earnings are as follows:

	2014	2013
Retained earnings	(585.165.841)	(444.459.862)
Extraordinary reserves	37.057.561	365.002
Inflation restatement differences of shareholders' equity accounts other than capital and legal reserves	(18.214.566)	(17.305.173)
Other reserves	617.165.955	600.619.014
	50.843.109	139.218.981

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

The amount of non-controlling interest as of 31 December 2014 is equal to TL 92.365.694 (2013: TL 138.338.939). The minority share of TL 23.272.072 on operating results for the current year has been presented separately from the profit for the same period in these consolidated statements of income. (2013: TL 38.682.116).

22. REVENUE AND COST OF SALES

a) Revenue

The detail of operating income is as follows:

	2014	2013
Domestic sales	3.291.256.619	3.058.811.904
Export sales	520.584.921	557.937.303
Sales returns and discounts (-)	(920.627.793)	(868.378.662)
Sales Income (net)	2.891.213.747	2.748.370.545

b) Cost of Sales

	2014	2013
Raw material used	(1.810.911.987)	(1.609.976.332)
Personnel expenses	(259.962.795)	(224.288.556)
Production overheads	(152.788.938)	(136.420.175)
Depreciation and amortization expenses	(49.667.379)	(46.489.626)
Change in work-in-progress inventories	2.085.299	1.776.716
Change in finished goods inventories	12.768.680	(902.365)
Cost of merchandises sold	(2.258.477.120)	(2.016.300.338)
Cost of trade goods sold	(25.084.309)	(98.759.935)
Cost of sales	(2.283.561.429)	(2.115.060.273)

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23. RESEARCH EXPENSES, MARKETING EXPENSES, GENERAL ADMINISTRATIVE EXPENSES

	<u>2014</u>	<u>2013</u>
Research expenses	(13.742.311)	(13.396.585)
Marketing expenses	(235.291.046)	(262.511.713)
General administrative expenses	(81.228.841)	(94.030.049)
	<u>(330.262.198)</u>	<u>(369.938.347)</u>

24. EXPENSES BY NATURE

The detail of operating expenses is as follow:

	<u>2014</u>	<u>2013</u>
Research Expenses		
Materials used	(9.285.165)	(8.437.857)
Personnel expenses	(1.705.892)	(2.412.237)
Depreciation and amortization expenses	(331.619)	(247.693)
Other	(2.419.635)	(2.298.798)
	<u>(13.742.311)</u>	<u>(13.396.585)</u>

	<u>2014</u>	<u>2013</u>
Marketing Expenses		
Marketing operating expenses	(208.487.381)	(216.691.685)
Personnel expenses	(18.299.142)	(28.067.702)
Depreciation and amortization expenses	(1.801.513)	(2.237.258)
Rent expenses	(1.257.330)	(1.920.198)
Other	(5.445.680)	(13.594.870)
	<u>(235.291.046)</u>	<u>(262.511.713)</u>

	<u>2014</u>	<u>2013</u>
General Administration Expenses		
Personnel expenses	(37.054.603)	(39.973.213)
Operating expenses (*)	(29.713.346)	(36.920.199)
Depreciation and amortization expenses	(2.694.806)	(2.811.377)
Tax, duties and levies	(927.259)	(956.465)
Consultancy expenses	(351.570)	(504.584)
Other	(10.487.257)	(12.864.211)
	<u>(81.228.841)</u>	<u>(94.030.049)</u>
Total Operating Expenses	<u>(330.262.198)</u>	<u>(369.938.347)</u>

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

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25. OTHER OPERATING INCOME AND EXPENSES

a) The detail of operating income is as follow:

	2014	2013
Foreign exchange gains	77.137.988	75.578.871
Financial income on discount and credit sales	56.337.367	41.207.104
Services income	1.220.961	2.073.227
Terminated provisions	419.854	1.852.487
Other income	10.014.037	14.144.386
	145.130.207	134.856.075

b) The detail of operating expense is as follow:

	2014	2013
Foreign exchange losses	(72.948.783)	(49.406.297)
Financial income on discount and credit sales	(44.686.749)	(29.872.060)
Provision expenses	(2.367.386)	(1.144.336)
Other expenses	(17.184.992)	(5.201.669)
	(137.187.910)	(85.624.362)

26. INCOME AND EXPENSES FROM INVESTMENT ACTIVITIES

a) The detail of investment income is as follow:

	2014	2013
Foreign exchange gains	111.281.754	168.508.740
Interest income	29.855.715	37.796.221
Rent income	7.666.682	7.373.538
Fair value increase in investment property (Note 11)	965.000	220.000
Dividend income	565.293	434.426
Revaluation of marketable securities	167.401	-
Income on sales of tangible assets	155.770	15.933.425
	150.657.615	230.266.350

b) The detail of investment expenses is as follow:

	2014	2013
Foreign exchange losses	(50.153.254)	(19.227.795)
Loss on sales of tangible assets	(1.253.070)	(4.361.591)
	(51.406.324)	(23.589.386)

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27. FINANCIAL INCOME

	<u>2014</u>	<u>2013</u>
Foreign exchange gain	94.703.126	52.271.455
	<u>94.703.126</u>	<u>52.271.455</u>

28. FINANCIAL EXPENSES

	<u>2014</u>	<u>2013</u>
Foreign exchange losses from financing	(174.273.004)	(248.491.002)
Interest expenses	(39.717.565)	(42.595.537)
Other	(2.072.504)	(1.349.214)
	<u>(216.063.073)</u>	<u>(292.435.753)</u>

29. 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 rate applied in the calculation of deferred tax assets and liabilities are between 4%- 20% (2013:4%- 20%). Group is benefiting the different tax rates relating the government incentive.

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29. TAX ASSET AND LIABILITIES (cont'd)

Deferred tax bases:

	<u>2014</u>	<u>2013</u>	<u>2014</u>	<u>2013</u>
Indexation and useful life differences of tangible and intangible assets	-	-	149.703.160	143.786.195
Investment properties valuation differences	-	-	10.369.517	9.349.692
Marketable securities valuation differences	-	-	333.147.147	268.551.100
Profit margin elimination on inventories	(133.260)	(272.145)	-	-
Discount of trade receivables / payables (net)	(1.821.288)	(954.865)	-	-
Allowance of employee termination benefits	(25.985.036)	(23.380.797)	-	-
Provision of doubtful receivables	(663.955)	(5.813.744)	-	-
Previous year losses	(9.494.630)	(14.867.955)	-	-
Provision for lawsuits	(3.505.439)	(3.772.686)	-	-
Impairment on inventories	(4.331.441)	(5.601.188)	-	-
Performance premium provision	(461.350)	(2.066.295)	-	-
Other	(6.932.539)	(8.075.489)	16.423.915	-
	<u>(53.328.938)</u>	<u>(64.805.164)</u>	<u>509.643.739</u>	<u>421.686.987</u>

Deferred tax assets / liabilities:

	<u>2014</u>	<u>2013</u>	<u>2014</u>	<u>2013</u>
Indexation and useful life differences of tangible and intangible assets	-	-	29.940.632	28.757.239
Investment properties valuation differences	-	-	518.476	467.485
Marketable securities valuation differences	-	-	16.657.357	13.427.555
Profit margin elimination on inventories	(26.652)	(54.429)	-	-
Discount of trade receivables / payables (net)	(364.258)	(190.973)	-	-
Allowance of employee termination benefits	(5.197.007)	(4.676.160)	-	-
Provision of doubtful receivables	(132.791)	(1.162.749)	-	-
Previous year losses	(1.898.926)	(2.973.591)	-	-
Provision for lawsuits	(701.088)	(754.537)	-	-
Impairment on inventories	(866.288)	(1.120.238)	-	-
Performance premium provision	(92.270)	(413.259)	-	-
Investment allowance	(17.991.008)	-	-	-
Other	(1.386.508)	(1.615.098)	3.284.783	-
	<u>(28.656.796)</u>	<u>(12.961.034)</u>	<u>50.401.248</u>	<u>42.652.279</u>

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29. TAX ASSET AND LIABILITIES (cont'd)

<u>Movement of Deferred Tax Liabilities:</u>	2014	2013
Opening balance	29.691.245	22.693.528
Changing in scope of consolidation	2.315.342	-
Taxes netted from funds recognised under equity	3.440.523	7.072.045
Deferred tax income	(13.702.658)	(74.328)
Closing balance	21.744.452	29.691.245

As of 31 December 2014, the Group calculated deferred tax assets of TL 9.494.630 for deductible financial losses in the consolidated financial statements for the current year (2013: TL 14.867.955). The maturities of these losses are as follows:

	2014	2013
2016	4.304.366	3.060.807
2017	5.190.264	6.616.884
2018	-	5.190.264
Total	9.494.630	14.867.955

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 2014 is 20% (2013: 20%).

In Turkey, advance tax returns are filed on a quarterly basis. The advance corporate income tax rate is 20% in 2014 (2013: 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.

Income withholding tax

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

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29. TAX ASSET AND LIABILITIES (cont'd)

Provision for taxation as of 31 December 2014 and 2013 is as follows:

	<u>2014</u>	<u>2013</u>
Current year corporate tax provision	(41.941.707)	(51.860.071)
Prepaid taxes and funds	32.586.944	40.388.418
Taxation in the balance sheet	<u>(9.354.763)</u>	<u>(11.471.653)</u>

	<u>2014</u>	<u>2013</u>
Current year corporate tax provision	41.941.707	51.860.071
Deferred tax income / loss	(13.702.658)	(74.328)
Taxation in the income statement	<u>28.239.049</u>	<u>51.785.743</u>

The reconciliation of provision for taxation as of 31 December 2014 and 2013 are as follows:

	<u>2014</u>	<u>2013</u>
Reconciliation of taxation:		
Profit before taxation and non-controlling interest	263.223.761	279.116.304
Effective tax rate	20%	20%
Calculated tax	52.644.752	55.823.261
Tax effects of:		
-Non-deductible expenses	1.703.254	652.721
-Dividend and other non-taxable income	(587.086)	(64.131)
-Investment allowance	(17.991.008)	-
-Utilization of previously unrecognized incentives	(1.009.341)	-
-Non deductible other expense/income	(6.521.522)	(4.626.108)
Taxation in the income statement	<u>28.239.049</u>	<u>51.785.743</u>

30. EARNINGS PER SHARE

A summary of the Group's weighted average number of shares outstanding as of 31 December 2014 and 2013 and computation of earnings per share set out here as follows:

	<u>2014</u>	<u>2013</u>
Weighted average number of common stock outstanding	34.200.000.000	34.200.000.000
Net profit	211.712.640	188.648.445
Earnings per share (TL 1 per value each)	<u>0,62</u>	<u>0,55</u>

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31. BALANCES AND TRANSACTIONS WITH RELATED PARTIES

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

	<u>2014</u>	<u>2013</u>
Trade receivables	560.805.522	446.815.319
Non-trade receivables	-	3.417.357
	<u>560.805.522</u>	<u>450.232.676</u>

Trade receivables from related parties are mainly composed of sales transactions and approximate maturity is 2 months. Non-trade receivables are loans given to related parties, and interest is received as monthly based on effective market interest rate. The interest rate used in 31 December 2014 is 10.5% for TL, 3.6% for foreign currencies (2013: 8% for TL, 4% for foreign currencies).

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

	<u>2014</u>		<u>2013</u>	
	<u>Trade</u>	<u>Non-Trade</u>	<u>Trade</u>	<u>Non-Trade</u>
<i>Principle Shareholders</i>				
Yıldız Holding A.Ş.	-	-	-	905.012
<i>Other Companies Controlled by the Principle Shareholders</i>				
Horizon Hızlı Tük. Ür. Paz. Sat. ve Tic. A.Ş.	228.601.485	-	220.716.160	-
Pasifik Tük. Ürün. Satış ve Ticaret A.Ş.	159.678.951	-	131.726.060	-
Teközel Gıda T.Sağ. Mrk. Hiz. San. Tic. A.Ş.	42.329.996	-	39.587.999	-
Önem Gıda San. ve Tic. A.Ş.	16.521.478	-	8.256.082	-
Rekor Gıda Paz. San. ve Tic. A.Ş.	40.198.031	-	-	-
İstanbul Gıda Dış Tic. A.Ş.	28.854.447	-	-	-
Hamle Company Ltd. (Kazakistan)	5.016.739	-	5.875.462	2.321.999
Natura Gıda San. ve Tic. A.Ş.	1.810.863	-	3.923.095	-
Other	37.793.532	-	36.730.461	190.346
	<u>560.805.522</u>	<u>-</u>	<u>446.815.319</u>	<u>3.417.357</u>

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

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

	<u>2014</u>	<u>2013</u>
Önem Gıda San. ve Tic. A.Ş.	118.241.116	17.989.137
	<u>118.241.116</u>	<u>17.989.137</u>

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

Payables to related parties are due to purchases and approximately matured in 2 months.

	<u>2014</u>	<u>2013</u>
Trade payables	270.908.832	273.321.957
Non-trade payables	-	86.857
	<u>270.908.832</u>	<u>273.408.814</u>

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

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

	2014		2013	
	Trade	Non-Trade	Trade	Non-Trade
Principle Shareholders				
Yıldız Holding A.Ş.	12.757.687	-	9.796.437	-
Other Companies Controlled by the Principle Shareholders				
Önem Gıda San. ve Tic. A.Ş.	181.512.996	-	166.622.151	-
Besler Gıda ve Kimya San. Tic. A.Ş.	33.505.590	-	51.189.561	-
Marsa Yağ San. ve Tic. A.Ş.	15.331.778	-	18.007.874	-
Ak Gıda San. ve Tic. A.Ş.	16.312.668	-	7.138.768	-
Northstar Innovation A.Ş.	2.270.158	-	4.645.202	-
Other	9.217.955	-	15.921.964	86.857
	270.908.832	-	273.321.957	86.857

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

	2014	2013
Yıldız Holding A.Ş.	2.722.218	-
Eksper Gıda Pazarlama San. ve Tic. A.Ş.	72.819.257	-
	75.541.475	-

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

	2014		2013	
	Purchases	Sales	Purchases	Sales
Other Companies Controlled by the Principle Shareholders and Significantly Influenced				
Önem Gıda San. ve Tic. A.Ş.	833.894.482	423.855	734.588.256	501.569
Besler Gıda ve Kimya San. ve Tic. A.Ş.	140.026.893	511.622	176.732.028	-
Marsa Yağ San. ve Tic. A.Ş.	61.452.353	-	55.417.406	-
Ak Gıda San. ve Tic. A.Ş.	52.038.960	75.492	38.593.469	59.764
Pendik Nişasta San. A.Ş.	16.853.156	-	19.963.502	-
CCC Gıda San. ve Tic. A.Ş.	-	-	14.585.155	430.023
Örgen Gıda San. ve Tic. A.Ş.	21.064	-	6.243.090	330
Hero Gıda San. Tic. A.Ş.	-	-	-	35.330.569
Teközel Gıda Tem. Sağ. Mark. Hizm. A.Ş.	-	186.048.653	-	156.078.808
Pasifik Tüketim Ürünleri Satış ve Tic. A.Ş.	-	614.122.547	-	542.515.493
Eksper Gıda Paz. San. ve Tic. A.Ş.	-	87.927.907	-	30.644.680
İstanbul Gıda Dış Tic. A.Ş.	-	128.962.549	-	-
Horizon Hızlı Tük. Ür. Paz. Sat. ve Tic. A.Ş.	24.344	1.363.655.074	-	1.194.744.992
Other	26.114.166	160.057.217	45.573.662	25.957.602
	1.130.425.418	2.541.784.916	1.091.696.568	1.986.263.830

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., Pendik Nişasta San. A.Ş and Ak Gıda Sanayi ve Tic. 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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31. BALANCES AND TRANSACTIONS WITH RELATED PARTIES (cont'd)

d) The detail of income and expenses pertaining to interest, rent and services arising from transactions with related parties is as follows: For the twelve month period ended on 31 December 2014;

	Rent Income	Rent Expenses	Service Income	Service Expenses	Interest Income and Foreign exchange gains	Interest Income and Foreign exchange losses
<i>Principle Shareholders</i>						
Yıldız Holding A.Ş.	131.172	(7.700)	600.561	(111.903.287)	173.608.475	(22.720.609)
<i>Other Companies</i>						
Hüner Pazarlama San. ve Tic. A.Ş.	658.440	(16.922)	395.472	(177.823)	-	-
Horizon Hızlı Tük. Ür. Paz. Sat. ve Tic. A.Ş.	25.490	(12.380)	1.134.730	(1.612.926)	-	(180.225)
Önem Gıda San. ve Tic. A.Ş.	867.988	(6.350)	4.725.393	(1.536.406)	-	(1.365.597)
Besler Gıda ve Kimya San. ve Tic. A.Ş.	-	-	11.835	(2.016.446)	-	(641.507)
Marsa Yağ San. ve Tic. A.Ş.	5.558	-	7.693	-	-	(937.484)
Northstar Innovation A.Ş.	103.585	-	105.241	(11.353.503)	-	-
İzsal Gayrimenkul Geliştirme A.Ş.	5.850	(542.426)	4.051	(213.693)	23	-
Natura Gıda San. ve Tic. A.Ş.	130.704	-	467.785	(481.341)	204.553	(11)
Other	658.299	-	4.223.215	(10.067.186)	6.004.242	(10.301.397)
	2.587.086	(585.778)	11.675.976	(139.362.611)	179.817.293	(36.146.830)

For the twelve month period ended on 31 December 2013;

	Rent Income	Rent Expenses	Service Income	Service Expenses	Interest Income and Foreign exchange gains	Interest Income and Foreign exchange losses
<i>Principle Shareholders</i>						
Yıldız Holding A.Ş.	120.722	(14.419)	2.497.606	(102.991.122)	220.588.848	(2.629.638)
<i>Other Companies</i>						
Hero Gıda Sanayi ve Tic.A.Ş.	1.800	-	2.045.559	(365.814)	-	-
Hüner Pazarlama San. ve Tic. A.Ş.	576.878	(255)	415.245	(9.143)	-	-
Horizon Hızlı Tük. Ür. Paz. Sat. ve Tic. A.Ş.	52.722	(81.376)	945.072	(540.342)	-	-
Önem Gıda San. ve Tic. A.Ş.	870.852	(5.000)	4.632.411	(111.887)	4.189	(613.967)
Besler Gıda ve Kimya San. ve Tic. A.Ş.	-	(5.238)	23.324	(1.615.407)	-	-
Marsa Yağ San. ve Tic. A.Ş.	3.730	-	851	(1.594)	-	-
Northstar Innovation A.Ş.	100.788	-	48.361	(12.435.899)	-	-
Seher Gıda Paz. San. Tic. A.Ş.	355.246	-	19.083	(16.328)	-	-
İzsal Gayrimenkul Geliştirme A.Ş.	-	(932.266)	-	(378.852)	-	-
Natura Gıda San. ve Tic. A.Ş.	366.756	-	429.118	(419.417)	84.409	-
Other	154.722	(4.022)	1.066.617	(5.170.217)	12.674.833	(114.044)
	2.604.216	(1.042.576)	12.123.247	(124.056.022)	233.352.279	(3.357.649)

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31. BALANCE AND TRANSACTIONS WITH RELATED PARTY (cont'd)

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

	2014	2013
Fees and other short term benefits	8.835.662	16.541.995
	8.835.662	16.541.995

f) There are no CPM on behalf of related parties.

32. 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 21.

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 2014 and 2013 are as follows:

	2014	2013
Total financial liabilities	1.334.985.878	1.259.584.390
Negative: Cash & cash equivalent	(1.033.829.882)	(1.164.383.158)
Net liabilities	301.155.996	95.201.232
Total shareholders' equity	1.137.602.999	1.129.829.508
Total capital	1.438.758.995	1.225.030.740
Net liabilities/Total Capital Ratio	21%	8%

b) Financial Risk Factors

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

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

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

(b) -1 Credit Risk Management

Credit Risk of Financial Instruments	Receivables				Deposit in Bank
	Trade Receivables		Other Receivables		
2014	Related Party	Third Party	Related Party	Third Party	
Maximum net credit risk as of balance sheet date (*)	560.805.522	48.053.601	-	13.848.060	1.033.829.882
- The part of maximum risk under guarantee with collateral etc (**)	-	41.102.355	-	-	-
A. Net book value of financial assets that are neither past due nor impaired	560.805.522	48.005.295	-	13.848.060	1.033.829.882
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	-	-	-	-	-
- The part under guarantee with collateral etc	-	-	-	-	-
D. Net book value of impaired assets	-	48.306	-	-	-
- Past due (gross carrying amount)	-	1.598.671	-	-	-
- Impairment (-)	-	(1.550.365)	-	-	-
- 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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32. NATURE AND LEVEL OF RISKS DERIVED FROM FINANCIAL INSTRUMENTS (cont'd)

(b) Credit Risk Management (cont'd)

Credit Risk of Financial Instruments	Receivables				Deposit in Bank
	Trade Receivables		Other Receivables		
2013	Related Party	Third Party	Related Party	Third Party	
Maximum net credit risk as of balance sheet date (*)	446.815.319	201.954.749	3.417.357	23.883.007	1.163.802.077
- The part of maximum risk under guarantee with collateral etc. (**)	-	108.951.703	-	-	-
A. Net book value of financial assets that are neither past due nor impaired	446.815.319	201.454.052	3.417.357	23.883.007	1.163.802.077
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	-	451.438	-	-	-
- The part under guarantee with collateral etc.	-	451.438	-	-	-
D. Net book value of impaired assets	-	49.259	-	-	-
- Past due (gross carrying amount)	-	6.271.394	-	-	-
- Impairment (-)	-	(6.222.135)	-	-	-
- The part of net value under guarantee with collateral etc	-	49.259	-	-	-
- 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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32. NATURE AND LEVEL OF RISKS DERIVED FROM FINANCIAL INSTRUMENTS (cont'd)

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

As of 31 December 2014, the Group has not trade and other receivables that are past due.

Aging of the past due receivables are as follows:

	Receivables		Total
	Trade	Other	
2013	Receivables	Receivables	Receivables
Past due 1-30 days	273.398	-	273.398
Past due 1-3 months	178.040	-	178.040
Past due 3-12 months	-	-	-
Past due 1-5 years	-	-	-
Past due more than 5 years	-	-	-
Total past due receivables	451.438	-	451.438
The part under guarantee with collateral	451.438	-	451.438

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

	2014	2013
	Fair Value	Fair Value
Guarantees Received	-	-
Collaterals	-	451.438
	-	451.438

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

	2014	2013
	Fair Value	Fair Value
Guarantees Received	48.306	49.259
	48.306	49.259

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.

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

(b) -2 Liquidity risk management

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

Liquidity risk charts

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

<u>Contractual maturity analysis</u> <u>2014</u>	<u>Carrying value</u>	<u>Total cash outflow according to contract (I +II+ III</u>	<u>Less than 3 months (I)</u>	<u>3-12 months (II)</u>	<u>1-5 years (III)</u>
Non-derivative financial liabilities					
Bank borrowing	1.334.925.983	1.446.426.447	34.321.903	91.664.302	1.320.440.242
Financial lease liabilities	59.895	67.114	64.237	2.877	-
Trade payables	511.339.510	515.802.711	469.551.460	46.251.251	-
Other payables	944.034	944.034	944.034	-	-
Total liabilities	1.847.269.422	1.963.240.306	504.881.634	137.918.430	1.320.440.242

The expected maturities are same as the maturities per contracts.

<u>Contractual maturity analysis</u> <u>2013</u>	<u>Carrying value</u>	<u>Total cash outflow according to contract (I +II+ III</u>	<u>Less than 3 months (I)</u>	<u>3-12 months (II)</u>	<u>1-5 years (III)</u>
Non-derivative financial liabilities					
Bank borrowing	1.254.265.112	1.283.805.043	254.781.942	1.019.141.924	9.881.177
Financial lease liabilities	5.319.278	5.445.900	5.372.898	3.415	69.587
Trade payables	508.464.394	511.693.887	444.474.845	67.219.042	-
Other payables	431.797	514.535	418.439	96.096	-
Total liabilities	1.768.480.581	1.801.459.365	705.048.124	1.086.460.477	9.950.764

The expected maturities are same as the maturities per contracts.

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32. 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.

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

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

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

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

	2014					
	TL Equivalent (Functional Currency)	USD	EUR	CHF	GBP	DKK
1. Trade Receivables	72.435.396	26.998.160	3.262.366	-	174.413	-
2a. Monetary Financial Assets	967.526.078	416.777.581	209.258	13.281	119.219	27.737
2b. Non-Monetary Financial Assets	777.877	335.451	-	-	-	-
3. Other	4.692.641	1.617.409	330.365	4.347	-	-
4. CURRENT ASSETS	1.045.431.992	445.728.601	3.801.989	17.628	293.632	27.737
5. Trade Receivables	5.016.738	2.163.413	-	-	-	-
6a. Monetary Financial Assets	27.595	11.900	-	-	-	-
6b. Non-Monetary Financial Assets	-	-	-	-	-	-
7. Other	15.155.831	133.979	5.262.930	-	-	-
8. NON-CURRENT ASSETS	20.200.164	2.309.292	5.262.930	-	-	-
9. TOTAL ASSETS	1.065.632.156	448.037.893	9.064.919	17.628	293.632	27.737
10. Trade Payables	26.414.529	6.599.078	3.792.891	7.239	31.235	750.801
11. Financial Liabilities	86.112.460	32.267.856	4.001.322	-	-	-
12a. Other Monetary Financial Liabilities	41.182	-	14.600	-	-	-
12b. Other Non-monetary Financial Liabilities	115.215	49.685	-	-	-	-
13. CURRENT LIABILITIES	112.683.386	38.916.619	7.808.813	7.239	31.235	750.801
14. Trade Payables	-	-	-	-	-	-
15. Financial Liabilities	1.243.537.763	281.429.534	209.497.932	-	-	-
16a. Other Monetary Financial Liabilities	-	-	-	-	-	-
16b. Other Non-monetary Financial Liabilities	-	-	-	-	-	-
17. NON-CURRENT LIABILITIES	-	-	-	-	-	-
18. OTHER NON-CURRENT LIABILITIES	1.356.221.149	320.346.153	217.306.745	7.239	31.235	750.801
19. Net foreign currency liability position	(290.588.993)	127.691.740	(208.241.826)	10.389	262.397	(723.064)
20. Net foreign currency of monetary items (1+2a+5+6a-10-11-12a-14-15-16a)	(311.100.127)	125.654.586	(213.835.121)	6.042	262.397	(723.064)

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

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

	2013					
	TL Equivalents (Functional Currency)	USD	EUR	CHF	GBP	DKK
1. Trade Receivables	153.318.397	58.327.991	9.328.182	-	409.170	-
2a. Monetary Financial Assets	1.018.500.873	324.964.420	110.617.650	6.289	23.450	8.167
2b. Non-Monetary Financial Assets	610.376	285.984	-	-	-	-
3. Other	2.436.185	757.657	277.050	-	-	14.147
4. CURRENT ASSETS	1.174.865.831	384.336.052	120.222.882	6.289	432.620	22.314
5. Trade Receivables	-	-	-	-	-	-
6a. Monetary Financial Assets	25.398	11.900	-	-	-	-
6b. Non-Monetary Financial Assets	-	-	-	-	-	-
7. Other	5.358.023	-	1.814.527	-	8.448	-
8. NON-CURRENT ASSETS	5.383.421	11.900	1.814.527	-	8.448	-
9. TOTAL ASSETS	1.180.249.252	384.347.952	122.037.409	6.289	441.068	22.314
10. Trade Payables	30.731.445	12.063.339	1.652.674	6.543	33.020	-
11. Financial Liabilities	1.245.362.925	367.526.290	156.973.119	-	-	-
12a. Other Monetary Financial Liabilities	522.895	-	171.939	7.530	-	-
12b. Other Non-monetary Financial Liabilities	7.574.595	3.187.260	261.131	-	1.485	-
13. CURRENT LIABILITIES	1.284.191.860	382.776.889	159.058.863	14.073	34.505	-
14. Trade Payables	9.851.176	-	3.354.734	-	-	-
15. Financial Liabilities	-	-	-	-	-	-
16a. Other Monetary Financial Liabilities	-	-	-	-	-	-
16b. Other Non-monetary Financial Liabilities	-	-	-	-	-	-
17. NON-CURRENT LIABILITIES	9.851.176	-	3.354.734	-	-	-
18. TOTAL LIABILITIES	1.294.043.036	382.776.889	162.413.597	14.073	34.505	-
19. Net foreign currency liability position	(113.793.784)	1.571.063	(40.376.188)	(7.784)	406.563	22.314
20. Net foreign currency of monetary items (1+2a+5+6a-10-11-12a-14-15-16a)	(114.623.773)	3.714.682	(42.206.634)	(7.784)	399.600	8.167

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

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

The Group's import and export totals for the year ended 2014 and 2013 are presented below:

	<u>2014</u>	<u>2013</u>
Total exports	520.584.921	557.937.303
Total imports	114.140.069	72.422.195

Foreign currency sensitivity

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

	<u>2014</u>		<u>2013</u>	
	<u>Income / Expense</u>		<u>Income / Expense</u>	
	<u>Appreciation of foreign currency</u>	<u>Depreciation of foreign currency</u>	<u>Appreciation of foreign currency</u>	<u>Depreciation of foreign currency</u>
1 - US Dollar net asset / liabilities	29.138.042	(29.138.042)	792.825	(792.825)
2- Part of hedged from US Dollar risk (-)				
3- US Dollar net effect (1 +2)	29.138.042	(29.138.042)	792.825	(792.825)
4 - Euro net asset / liability	(60.316.473)	60.316.473	(12.393.978)	12.393.978
5 - Part of hedged from Euro risk (-)				
6- Euro net effect (4+5)	(60.316.473)	60.316.473	(12.393.978)	12.393.978
Total (3 + 6)	(31.178.431)	31.178.431	(11.601.153)	11.601.153

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

(b) -3.2 Interest risk management

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

Interest rate sensitivity

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

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

Net income of the Group would have been decreased by TL 38.305 (Net profit in 2013 would have been decreased by TL 80.043). This is mainly attributable to the Group's exposure to interest rates on its variable rate borrowings. In case of 1% decrease in Euribor interest rate, the net profit of the company for the current period would have increased with the same rate.

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

		<u>2014</u>	<u>2013</u>
Fixed interest rate financial instruments			
Financial Assets	Cash and Cash Equivalents	1.030.810.637	1.154.745.091
	Other Receivables	13.848.060	23.883.007
Financial Liabilities	Borrowings	2.613.436	436.516.669
	Financial lease payables	59.895	5.319.278
	Other Payables	944.034	344.940
Floating interest rate financial instruments			
Financial Assets	Non-trade receivables from related parties	-	3.417.357
Financial Liabilities	Borrowings	1.256.771.072	817.748.443
	Loan Payables due to Related Parties	75.541.475	-
	Non-trade payables to related parties	-	86.857

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

(b) -3.3 Price risk

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

(b) -3.4 Equity investments price sensitivity

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

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

As of 31 December 2014, 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 3.070.842 (2013: increase/decrease of TL 2.528.595). This situation is the result of the changes in the fair value of available for sale securities.

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33. FINANCIAL INSTRUMENTS

Classifications and fair values of financial instruments

2014	Financial assets presented at amortized cost	Credits and receivables	Available for sale financial assets	Financial liabilities at amortized cost	Carrying value	Notes
<u>Financial Assets</u>						
Cash and cash equivalents	1.033.829.882	-	-	-	1.033.829.882	5
Trade receivables	-	48.053.601	-	-	48.053.601	8
Due from related parties	-	560.805.522	-	-	560.805.522	31
Financial investments	-	-	529.826.768	-	529.826.768	6
<u>Financial Liabilities</u>						
Financial liabilities	-	-	-	1.334.985.878	1.334.985.878	7
Trade payables	-	-	-	240.430.678	240.430.678	8
Payable to related parties	-	-	-	270.908.832	270.908.832	31
2013	Financial assets presented at amortized cost	Credits and receivables	Available for sale financial assets	Financial liabilities at amortized cost	Carrying value	Notes
<u>Financial Assets</u>						
Cash and cash equivalents	1.164.383.158	-	-	-	1.164.383.158	5
Trade receivables	-	201.954.749	-	-	201.954.749	8
Due from related parties	-	450.232.676	-	-	450.232.676	31
Financial investments	-	-	465.272.715	-	465.272.715	6
<u>Financial Liabilities</u>						
Financial liabilities	-	-	-	1.259.584.390	1.259.584.390	7
Trade payables	-	-	-	235.142.437	235.142.437	8
Payable to related parties	-	-	-	273.408.814	273.408.814	31

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

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33. FINANCIAL INSTRUMENTS (cont'd)

Fair value of financial instruments

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

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

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

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

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33. FINANCIAL INSTRUMENTS (cont'd)

Fair value of financial instruments (cont'd)

	2013	Level of fair value as of reporting date		
		Level 1 TL	Level 2 TL	Level 3 TL
Financial assets				
Financial assets for which fair value differences reflected through profit and loss				
- Shares	611.476	611.476	-	-
Financial assets for which fair value differences reflected through comprehensive income statement				
- Shares	464.418.845	25.825.951	438.592.894	-
Total	<u>465.030.321</u>	<u>26.437.427</u>	<u>438.592.894</u>	<u>-</u>

34. EVENTS AFTER THE BALANCE SHEET DATE

None.

35. SALES OF SUBSIDIARIES

- a) İstanbul Gıda Dış Ticaret A.Ş. Sales: Group has sold out its subsidiary with 91,41% İstanbul Gıda Dış Tic.A.Ş. for an amount of TL 28.551.007 to its parent Yıldız Holding A.Ş. as of 6 May 2014. Due to the sales has occurred to parent Yıldız Holding A.Ş, subsidiary's sale loss has evaluated as "Transaction between under common control" and accounted under Shareholder's Equity.

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35. SALES OF SUBSIDIARIES (cont'd)

Disposal net asset due to transaction and the effect of the transaction in equity is as follows;

Assets without Scope of Consolidation	Asset/(Liability)
Current Assets	
Cash and Cash Equivalents	365.447.910
Trade Receivables	96.371.519
Other Receivables	21.936.350
Other Current Assets	4.798.419
Non-Current Assets	
Tangible and Intangible Assets (Net)	247.514
Deferred Tax Assets	489.728
Current Liabilities	
Financial Liabilities	(293.472.058)
Trade Payables	(43.502.806)
Other Payables	(2.347.901)
Other Current Liabilities	(14.112.566)
Non-Current Liabilities	
Other Non-Current Liabilities	(109.824.528)
Net Asset without Scope of Consolidation	26.031.581
Total Share of Group Ownership	%92,1
The Portion of Net Asset to Group	23.975.086
Net Cash Generated from Subsidiaries Sales	28.551.007
Net Equity Impact from Sales of Subsidiaries	4.575.921

- b) Birleşik Dış Ticaret A.Ş. Sales: Group has sold out its subsidiary with 79,17% Birleşik Dış Tic.A.Ş. for an amount of TL 3.200.000 to its parent Yıldız Holding A.Ş. as of 6 May 2014. Due to the sales has occurred to parent Yıldız Holding A.Ş, subsidiary's sale gain has evaluated as "Transaction between under common control" and accounted under Shareholder's Equity.

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35. SALES OF SUBSIDIARIES (cont'd)

Disposal net asset due to transaction and the effect of the transaction in equity is as follows;

Assets without Scope of Consolidation	Asset/(Liability)
Current Assets	
Cash and Cash Equivalents	3.946.034
Trade Receivables	18.646.000
Other Receivables	50.610.795
Other Current Assets	178.961
Non-Current Assets	
Tangible and Intangible Assets (Net)	1.055.898
Deferred Tax Assets	18.106
Other Non-Current Assets	42.274
Current Liabilities	
Financial Liabilities	(50.280.566)
Trade Payables	(19.513.496)
Other Payables	-
Other Current Liabilities	(1.826.253)
Non-Current Liabilities	
Other Non-Current Liabilities	(742.284)
Net Asset without Scope of Consolidation	2.135.469
Total Share of Group Ownership	%79,96
The Portion of Net Asset to Group	1.707.521
Net Cash Generated from Subsidiaries Sales	3.200.000
Net Equity Impact from Sales of Subsidiaries	1.492.479

- c) Rekor Gıda Pazarlama A.Ş. Sales: One of Ülker Bisküvi San.A.Ş.'s subsidiary Biskot Bisküvi Gıda Sanayi ve Ticaret A.Ş. has sold out its 100% subsidiary Rekor Gıda Pazarlama A.Ş. (Ülker Bisküvi has 43,92% share indirectly) for an amount of TL 4.000.000 to its parent Yıldız Holding A.Ş. as of 6 May 2014. Due to the sales has occurred to parent Yıldız Holding A.Ş, subsidiary's sale loss has evaluated as "Transaction between under common control" and accounted under Shareholder's Equity

**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 2014**

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

35. SALES OF SUBSIDIARIES (cont'd)

Disposal net asset due to transaction and the effect of the transaction in equity is as follows;

Assets without Scope of Consolidation	Asset/(Liability)
Current Assets	
Cash and Cash Equivalents	8.743.686
Trade Receivables	50.373.956
Other Receivables	211.034
Other Current Assets	2.993.435
Non-Current Assets	
Tangible and Intangible Assets (Net)	239.940
Deferred Tax Assets	1.807.508
Other Non-Current Assets	-
Current Liabilities	
Financial Liabilities	-
Trade Payables	(55.870.517)
Other Payables	-
Other Current Liabilities	(4.946.117)
Non-Current Liabilities	
Other Non-Current Liabilities	(202.164)
Net Asset without Scope of Consolidation	3.350.761
Total Share of Group Ownership	100,0%
The Portion of Net Asset to Group	3.350.761
Net Cash Generated from Subsidiaries Sales	4.000.000
Net Equity Impact from Sales of Subsidiaries	649.239

Breakdown of non-controlling interest and equity holders of the parent related to the subsidiary disposals are as follows;

	Non-Controlling Interest	Equity Holders of the Parent
İstanbul Gıda Dış Ticaret A.Ş.	34.364	4.541.557
Birleşik Dış Ticaret A.Ş.	15.476	1.477.003
Rekor Gıda Pazarlama A.Ş.	169.297	479.942
Total	219.137	6.498.502