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

**CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2011
AND INDEPENDENT AUDITOR'S REPORT**

*(TRANSLATED INTO ENGLISH FROM
THE ORIGINAL TURKISH REPORT)*

CONVENIENCE TRANSLATION OF
THE REPORT AND FINANCIAL STATEMENTS
ORIGINALLY ISSUED IN TURKISH

INDEPENDENT AUDITOR'S REPORT

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

We have audited the accompanying consolidated financial statements of Ülker Bisküvi Sanayi A.Ş. ("the Company") and its subsidiaries (together "the Group") comprising the consolidated balance sheet as of 31 December 2011, and the consolidated statement of comprehenssive income, consolidated statement of changes in shareholders' equity and consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and accompanying information.

Management's Responsibility

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with the financial reporting standards issued by the Capital Markets Board. This responsibility includes designing, implementing and maintaining internal control relevant to the preparation and fair presentation of the consolidated financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with auditing standards published by Capital Markets Board. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the 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 audit also includes 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 audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the accompanying consolidated financial statements give a true and fair view of the financial position of Ülker Bisküvi Sanayi A.Ş as of 31 December 2011, and of its financial performance and its cash flows for the year then ended in accordance with the financial reporting standards issued by the Capital Markets Board.

İstanbul, 26 March 2012

DRT BAĞIMSIZ DENETİM VE SERBEST MUHASEBECİ MALİ MÜŞAVİRLİK A.Ş.

Member of **DELOITTE TOUCHE TOHMATSU LIMITED**

Burç Seven
Partner

Contents		**Page(s)**
CONSOLIDATED BALANCE SHEET		**1-2**
CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME		**3**
CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY		**4**
CONSOLIDATED STATEMENTS OF CASH FLOWS		**5–6**
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS		**7–77**
NOTE 1	ORGANIZATION AND OPERATIONS OF THE GROUP	7–9
NOTE 2	BASIS OF PRESENTATION OF FINANCIAL STATEMENTS	9–30
NOTE 3	BUSINESS COMBINATIONS	31 – 33
NOTE 4	JOINT VENTURES	33
NOTE 5	SEGMENTAL INFORMATION	34
NOTE 6	CASH AND CASH EQUIVALENTS	34
NOTE 7	FINANCIAL ASSETS	35-36
NOTE 8	FINANCIAL LIABILITIES	36-37
NOTE 9	OTHER FINANCIAL LIABILITIES	37
NOTE 10	TRADE RECEIVABLES AND PAYABLES	37-38
NOTE 11	OTHER RECEIVABLES AND PAYABLES	38-39
NOTE 12	INVENTORIES	39
NOTE 13	INVESTMENTS ACCOUNTED FOR UNDER THE EQUITY METHOD	40
NOTE 14	TANGIBLE ASSETS (NET)	41-43
NOTE 15	INTANGIBLE ASSETS (NET)	43-44
NOTE 16	GOODWILL	44
NOTE 17	GOVERNMENT GRANTS AND INCENTIVES	45
NOTE 18	PROVISIONS, CONTINGENT ASSETS AND LIABILITIES	45-47
NOTE 19	COMMITMENTS	47
NOTE 20	EMPLOYEE BENEFITS	47 – 48
NOTE 21	OTHER ASSETS AND LIABILITIES	49
NOTE 22	SHAREHOLDERS' EQUITY	49-52
NOTE 23	REVENUE AND COST OF SALES	52
NOTE 24	RESEARCH AND DEVELOPMENT EXPENSES, MARKETING, SELLING AND DISTRIBUTION EXPENSES, GENERAL ADMINISTRATIVE EXPENSES	53
NOTE 25	EXPENSES BY NATURE	53
NOTE 26	OTHER OPERATING INCOME / (EXPENSES)	54
NOTE 27	FINANCE INCOME	54
NOTE 28	FINANCE EXPENSES	54
NOTE 29	DEFERRED TAX ASSETS AND LIABILITIES	55-57
NOTE 30	EARNINGS PER SHARE	57
NOTE 31	BALANCES AND TRANSACTIONS WITH RELATED PARTIES	58-62
NOTE 32	NATURE AND LEVEL OF RISKS DERIVED FROM FINANCIAL INSTRUMENTS	63-73
NOTE 33	FINANCIAL INSTRUMENTS	74-76
NOTE 34	EVENTS AFTER THE BALANCE SHEET DATE	77

ÜLKER BİSKÜVİ SANAYİ A.Ş. AND ITS SUBSIDIARIES

AUDITED CONSOLIDATED BALANCE SHEET
AS AT 31 DECEMBER 2011

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

ASSETS	Notes	Current Year 31 December 2011	Prior Year 31 December 2010
Current Assets		**1.823.702.835**	**1.511.688.854**
Cash and Cash Equivalents	6	401.701.955	616.600.133
Financial Investments	7	3.791.165	2.746.410
Trade Receivables			
- Trade Receivables from Related Parties	31	293.919.815	144.696.851
- Other Trade Receivables	10	288.896.127	205.730.713
Other Receivables			
- Non-Trade Receivables from Related Parties	31	582.308.728	317.961.978
- Other Short Term Receivables	11	12.378.271	29.566.382
Inventories	12	161.214.376	140.991.575
Other Current Assets	21	79.492.398	53.394.812
Non-Current Assets		**846.765.813**	**1.374.184.581**
Trade Receivables	10	403.574	145.132
Other Receivables	11	162.592	124.670
Financial Investments	7	275.244.585	816.106.184
Investments Accounted for Under Equity Method	13	-	237.570.227
Tangible Assets	14	541.979.252	300.481.190
Intangible Assets	15	608.679	626.710
Goodwill	16	1.534.035	1.534.035
Deferred Tax Assets	29	17.136.849	7.730.256
Other Non-Current Assets	21	9.696.247	9.866.177
TOTAL ASSETS		**2.670.468.648**	**2.885.873.435**

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

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

LIABILITIES	Notes	Current Year 31 December 2011	Reclassified (*) Prior Year 31 December 2010
Current Liabilities		**1.261.616.149**	**785.321.487**
Financial Liabilities	8	764.142.098	451.425.724
Trade Payables			
- Trade Payables to Related Parties	31	212.654.232	173.290.148
- Other Trade Payables	10	205.828.591	91.215.887
Other Payables			
- Non-Trade Payables to Related Parties	31	4.391.368	23.520.266
- Other Short Term Payables	11	8.169.469	721.853
Corporate Tax Payable	29	7.942.463	19.802.243
Debt Provisions	18	19.509.261	2.305.769
Employee Benefits	20	18.578.851	10.356.778
Other Current Liabilities	21	20.399.816	12.682.819
Non-Current Liabilities		**311.601.808**	**573.344.192**
Financial Liabilities	8	270.208.170	507.961.715
Other Financial Liabilities	9	3.045.783	6.287.769
Other Trade Payables	10	2.176.850	1.132.637
Employee Benefits	20	18.866.864	8.471.180
Deferred Tax Liabilities	29	17.245.832	49.490.891
Other Non-Current Liabilities		58.309	-
SHAREHOLDERS' EQUITY		**1.097.250.691**	**1.527.207.756**
Equity Attributable To Equity Holders' of the Parent		**1.002.582.500**	**1.458.891.511**
Share Capital	22	268.600.000	268.600.000
Inflation Adjustments to Share Capital		108.056.201	108.056.201
Valuation Funds	22	73.153.054	609.950.097
Restricted Reserves Appropriated from Profits		69.877.977	36.431.287
Currency translation adjustment		-	34.938.557
Retained Earnings / (Accumulated Loss)	22	(174.126.746)	216.068.540
Net Income for the Year		657.022.014	184.846.829
Non Controlling Interest	**22**	**94.668.191**	**68.316.245**
TOTAL LIABILITIES		**2.670.468.648**	**2.885.873.435**

(*) Effects of reclassification are explained in the note 2 (Comparative Information and Restatement of Prior Period Consolidated Financial Statements)

ÜLKER BİSKÜVİ SANAYİ A.Ş. AND ITS SUBSIDIARIES

AUDITED CONSOLIDATED INCOME STATEMENT
FOR THE YEAR ENDED 31 DECEMBER 2011

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

	Notes	Current Year January 1 - December 31, 2011	Reclassified (*) Prior Year January 1 - December 31, 2010
Sales Revenue	23	1.798.789.943	1.523.518.680
Cost of Sales (-)	23	(1.434.753.954)	(1.197.478.342)
GROSS PROFIT		**364.035.989**	**326.040.338**
Marketing, Sales and Distribution Expenses (-)	24-25	(251.740.617)	(228.366.829)
General Administrative Expenses (-)	24-25	(64.711.487)	(56.675.198)
Research and Development Expenses (-)	24-25	(2.689.990)	(1.045.818)
Other Operating Income	26	77.540.860	29.502.398
Other Operating Expenses (-)	26	(11.107.596)	(11.416.593)
OPERATING PROFIT		**111.327.159**	**58.038.298**
Share in Net Profit of Investments Accounted for under Equity Method	13	(12.703.253)	(13.735.984)
Finance Income	27	890.192.207	414.917.323
Finance Expenses (-)	28	(268.789.186)	(235.495.177)
PROFIT BEFORE TAXATION		**720.026.927**	**223.724.460**
Tax Charge from Continued Operations	29	**(51.035.620)**	**(32.301.882)**
Current Tax Charge		(48.245.534)	(37.373.545)
Deferred Tax (Charge) / Benefit		(2.790.086)	5.071.663
PROFIT FOR THE YEAR		**668.991.307**	**191.422.578**
Other Comprehensive Income:			
Change in Revaluation Funds of Financial Assets		(569.536.351)	172.280.360
Change in Foreign Currency Translation Differences		(34.938.557)	3.211.472
Tax Income/Expenses Related to Other Comprehensive Income Items		28.458.085	(8.614.018)
OTHER COMPREHENSIVE (LOSS) / INCOME (NET OF TAX)		**(576.016.823)**	**166.877.814**
TOTAL COMPREHENSIVE INCOME		**92.974.484**	**358.300.392**
Distribution of Profit for the Year			
Non Controlling Interest		11.969.293	6.575.749
Equity Holders of the Parent	30	657.022.014	184.846.829
Earnings Per Share		2,45	0,69
Distribution of Total Comprehensive Income			
Non Controlling Interest		10.807.851	7.521.522
Equity Holders of the Parent		82.166.633	350.778.870

(*) Effects of reclassifications are explained in note 2 (Comparative Information and Restatement of Prior Period Consolidated Financial Statements)

ÜLKER BİSKÜVİ SANAYİ A.Ş. AND ITS SUBSIDIARIES

AUDITED CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2011

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

	Share Capital	Inflation Adjustments to Share Capital	Valuation Fund	Restricted Reserves Appropriated from Profits	Currency Translation Reserve	Net Income	Retained Earnings / (Accumulated Loss)	Equity Attributable to Equity Holders of the Parent	Non Controlling Interest	Total
Balance as of 1 January 2010	**268.600.000**	**108.056.201**	**446.354.171**	**29.541.106**	**31.362.234**	**102.917.554**	**138.837.334**	**1.125.668.600**	**61.449.738**	**1.187.118.338**
Total comprehensive income	-	-	163.595.926	-	2.336.115	184.846.829	-	350.778.870	7.521.522	358.300.392
Transfer to retained earnings & reserves	-	-	-	6.890.181	-	(102.917.554)	96.027.373	-	-	-
Acquisition of a company under Common Control	-	-	-	-	-	-	(4.011.872)	(4.011.872)	(1.119.332)	(5.131.204)
Disposal of a company under Common Control	-	-	-	-	1.240.208	-	(784.295)	455.913	464.317	920.230
Dividend Paid	-	-	-	-	-	-	(14.000.000)	(14.000.000)	-	(14.000.000)
Balance as of 31 December 2010	**268.600.000**	**108.056.201**	**609.950.097**	**36.431.287**	**34.938.557**	**184.846.829**	**216.068.540**	**1.458.891.511**	**68.316.245**	**1.527.207.756**
Balance as of 1 January 2011	**268.600.000**	**108.056.201**	**609.950.097**	**36.431.287**	**34.938.557**	**184.846.829**	**216.068.540**	**1.458.891.511**	**68.316.245**	**1.527.207.756**
Total comprehensive income	-	-	(539.916.824)	-	41.708.034	657.022.014	-	158.813.224	10.807.851	169.621.075
Transfer to retained earnings & reserves	-	-	-	5.926.190	-	(184.846.829)	178.920.639	-	-	-
Transactions under common control (*)	-	-	3.119.781	27.520.500	(76.646.591)	-	(551.149.047)	(597.155.357)	28.054.120	(569.101.237)
Dividend Paid	-	-	-	-	-	-	(17.966.878)	(17.966.878)	(12.510.025)	(30.476.903)
Balance as of 31 December 2011	**268.600.000**	**108.056.201**	**73.153.054**	**69.877.977**	**-**	**657.022.014**	**(174.126.746)**	**1.002.582.500**	**94.668.191**	**1.097.250.691**

(*) Transactions included in this line are;
(1) The merger of Atlas Gıda Paz. San. ve Tic. A.Ş. and Mavi-Yeşil Koz. Gıda Ürn. San. Tic. Ltd.(Note 1)
(2) The disposal of Hero Gıda San. ve Tic. A.Ş. (Note 4)
(3) The disposal of PNS Pendik Nişasta San. ve Tic. A.Ş. (Note 4)
(4) The disposal of Sağlam GYO A.Ş. (Note 7) (As of November 2011, the title changed as "Saf GYO A.Ş.")
(5) The disposal of Besler Gıda ve Kimya San. A.Ş. (Note 7)
(6) Acquisition of Ülker Çikolata San. A.Ş. and Atlantik Gıda Paz. ve Tic. A.Ş. (Note 3)
(7) Disposal of stake in Godiva (Note 13)
(8) Acquiring stake in Atlas Gıda Paz. San. ve Tic. A.Ş. (Note 1)
(9) Acquiring stake in İdeal Gıda San. ve Tic. A.Ş. (Note 1)
(10)The merger of İdeal Gıda Sanayi ve Ticaret A.Ş. and Birlik Pazarlama Sanayi ve Ticaret A.Ş. with Ülker Bisküvi San. A.Ş. (Note 1)
(11) The merger of AGS Anadolu Gıda San. A.Ş. and Biskot Bisküvi Gıda San.ve Tic. A.Ş. (Note 3)
(12) The merger of Fresh Cake Gıda Sanayi ve Ticaret A.Ş. and Ülker Bisküvi San. A.Ş. (Note 3).

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

ÜLKER BİSKÜVİ SANAYİ A.Ş. AND ITS SUBSIDIARIES

AUDITED CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER 2011

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

	Notes	Current Year 1 January- 31 December 2011	Prior Year 1 January- 31 December 2010
CASH FLOWS FROM OPERATING ACTIVITIES			
Net profit for the year		668.991.307	191.422.578
Adjustments to reconcile net profit to net cash provided by operating activities			
- Depreciation expenses of tangible assets	14	32.231.760	26.421.861
- Amortization expenses of intangible assets	15	267.978	445.750
- Commercial production write-off	14	158.557	5.054.751
- Allowance for doubtful receivables	10	2.524.814	1.688.664
- Reversal of allowance for doubtful receivables	10	(1.640.610)	(1.789.787)
- Provision for employee benefits	20	7.296.712	4.124.116
- Foreign exchange loss and interest expense due to financial liabilities		176.641.886	51.494.541
- Change in expense accruals of other financial liabilities	9	(3.241.986)	(1.650.846)
- (Gain) / loss on sale of fixed assets (net)	26	(45.667.319)	7.145.413
- Gain on sale of financial assets (net)	27	(616.301.176)	(157.436.542)
- Provision for impairment of inventory	12	1.178.862	1.049.423
- Loss from investments accounted for under equity method	13	12.703.253	13.735.984
- Accrued taxation	29	51.035.620	32.301.882
Net Operating cash flows provided before changes in working capital		**286.179.658**	**174.007.788**
- Decrease / (increase) in trade receivables		59.442.804	(30.270.556)
- Decrease / (increase) in trade receivables from related parties		246.186.200	(26.533.864)
- Decrease in inventories		53.743.215	17.552.139
- Increase / (decrease) in other receivables and other current assets		38.610.228	(46.371.900)
- Increase in trade payables		68.164.502	18.713.026
- Decrease in payables to related parties		(255.031.914)	(181.844.009)
- Decrease / (increase) in other liabilities		12.921.086	(969.707)
Cash generated from / (utilized in) operations		**510.215.779**	**(75.717.083)**
- Taxes paid	29	(60.105.314)	(25.179.382)
- Employee benefits paid	20	(3.714.457)	(1.821.923)
- Collections from doubtful trade receivables	10	6.317	29.643
Net cash provided by / (used in) operating activities		**446.402.325**	**(102.688.745)**

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

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

	Notes	Current Year 1 January- 31 December 2011	Prior Year 1 January- 31 December 2010
CASH FLOWS FROM INVESTING ACTIVITIES			
- Acquisitions of tangible assets	14	(68.136.168)	(59.620.483)
- Acquisitions of intangible assets	15	(334.276)	(278.436)
- Cash inflow from the sales of fixed assets		52.234.913	9.136.790
- Cash inflow from the sales of investment in associates and financial assets		922.420.140	203.111.641
- Change in non-trade receivables from related parties		(264.346.750)	383.359.953
- Transactions under common control	3	(17.188.465)	(189.856)
- Cash outflow for acquisition of subsidiaries	3	(840.300.000)	-
- Change in financial assets		(686.064)	3.069.888
Net cash (used in) / provided by investing activities		**(216.336.670)**	**538.589.497**
CASH FLOWS FROM FINANCING ACTIVITIES			
- Loan repayments		(552.108.680)	(703.831.126)
- Loans acquired		169.465.190	832.553.251
- Change in leasing liabilities	8	(12.714.542)	(4.351.221)
- Dividends paid		(30.476.903)	(14.000.000)
- Changes in non-trade payables to related parties		(19.128.898)	(209.116.201)
Net cash used in investing activities		**(444.963.833)**	**(98.745.297)**
NET CHANGE IN CASH AND CASH EQUIVALENTS		**(214.898.178)**	**337.155.455**
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR	6	**616.600.133**	**279.444.678**
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	6	**401.701.955**	**616.600.133**

(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 the parent Ülker Bisküvi Sanayi A.Ş. ("the Company") and seven subsidiaries in which the Company owns the majority share of the capital or has controlling interest (2010: 8 subsidiaries, 2 joint ventures and 2 associates.)

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

Ülker Bisküvi Sanayi A.Ş. which is registered at the Capital Markets 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.

Ülker Bisküvi Sanayi A.Ş. is located in Davutpaşa Cad. No:10 Topkapı Zeytinburnu / İstanbul.

As of 31 December 2011, the total number of people employed by the Group is 7.218 which contains 748 employees who worked as subcontractors (31 December 2010: 5.010, subcontractor: 462).

The ultimate parent and the controlling party of the Group is Yıldız Holding A.Ş.

As of 31 December 2011 and 2010, the names and percentages of the shareholders holding more than 10% of the Company's share capital are as follows:

	31 December 2011		**31 December 2010**	
Name of the Shareholders	**Share**	**Percentage**	**Share**	**Percentage**
Yıldız Holding A.Ş.	112.496.294	41,88%	106.999.435	39,84%
Dynamic Growth Fund	73.308.031	27,29%	73.568.033	27,39%
Other	82.795.675	30,83%	88.032.532	32,77%
	268.600.000	**100,00%**	**268.600.000**	**100,00%**

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

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

As of 31 December 2011 and 2010, the details of the subsidiaries under full consolidation in terms of direct and effective share of ownership and principal business activities are as follows:

	31 December 2011		31 December 2010		
Subsidiaries	**Ratio of Direct Ownership %**	**Ratio of Effective Ownership %**	**Ratio of Direct Ownership %**	**Ratio of Effective Ownership %**	**Nature of Business**
İdeal Gıda Sanayi ve Ticaret A.Ş.(iv)	-	-	97,5%	97,9%	Manufacturing
Biskot Bisküvi Gıda Sanayi ve Ticaret A.Ş. (v)	43,5%	43,9%	50,5%	50,8%	Manufacturing
İstanbul Gıda Dış Ticaret A.Ş.	83,8%	91,4%	83,8%	83,8%	Sales&Marketing
Atlas Gıda Pazarlama Sanayi ve Tic. A.Ş.(i)	98,3%	98,3%	78,2%	78,2%	Sales&Marketing
Birleşik Dış Ticaret A.Ş.	69,0%	78,1%	69,0%	69,0%	Sales&Marketing
Birlik Pazarlama Sanayi ve Ticaret A.Ş.(iv)	-	-	99,0%	99,0%	Manufacturing
Ülker Çikolata Sanayi A.Ş.(ii)	91,7%	91,7%	-	-	Manufacturing
Atlantik Gıda Paz. ve Tic. A.Ş. (ii)	-	91,7%	-	-	Sales&Marketing
Rekor Gıda Pazarlama A.Ş.	0,1%	41,5%	-	46,6%	Sales&Marketing
Mavi-Yeşil Koz. Gıda Ürn. San. Tic. Ltd. (iii)	-	-	-	74,4%	Sales&Marketing

(i) On September 23, 2011, the Company purchased 20,68% stake in Atlas Gıda Paz. San. ve Tic. A.Ş. amounting to TL 18.230.131 from Ülker Çikolata Sanayi A.Ş.

(ii) On September 26, 2011, the Company purchased 91,67 % stake in Ülker Çikolata Sanayi A.Ş. amounting to TL 825.000.000. Since Ülker Çikolata Sanayi A.Ş. has a 99,99 % stake in Atlantik Gıda Paz. ve Tic. A.Ş., Ülker Çikolata Sanayi A.Ş. and Atlantik Gıda Paz. ve Tic. A.Ş have been considered within the scope of the full consolidation effective starting from September 30, 2011

(iii) On January 13, 2011, Atlas Gıda Paz. San. ve Tic. A.Ş. merged with Mavi-Yeşil Koz. Gıda Ürn. San. Tic. Ltd. in which Atlas Gıda Paz. San. ve Tic. A.Ş. had a 95,14 % stake previously.

(iv) The process of the merger of İdeal Gıda San.Tic.A.Ş., Fresh Cake San.ve Tic.A.Ş. and Birlik Pazarlama San.ve Tic.A.Ş. under the Company was concluded as of December 30, 2011.

(v) The process of the merger of AGS Anadolu Gıda San. A.Ş and Biskot Bisküvi Gıda San.ve Tic. A.Ş under Biskot Bisküvi Gıda San.ve Tic. A.Ş was concluded as of December 30, 2011. Due to this merger, direct and effective ownership proportion of the Company in Biskot Bisküvi Gıda San.ve Tic. A.Ş has decreased. However the Company's controlling interest in Biskot has not changed.

Biskot Bisküvi Gıda Sanayi ve Ticaret A.Ş. manufactures and sells similar products with those of Ülker Bisküvi Sanayi A.Ş. On the other hand İstanbul Gıda Dış Ticaret A.Ş., Atlas Gıda Pazarlama Sanayi ve 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 sales and marketing operations of chocolate and cocoa covered products of Ülker Çikolata Sanayi A.Ş. are performed by Atlantik Gıda Paz. ve Tic. A.Ş.

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

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

The associates and joint-ventures of the company that are accounted for under equity method in consolidation until the disposal and their business segments are as follows:

	31 December 2011		31 December 2010		
	Ratio of Direct Ownership %	Ratio of Effective Ownership %	Ratio of Direct Ownership %	Ratio of Effective Ownership %	Nature of Business
Joint Ventures					
Pendik Nişasta Sanayi ve Ticaret A.Ş. (i)	-	-	23,00%	23,99%	Manufacturing
Hero Gıda Sanayi ve Ticaret A.Ş. (ii)	-	-	-	39,59%	Manufacturing
Associates					
Godiva Belgium BVBA (iii)	19,23%	19,23%	25,23%	25,23%	Manufacturing
G New Inc. (iv)	19,23%	19,23%	25,23%	25,23%	Investment

(i) Pendik Nişasta Sanayi ve Ticaret A.Ş. with net asset value of TL 16.469.290 was sold to Yıldız Holding A.Ş. (the principal shareholder) for the valuation amount of TL 24.850.000 on June 23, 2011.

(ii) Hero Gıda Sanayi ve Ticaret A.Ş. with net asset value of TL 7.970.092 was sold to Yıldız Holding A.Ş. (the principal shareholder) for the valuation amount of TL 14.800.000 on June 23, 2011.

(iii) A stake of 6% in Godiva BVBA was sold to Yıldız Holding A.Ş. (the principal shareholder) for the valuation amount of TL 51.463.620 on September 23, 2011. Remaining amount of investment after this transaction has been considered as financial asset and reclassified under the long-term financial investments (note 7).

(iv) A stake of 6% in G New Inc. was sold to Yıldız Holding A.Ş. (the principal shareholder) for the valuation amount of TL 28.244.265 on September 23, 2011. Remaining amount of investment after this transaction has been considered as financial asset and reclassified under the long-term financial investments (note 7).

Dividend Paid:

Group have paid a dividend amount of TL 30.476.903 in the current year. Dividend paid per share as of December 31, 2011 is 0,11 (31 December 2010: 0,05).

Approval of Financial Statements

The Board of Directors has approved the financial statements and given authorization for the issuance on 26 March 2012. The General Assembly has the authority to amend/modify the financial statements.

2. BASIS OF PRESENTATION OF FINANCIAL STATEMENTS

2.1 Basis of the presentation:

Principles for Preparation of Financial Statements and Significant Accounting Policies

The Company and its Turkish subsidiaries maintain their books of account and prepare their statutory financial statements in accordance with accounting principles in the Turkish Commercial Code and tax legislation. Subsidiaries operating in foreign countries maintain their books of account in the currencies of those countries and prepare their statutory financial statements in accordance with the legislation effective in those countries.

Capital Markets Board (CMB) Decree No XI-29 "Capital Markets Financial Reporting Standards" provides principals and standards regarding the preparation and presentation of financial statements. This Decree became effective for periods beginning after 1 January 2008 and with its issuance Decree No XI-25 "Capital Markets Accounting Standards" was annulled. Based on this Decree, the companies are required to prepare their financial statements based on International Financial Reporting Standards ("IFRS") as accepted by the European Union.

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

2.1 Basis of the presentation (cont'd):

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

However during the period in which the differences between the standards accepted by European Union and the standards issued by International Accounting Standards Board ("IASB") are announced by Turkish Accounting Standards Board ("TASB"), IAS/ IFRS will be applied. In this scope, Turkish Accounting/ Financial Reporting Standards issued by TASB which do not contradict to the standards accepted will be adopted. As the differences between IAS/IFRS endorsed by the European Union and IAS/IFRS issued by the IASB have not been announced by TASB yet, these financial statements have been prepared within the framework of the Communique XI, No: 29 and related promulgations to this Communique as accepted by the CMB, in accordance with the CMB Financial Reporting Standards which are based on IAS/IFRS. Financial statements and the related notes to them are presented in accordance with the formats recommended by the CMB, with the announcement dated 17 April 2008 and 9 January 2009, including the compulsory disclosures. Per decree no 660 published on the Official Gazette dated 2 November 2011 and became effective, additional article no:1 of the 2499 numbered Law on establishment of TASB has been abrogated and establishment of Public Oversight, Accounting and Auditing Standards Association ("Board") has been decided by the Council of Ministers. In accordance with this additional temporary article no 1 of the decree, current regulations will prevail until related standards and regulations will be issued by the Board become effective. Therefore this situation, as of the reporting date, has no effect on the "Principles in Preparation of the Financial Statements" explained in this note.

Financial statements are prepared on the basis of historical cost principal except for revaluation of some financial instruments.

Determination of Functional 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.

The functional currencies of Godiva Belgium BVBA and G New, Inc., which are the Group's associates till September 23, 2011 were EUR and USD respectively and consolidated reporting currency was TL. Currency translation differences arising from the associates which were consolidated under equity method till September 23, 2011 were recognized under the currency translation difference account in equity.

As of 31 December 2011, foreign currency rates declared by Central Bank of Turkey are 1 Euro = TL 2,4438, 1 USD = TL 1,8889 (31.12.2010: 1 Euro = 2,0491, 1 USD = 1,5460). For the period between January 1, 2011 and December 31, 2011, average foreign currency rates declared by Central Bank of Republic of Turkey are 1 Euro = 2,3244 TL, 1 USD = 1,6708 TL (Jan 1, 2010-Dec. 31, 2010 : 1 Euro = 1,9886, 1 USD = 1,4990).

Preparation of Financial Statements in Hyperinflationary Periods

CMB, with its resolution dated 17 March 2005 and decree no 11/367 declared that companies operating in Turkey which prepare their financial statements in accordance with CMB Accounting Standards, effective 1 January 2005, will not be subject to the application of inflation accounting. Consequently, in the accompanying financial statements IAS 29 "Financial Reporting in Hyperinflationary Economies" was not applied.

Comparative Information and Restatement of Prior Period Financial Statements

Consolidated financial statements of the Group have been prepared comparatively with the prior period in order to give information about financial position and performance. If the presentation or classification of the financial statements is changed, in order to maintain consistency, consolidated financial statements of the prior periods are also reclassified in line with the related changes. The Group reclassified its previous period consolidated financial statements in order to make comparison available with the current period consolidated financial statement. The natures, reasons and amounts of the reclassifications are explained below:

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

2.1 Basis of the presentation (cont'd):

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

- As of December 31, 2011, the Group reclassified a balance of TL 6.106.467 in the note "Other Short Term Obligations", which was shown in "Advances Received" section under the note "Other Short Term Liabilities" as of December 31,2010, for comparative presentation purposes.
- As of December 31, 2011, the Group reclassified Derivative Financial Liabilities of TL 6.287.769 in the note "Other Long Term Financial Liabilities", which was shown in the note "Other Short Term Financial Liabilities" as of December 31,2010, for comparative presentation purposes
- As of December 31, 2011, the Group split up retirement pay provisions of TL 4.855.467, which was shown in the note "General Administrative Expenses" as of December 31, 2010, and reclassified a portion of TL 4.094.666 under the note "Cost of Sales", another portion of TL 255.867 under the note "Marketing, Selling and Distribution Expenses" and another portion of TL 33.756 under the note "Research and Development Expenses" for comparative presentation purposes. The remaining portion has been left under general administrative expenses.

Consolidation:

The consolidated financial statements incorporate the financial statements of the Company and entities controlled by the Company (its subsidiaries). Control is deemed to exist where the Company has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities.

Income and expenses of subsidiaries acquired or disposed of during the year are included in the consolidated statement of comprehensive income from the effective date of acquisition and up to the effective date of disposal, as appropriate. Where necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies in line with those used by other members of the Group. All intra-group transactions, balances, income and expenses are eliminated on consolidation.

Non-controlling interests ("Non Controlling Interests") in the net assets of consolidated subsidiaries are identified separately from the Group's equity therein. Non Controlling Interests consist of the amount of those interests at the date of the original business combination and the minority's share of changes in equity since the date of the combination.

On acquisition, the assets and liabilities of a subsidiary are measured at their fair values as at the date of acquisition. The interest of minority shareholders is stated at the minority's proportion of the fair values of the assets and liabilities recognized if applicable. The results of subsidiaries acquired or disposed of during the year are included in the consolidated comprehensive income statement from the effective date of acquisition up to the effective date of disposal, as appropriate.

Goodwill arising on acquisitions is recognized as an asset and initially measured at cost, being the excess of the cost of the business combination over the Group's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities recognized. If, after reassessment, the Group's interest in the net fair value of the acquiree's identifiable assets, liabilities and contingent liabilities exceeds the cost of the business combination, the excess is recognized immediately in profit or loss.

Changes in the share capital of the Group's subsidiaries:

Changes in the Group's ownership interests in subsidiaries that do not result in the Group losing 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 recognised directly in equity and attributed to owners of the Company.

When the Group loses control of a subsidiary, the profit or loss on disposal 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. When assets of the subsidiary are carried at revalued amounts or fair values and the related cumulative gain or loss has been recognised in other comprehensive income and accumulated in equity, the amounts previously recognised in other comprehensive income and accumulated in equity are accounted for as if the Company had directly disposed of the relevant assets (i.e. reclassified to profit or loss or transferred directly to retained earnings as specified by applicable IFRSs).

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

2.1 Basis of the presentation (cont'd):

Consolidation (cont'd):

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 IAS 39 Financial Instruments: Recognition and Measurement or, when applicable, the cost on initial recognition of an investment in an associate or a jointly controlled entity.

Associates accounted for under equity method

An associate is an entity over which the Group has significant influence and that is neither a subsidiary nor an interest in a joint venture. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control over those policies.

Results and assets and liabilities of associates are incorporated in the accompanying consolidated financial statements using the equity method of accounting, except when the investment is classified as held for sale, in that case they are accounted for under IFRS 5 "Non-current Assets Held for Sale and Discontinued Operations". Under the equity method, associates are carried in the consolidated balance sheet at cost as adjusted for post-acquisition changes in the Group's share of the net assets of the associate, less any impairment in the value of individual investments. Losses of an associate in excess of the Group's interest in that associate (which includes any long-term interests that, in substance, form part of the Group's net investment in the associate) are not recognized.

Any excess of the cost of acquisition over the Group's share of the net fair value of the identifiable assets, liabilities and contingent liabilities of the associate recognized at the date of acquisition is recognized as goodwill. Goodwill is included within the carrying amount of the investment and is assessed for impairment as part of the investment. Any excess of the Group's share of the net fair value of the identifiable assets, liabilities and contingent liabilities over the cost of acquisition, after reassessment, is recognized in income statement.

If the Group disposes of some stake in a subsidiary resulting in a lose of significant control, remaining stake is measured at fair value. Fair value of that stake is deemed as the initially recognized amount according to IAS 39. The difference between the fair value and the book value is recognized in Income Statement. With the disposal of the subsidiary's assets and liabilities, The Group also recognizes all amounts, which it recognized in other comprehensive income regarding that subsidiary, following the same principles. Hence all amounts recognized in other comprehensive income are reclassified in income statement after removal from the shareholders' equity.

Joint ventures accounted for under equity method

Results and assets and liabilities of joint ventures are incorporated in the consolidated financial statements using the equity method of accounting until the disposal of these joint ventures . Under the equity method, associates are carried in the consolidated balance sheet at cost as adjusted for post-acquisition changes in the Group's share of the net assets of the joint venture, less any impairment in the value of individual investments. Losses of a joint venture in excess of the Group's interest in that joint venture (which includes any long-term interests that, in substance, form part of the Group's net investment in the joint venture) are not recognized.

Offsetting:

Financial assets and liabilities are offset and the net amount reported in the consolidated balance sheet 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.

2.2 Changes in the Accounting Policies:

Accounting policy changes arising from the first time adoption of the IAS / IFRS, If any stated, are applied retrospectively or prospectively, in accordance with the adoption standards.

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

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

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

Changes that are not guided by any adoption standard, significant optional policy changes and identified accounting errors are adjusted retrospectively, adjusting prior period financial statements. The Group has not made any significant changes to its accounting policies in the current period.

2.3 Changes and Errors in Accounting Estimates:

If the changes in the accounting polices are related to one period they are applied in the current year; if they are related with the future period they are applied both in the current period and future periods. The Group did not have any changes in the accounting estimates in the current period.

2.4 New and Revised International Financial Reporting Standards:

The following new and revised IFRSs have been applied in the current year and have affected the amounts reported and disclosures in these financial statements. Details of other new and revised IFRSs applied in these financial statements that have had no material impact on the financial statements are set out in further sections.

(a) New and revised standards affecting presentation and disclosure

Amendments to IAS 1 Presentation of Financial Statements	The amendments to IAS 1 clarify that an entity may choose to disclose an analysis of other comprehensive income by item in the statement of changes in equity or in the notes to the financial statements. In the current year, for each component of equity, the Group has chosen to present such an analysis in the notes to the consolidated financial statements, with a single-line presentation of other comprehensive income in the consolidated statement of changes in equity.
IAS 24 Related Party Disclosures (as revised in 2009)	IAS 24 (as revised in 2009) has been revised on the following two aspects: (a) IAS 24 (as revised in 2009) has changed the definition of a related party and (b) IAS 24 (as revised in 2009) introduces a partial exemption from the disclosure requirements for government-related entities. The Company and its subsidiaries are not government-related entities.

(b) Standards and interpretations that are effective in 2011 financial statements, additional changes and interpretations to the existing standards

The following new and revised IFRSs have also been adopted in these consolidated financial statements by the Group in the current year. The application of these new and revised IFRSs has not had any material impact on the amounts reported for the current and prior years but may affect the accounting for future transactions or arrangements.

Amendments to IFRS 3 Business Combinations

As part of *Improvements to IFRSs* issued in 2010, IFRS 3 was amended to clarify that the measurement choice regarding non-controlling interests at the date of acquisition is only available in respect of non-controlling interests that are present ownership interests and that entitle their holders to a proportionate share of the entity's net assets in the event of liquidation. All other types of non-controlling interests are measured at their acquisition-date fair value, unless another measurement basis is required by other Standards. In addition, IFRS 3 was amended to provide more guidance regarding the accounting for share-based payment awards held by the acquiree's employees. Specifically, the amendments specify that share-based payment transactions of the acquiree that are not replaced should be measured in accordance with IFRS 2 *Share-based Payment* at the acquisition date ('market-based measure').

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

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

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

(b) Standards and interpretations that are effective in 2011 financial statements, additional changes and interpretations to the existing standards (cont'd)

Amendments to IAS 32 Classification of Rights Issues	The amendments address the classification of certain rights issues denominated in a foreign currency as either equity instruments or as financial liabilities. Under the amendments, rights, options or warrants issued by an entity for the holders to acquire a fixed number of the entity's equity instruments for a fixed amount of any currency are classified as equity instruments in the financial statements of the entity provided that the offer is made pro rata to all of its existing owners of the same class of its non-derivative equity instruments. Before the amendments to IAS 32, rights, options or warrants to acquire a fixed number of an entity's equity instruments for a fixed amount in foreign currency were classified as derivatives. The amendments require retrospective application. The application of the amendments has had no effect on the amounts reported in the current and prior years because the Group has not issued instruments of this nature.
Amendments to IFRIC 14 Prepayments of a Minimum Funding Requirement	IFRIC 14 addresses when refunds or reductions in future contributions should be regarded as available in accordance with paragraph 58 of IAS 19; how minimum funding requirements might affect the availability of reductions in future contributions; and when minimum funding requirements might give rise to a liability. The amendments now allow recognition of an asset in the form of prepaid minimum funding contributions. The application of the amendments has not had material effect on the Group's consolidated financial statements.
IFRIC 19 Extinguishing Financial Liabilities with Equity Instruments	The Interpretation provides guidance on the accounting for the extinguishment of a financial liability by the issue of equity instruments. Specifically, under IFRIC 19, equity instruments issued under such arrangement will be measured at their fair value, and any difference between the carrying amount of the financial liability extinguished and the consideration paid will be recognized in profit or loss. The application of IFRIC 19 has had no effect on the amounts reported in the current and prior years because the Group has not entered into any transactions of this nature.
Improvements to IFRSs issued in 2010	Except for the amendments to IFRS 3 and IAS 1 described earlier in section (a), and (b), the application of *Improvements to IFRSs* issued in 2010 has not had any material effect on amounts reported in the consolidated financial statements.

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

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

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

(c) New and revised standards in issue but not yet effective, standards not applied by the Group yet and changes and interpretations to the existing standards

The Group has not applied the following new and revised IFRSs that have been issued but are not yet effective:

Amendments to IFRS 7	Disclosures – Transfers of Financial Assets; Offsetting of Financial Assets and Financial Liabilities
IFRS 9	Financial Instruments
IFRS 10	Consolidated Financial Statements
IFRS 11	Joint Arrangements
IFRS 12	Disclosure of Interests in Other Entities
IFRS 13	Fair Value Measurement
Amendments to IAS 1	Presentation of Items of Other Comprehensive Income
Amendments to IAS 12	Deferred Taxes – Recovery of Underlying Assets
IAS 19 (as revised in 2011)	Employee Benefits
IAS 27 (as revised in 2011)	Separate Financial Statement
IAS 28 (as revised in 2011)	Investments in Associates and Joint Ventures
IFRIC 20	Stripping Costs in the Production Phase of a Surface Mine
Amendments to IAS 32	Financial Instruments: Presentation - Offsetting of Financial Assets and Financial Liabilities

The amendments to IFRS 7 increase the disclosure requirements for transactions involving transfers of financial assets. These amendments are intended to provide greater transparency around risk exposures when a financial asset is transferred but the transferor retains some level of continuing exposure in the asset. The amendments also require disclosures where transfers of financial assets are not evenly distributed throughout the period.

The Group management does not anticipate that these amendments to IFRS 7 will have a significant effect on the Group's disclosures. However, if the Group enters into other types of transfers of financial assets in the future, disclosures regarding those transfers may be affected.

The amendments to IFRS 7 require an entity to disclose information about rights of offset and related agreements for financial instruments under an enforceable master netting agreement or similar arrangement. The new disclosures are required for annual or interim periods beginning on or after 1 January 2013.

IFRS 9 issued in November 2009 introduces new requirements for the classification and measurement of financial assets. IFRS 9 amended in October 2010 includes the requirements for the classification and measurement of financial liabilities and for derecognition.

Key requirements of IFRS 9 are described as follows:

IFRS 9 requires all recognized financial assets that are within the scope of IAS 39 Financial Instruments: Recognition and Measurement to be subsequently measured at amortized cost or fair value. Specifically, debt investments that are held within a business model whose objective is to collect the contractual cash flows, and that have contractual cash flows that are solely payments of principal and interest on the principal outstanding are generally measured at amortized cost at the end of subsequent accounting periods. All other debt investments and equity investments are measured at their fair values at the end of subsequent accounting periods.

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

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

The most significant effect of IFRS 9 regarding the classification and measurement of financial liabilities relates to the accounting for changes in the fair value of a financial liability (designated as at fair value through profit or loss) attributable to changes in the credit risk of that liability. Specifically, under IFRS 9, for financial liabilities that are designated as at fair value through profit or loss, the amount of change in the fair value of the financial liability that is attributable to changes in the credit risk of that liability is presented in other comprehensive income, unless the recognition of the effects of changes in the liability's credit risk in other comprehensive income would create or enlarge an accounting mismatch in profit or loss. Changes in fair value attributable to a financial liability's credit risk are not subsequently reclassified to profit or loss. Previously, under IAS 39, the entire amount of the change in the fair value of the financial liability designated as at fair value through profit or loss was presented in profit or loss.

IFRS 9 was amended to defer the mandatory effective date of both the 2009 and 2010 versions of IFRS 9 to annual periods beginning on or after 1 January 2015. Prior to the amendments, application of IFRS 9 was mandatory for annual periods beginning on or after 1 January 2013. The amendments continue to permit early application. The amendments modify the existing comparative transition disclosures in IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors and IFRS 7 Financial Instruments: Disclosures. Instead of requiring restatement of comparative financial statements, entities are either permitted or required to provide modified disclosures on transition from IAS 39 Financial Instruments: Recognition and Measurement to IFRS 9 depending on the entity's date of adoption and whether the entity chooses to restate prior periods.

The Group management anticipates that IFRS 9 will be adopted in the Group's consolidated financial statements for the annual period beginning 1 January 2015 and that the application of IFRS 9 may have significant impact on amounts reported in respect of the Group's financial assets and financial liabilities (e.g. the Group's investments in redeemable notes that are currently classified as available-for-sale investments will have to be measured at fair value at the end of subsequent reporting periods, with changes in the fair value being recognized in profit or loss). However, it is not practicable to provide a reasonable estimate of that effect until a detailed review has been completed.

In May 2011, a package of five standards on consolidation, joint arrangements, associates and disclosures was issued, including IFRS 10, IFRS 11, IFRS 12, IAS 27 (as revised in 2011) and IAS 28 (as revised in 2011).

Key requirements of these five standards are described below.

IFRS 10 replaces the parts of IAS 27 Consolidated and Separate Financial Statements that deal with consolidated financial statements. SIC-12 Consolidation – Special Purpose Entities has been withdrawn upon the issuance of IFRS 10. Under IFRS 10, there is only one basis for consolidation, which is control. In addition, IFRS 10 includes a new definition of control that contains three elements: (a) power over an investee, (b) exposure, or rights, to variable returns from its involvement with the investee, and (c) the ability to use its power over the investee to affect the amount of the investor's returns. Extensive guidance has been added in IFRS 10 to deal with complex scenarios.

IFRS 11 replaces IAS 31 Interests in Joint Ventures. IFRS 11 deals with how a joint arrangement of which two or more parties have joint control should be classified. SIC-13 Jointly Controlled Entities – Non-monetary Contributions by Venturers has been withdrawn upon the issuance of IFRS 11. Under IFRS 11, joint arrangements are classified as joint operations or joint ventures, depending on the rights and obligations of the parties to the arrangements. In contrast, under IAS 31, there are three types of joint arrangements: jointly controlled entities, jointly controlled assets and jointly controlled operations.

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

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

In addition, joint ventures under IFRS 11 are required to be accounted for using the equity method of accounting, whereas jointly controlled entities under IAS 31 can be accounted for using the equity method of accounting or proportionate accounting.

IFRS 12 is a disclosure standard and is applicable to entities that have interests in subsidiaries, joint arrangements, associates and/or unconsolidated structured entities. In general, the disclosure requirements in IFRS 12 are more extensive than those in the current standards.

These five standards are effective for annual periods beginning on or after 1 January 2013. Earlier application is permitted provided that all of these five standards are applied early at the same time.

The Group management anticipates that these five standards will be adopted in the Group's consolidated financial statements for the annual period beginning 1 January 2013. The application of these five standards may have significant impact on amounts reported in the consolidated financial statements. The application of IFRS 10 may result in the Group no longer consolidating some of its investees, and consolidating investees that were not previously consolidated. Since the Group does not have jointly controlled entity that is currently accounted for using proportionate consolidation, the management anticipates that the application of IFRS 11 will have no impact on the consolidated financial statements.

IFRS 13 establishes a single source of guidance for fair value measurements and disclosures about fair value measurements. The Standard defines fair value, establishes a framework for measuring fair value, and requires disclosures about fair value measurements. The scope of IFRS 13 is broad; it applies to both financial instrument items and non-financial instrument items for which other IFRSs require or permit fair value measurements and disclosures about fair value measurements, except in specified circumstances. In general, the disclosure requirements in IFRS 13 are more extensive than those required in the current standards. For example, quantitative and qualitative disclosures based on the three-level fair value hierarchy currently required for financial instruments only under IFRS 7 Financial Instruments: Disclosures will be extended by IFRS 13 to cover all assets and liabilities within its scope.

IFRS 13 is effective for annual periods beginning on or after 1 January 2013, with earlier application permitted.

The management anticipates that IFRS 13 will be adopted in the Group's consolidated financial statements for the annual period beginning 1 January 2013 and that the application of the new Standard may affect the amounts reported in the financial statements and result in more extensive disclosures in the financial statements.

The amendments to IAS 1 retain the option to present profit or loss and other comprehensive income in either a single statement or in two separate but consecutive statements. However, the amendments to IAS 1 require additional disclosures to be made in the other comprehensive income section such that items of other comprehensive income are grouped into two categories: (a) items that will not be reclassified subsequently to profit or loss; and (b) items that will be reclassified subsequently to profit or loss when specific conditions are met. Income tax on items of other comprehensive income is required to be allocated on the same basis.

The amendments to IAS 1 are effective for annual periods beginning on or after 1 July 2012. The presentation of items of other comprehensive income will be modified accordingly when the amendments are applied in the future accounting periods.

The amendments to IAS 12 are effective for annual periods beginning on or after 1 January 2012. The management anticipate that the application of the amendments to IAS 12 in future accounting periods may result in adjustments to the amounts of deferred tax liabilities recognized in prior years regarding the Group's investment properties of which the carrying amounts are presumed to be recovered through sale. However, the management has not yet performed a detailed analysis of the impact of the application of the amendments and hence have not yet quantified the extent of the impact.

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

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

The amendments to IAS 19 change the accounting for defined benefit plans and termination benefits. The most significant change relates to the accounting for changes in defined benefit obligations and plan assets. The amendments require the recognition of changes in defined benefit obligations and in fair value of plan assets when they occur, and hence eliminate the 'corridor approach' permitted under the previous version of IAS 19 and accelerate the recognition of past service costs. The amendments require all actuarial gains and losses to be recognized immediately through other comprehensive income in order for the net pension asset or liability recognized in the consolidated statement of financial position to reflect the full value of the plan deficit or surplus.

The amendments to IAS 19 are effective for annual periods beginning on or after 1 January 2013 and require retrospective application with certain exceptions. The directors anticipate that the amendments to IAS 19 will be adopted in the Group's consolidated financial statements for the annual period beginning 1 January 2013 and that the application of the amendments to IAS 19 may have impact on amounts reported in respect of the Groups' defined benefit plans. However, the directors have not yet performed a detailed analysis of the impact of the application of the amendments and hence have not yet quantified the extent of the impact.

On 19 October 2011 the IASB issued an Interpretation, IFRIC 20 Stripping Costs in the Production Phase of a Surface Mine, clarifying the requirements for accounting for stripping costs in the production phase of a surface mine. The Interpretation clarifies when production stripping should lead to the recognition of an asset and how that asset should be measured, both initially and in subsequent periods. The Interpretation is effective for annual periods beginning on or after 1 January 2013 with earlier application permitted.

The amendments to IAS 32 are intended to clarify existing application issues relating to the offsetting rules and reduce the level of diversity in current practice. The amendments are effective for annual periods beginning on or after 1 January 2014.

2.5 Summary of Significant Accounting Policies

The accounting policies and valuation principles applied in preparation of the accompanying financial statements are as follows:

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. Revenue is reduced for estimated customer returns, rebates, and other similar allowances

Sale 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 ownership nor 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.

Sales returns are granted based on agreements with the third party distributors, sales agents, and chain grocery stores and recorded as a reduction of revenue in the period of sale.

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

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

Revenue (cont'd):

Dividend and interest revenue

Dividend revenue from investments is recognized when the shareholders' rights to receive payment have been established (As long as, It is possible that the revenue to be earned and to be measured fairly).

Interest revenue from financial assets is recognized as long as it is possible that the revenue to be earned and to be measured fairly. Interest revenue 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.

Rent income

Rent income from real estates is accounted by the linear method during the respective rent agreement.

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. Provision provided for slow moving inventories is disclosed in note 12.

Tangible Assets:

Tangible assets that are acquired before 1 January 2005 are carried at their restated costs adjusted to the effects of inflation as of 31 December 2004, less any accumulated depreciation and any impairment loss and tangible assets that are acquired after 1 January 2005 are carried at cost of acquisition, less any accumulated depreciation and any impairment loss.

Depreciation is charged so as to write off the cost of assets, other than land and construction in progress, over their estimated useful lives, using the straight line method. Assets held under finance leases are depreciated over their expected useful lives on the same basis as owned assets, or, when shorter, the term of the relevant lease.

Assets held under finance leases are depreciated over their expected useful lives on the same basis as owned assets or, where shorter, the term of the relevant lease.

The gain or loss arising on the disposal or retirement of an item of tangible fixed assets is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognized in profit or loss.

Leasing Transactions

Leasing - the Group as lessor:

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. Information on operational leases of the Group is disclosed in note 8.

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

2.5 Summary of Significant Accounting Policies (cont'd)

Leasing Transactions (cont'd)

Leasing - the Group as lessee:

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.

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 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.

Rentals payable under operating leases are charged to profit or loss on a straight-line basis over the term of the relevant lease. Benefits received and receivable as an incentive to enter into an operating lease are also spread on a straight-line basis over the lease term.

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. Acquisition-related costs are generally recognized in profit or loss as incurred.

At the acquisition date, the identifiable assets acquired and the liabilities assumed are recognized at their fair value at the acquisition date, except that:

- Deferred tax assets or liabilities and liabilities or assets related to employee benefit arrangements are recognised and measured in accordance with IAS 12 Income Taxes and IAS 19 Employee Benefits respectively;

- Liabilities or equity instruments related to share-based payment arrangements of the acquiree or share-based payment arrangements of the Group entered into to replace share-based payment arrangements of the acquiree are measured in accordance with IFRS 2 Share-based Payment at the acquisition date; and

- Assets (or disposal groups) that are classified as held for sale in accordance with IFRS 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 recognised immediately in profit or loss as a bargain purchase gain.

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

2.5 Summary of Significant Accounting Policies (cont'd)

Business Combinations (cont'd)

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. Other types of non-controlling interests are measured at fair value or, when applicable, on the basis specified in another IFRS.

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.

The subsequent accounting for changes in the fair value of the contingent consideration that do not qualify as measurement period adjustments depends on how the contingent consideration is classified. Contingent consideration that is classified as equity is not re-measured at subsequent reporting dates and its subsequent settlement is accounted for within equity. Contingent consideration that is classified as an asset or a liability is re-measured at subsequent reporting dates in accordance with IAS 39, or IAS 37 Provisions, Contingent Liabilities and Contingent Assets, as appropriate, with the corresponding gain or loss being recognized in profit or loss.

When a business combination is achieved in stages, the Group's previously held equity interest in the acquiree is re-measured to fair value at the acquisition date (i.e. the date when the Group obtains control) and the resulting gain or loss, if any, is recognized in profit or loss. Amounts arising from interests in the acquiree prior to the acquisition date that have previously been recognized in other comprehensive income are reclassified to profit or loss where such treatment would be appropriate if that interest were disposed of.

If the initial accounting for a business combination is incomplete by the end of the reporting period in which the combination occurs, the Group reports provisional amounts for the items for which the accounting is incomplete. Those provisional amounts are adjusted during the measurement period (see above), or additional assets or liabilities are recognized, to reflect new information obtained about facts and circumstances that existed at the acquisition date that, if known, would have affected the amounts recognized at that date.

Group recognizes assets and liabilities that are subject to business combinations involving entities under common control, at carrying value in the consolidated financial statements. Income statements are consolidated as of the date that business combinations take place. Prior period financial statements are not restated. Neither goodwill nor income from acquisition is not realized as a result of these transactions. Positive / negative differences arising after the net-off of investment in associate against the stake in purchased entity's share capital, are directly recognized as " Effect of business combinations under common control " in retained earnings.

Business combinations that took place prior to 1 January 2010 were accounted for in accordance with the previous version of IFRS 3.

.

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

2.5 Summary of Significant Accounting Policies (cont'd)

Goodwill

Goodwill arising on an acquisition of a business is carried at cost as established at the date of acquisition of the business less accumulated impairment losses, if any.

For the purposes of impairment testing, goodwill is allocated to each of the Group's cash-generating units (or groups of cash-generating units) that is expected to benefit from the synergies of the combination.

A cash-generating unit to which goodwill has been allocated is tested for impairment annually, or more frequently when there is indication that the unit may be impaired. If the recoverable amount of the cash-generating unit is less than its carrying amount, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to the other assets of the unit pro rata based on the carrying amount of each asset in the unit. Any impairment loss for goodwill is recognised directly in profit or loss in the consolidated statement of comprehensive income statement. An impairment loss recognised for goodwill is not reversed in subsequent periods.

On disposal of the relevant cash-generating unit, the attributable amount of goodwill is included in the determination of the profit or loss on disposal.

Group's policy for goodwill arising from purchase of associates is explained under Associates accounted for under equity method.

Intangible Assets:

Intangible assets that are acquired before 1 January 2005 are carried at their restated costs adjusted to the effects of inflation as of 31 December 2004, less any accumulated amortization and any impairment loss and intangible assets that are acquired after 2005 are carried at cost of acquisition, less any accumulated amortization and any impairment loss. The estimated useful life and amortization method are reviewed at the end of each annual reporting period, with the effect of any changes in estimate being accounted for on a prospective basis.

Impairment of Assets:

Assets with indefinite useful lives such as goodwill are not amortized. Instead, impairment test is applied each year. If there are any occurances or cases where it is impossible to recover the carrying amount of assets subject to amortization, the test of impairment is applied. If the carrying amount of the asset exceeds recoverable amount, a provision for impairment loss is recognized. Recoverable amount is the higher of fair value less costs to sell and value in use. The assets are separately defined to evaluate the impairment and are grouped in the least level where there are cash flows (cash generating units). Non-financial assets other than goodwill that subject to impairment are reviewed for the possibility of reversal of impairment at each reporting date.

Borrowing Costs:

All borrowing costs are recorded in the consolidated comprehensive income statement in the period in which they are incurred. There has not been any borrowing cost capitalization in accordance with IAS 23 (revised)" Borrowing Costs".

Financial Instruments:

Financial assets

Investments, other than those that are classified as financial assets at fair value through profit and loss, are initially measured at fair value, net of transaction costs except for those financial assets classified as at fair value through profit or loss, which are initially measured at fair value. Investments are recognised and derecognised on a trade date where the purchase or sale of an investment under a contract whose terms require delivery of the investment within the timeframe established by the market concerned.

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'.

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

2.5 Summary of Significant Accounting Policies (cont'd)

Financial Instruments (cont'd):

Financial assets (cont'd):

Effective interest method:

The effective interest method is a method of calculating the amortised 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.

Income related to the financial assets except for the financial assets at fair value through profit and loss is calculated by using the effective interest method.

Financial assets at FVTPL:

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. Assets in this category are classified as current assets.

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 financial assets and are stated at fair value. The Group has investments in unquoted equity investments that are not traded in an active market but are also classified as available-for-sale financial assets and stated at fair value. The Group also has investments in unquoted equity investments that are not traded in an active market but are also classified as available-for-sale financial assets and stated at cost since their value can't be reliably measured. 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 the effective interest method, and foreign exchange gains and losses on monetary assets, which are recognized in profit or loss. Where the investment is disposed of or the investment is determined to be impaired totally, the cumulative gain or loss previously accumulated in the investments revaluation reserve account is being reclassified to income statement.

Dividends on available-for-sale equity instruments are recognized in profit or loss when the Company has the right to receive such dividends. Fair value of available-for-sale 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. Foreign exchange gains and losses 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.

Loans and receivables

Trade receivables, loans, and other receivables that have fixed or determinable payments that are not quoted in an active market are classified as 'loans and receivables'. Loans and receivables are measured at amortised cost using the effective interest method less any impairment.

Impairment of financial assets

Financial assets, other than those at FVTPL, are assessed at each balance sheet date whether there is any objective evidence that a financial asset or group of financial assets classified as held-to-maturity, available-for-sale or loans and receivables is impaired. A financial asset or portfolio of financial assets is impaired and an impairment loss incurred if there is objective evidence that an event or events since initial recognition of the asset have adversely affected the amount or timing of future cash flows from the asset. For financial assets carried at amortised 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 except for trade receivables where the carrying amount is reduced through the use of an allowance account.

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

2.5 Summary of Significant Accounting Policies (cont'd)

Financial Instruments (cont'd):

Financial assets (cont'd):

Impairment of financial assets (cont'd)

When a trade receivable is uncollectible, it is written off against the allowance account. Changes in the carrying amount of the allowance account are recognised in profit or loss.

With the exception of AFS 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 recognised, the previously recognised 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 amortised cost would have been had the impairment not been recognised.

In respect of AFS equity securities, any increase in fair value subsequent to an impairment loss is recognised 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 have an original maturity of three months or less from date of acquisition and that are readily convertible to a known amount of cash and are not subject to an significant risk of changes in value.

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.

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 amortised 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 amortised 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.

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

2.5 Summary of Significant Accounting Policies (cont'd)

Financial Instruments (cont'd):

Financial Liabilities (cont'd):

Derivative financial instruments and hedge accounting

The Group is exposed to currency and interest rate risks arising from its operations. The Group uses derivative financial instruments (mainly uses interest swap contracts) to hedge its financial risks associated with specific firm commitments and interest rate fluctuations of its expected future transactions.

The most important source of the interest rate risk is bank loans. Group's policy is to turn the floating rate bank loans to fixed rates. The Group classifies these transactions as financial instruments designated at fair value through profit/loss. Differences due to the measurement of the fair value of trading derivative instruments are included in the income statement.

Foreign Currency Transactions:

The individual financial statements of each Group companies are presented in the currency of the primary economic environment in which the group operates (its functional currency). For the purpose of the consolidated financial statements, the results and financial position of each group are expressed in TL, which is the functional currency of the Group, and the presentation currency for the consolidated financial statements.

In preparing the financial statements of the individual entities, transactions in currencies other than TL (foreign currencies) are recorded at the rates of exchange prevailing on the dates of the transactions. At each balance sheet date, 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.

For the purpose of presenting consolidated financial statements, the assets and liabilities of the Group's foreign operations are expressed in TL using exchange rates prevailing on the balance sheet date. Income and expense items are translated at the average exchange rates for the period, unless exchange rates fluctuated significantly during that period, in which case the exchange rates at the dates of the transactions are used. Exchange differences arising, if any, are classified as equity and transferred to the Group's translation reserve. Such exchange differences are recognized in profit or loss in the period in which the foreign operation is disposed of.

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

2.5 Summary of Significant Accounting Policies (cont'd)

Financial Liabilities (cont'd):

Earnings Per Share:

Earnings per share disclosed in the accompanying consolidated statement of income is determined by dividing net income by the weighted average number of shares in existence during the year concerned.

In Turkey, companies can raise their share capital by distributing "Bonus Shares" to shareholders from retained earnings. In computing earnings per share, such "bonus share" distributions are assessed as issued shares. Accordingly, the retrospective effect for those share distributions is taken into consideration in determining the weighted-average number of shares outstanding used in this computation.

Events After Balance Sheet Date:

Subsequent events cover any events which arise between the reporting date and the balance sheet date, even occurred after any declaration of the net profit for the period or specific financial information publicly disclosed. The Group adjusts its consolidated financial statements if such subsequent events arise which require to adjust financial statements.

Provisions, Contingent Liabilities and Contingent Assets:

Provisions

The Group shall recognise a provision only when it has a present obligation as a result of a past event, and it is probable that the entity will be required to transfer economic benefits in settlement; and the amount of the obligation can be estimated reliably (note 18).

Contingent assets and liabilities

Possible assets or obligations that arise from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Group are not included in the consolidated financial statements and treated as contingent assets or liabilities.

Related Parties:

In the accompanying consolidated financial statements the key management personnel and Board of Directors, close members of the family of any individual who directly or indirectly controls the Company are considered and referred to as "Related Parties". Related parties might enter into transactions in the ordinary course of business.

Government Grants and Incentives:

Government grants are not recognized until there is reasonable assurance that the entity will comply with the conditions attaching to them and the grants will be received.

Government grants are recognized as income over the periods necessary to match them with the related costs, which they are intended to compensate, on a systematic basis. As financial instruments, Government grants should be included in the balance sheet as unearned revenues instead of being recognized in profit or loss to offset the related expense items and should be recognized in respective profit or loss account systematically during the economic lives of the related assets.

Government grants given to compensate previously occured expenses or losses or to provide immediate financing to the Group in the future without any cost are recognized in profit or loss when they become collectible.

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

2.5 Summary of Significant Accounting Policies (cont'd)

Government Grants and Incentives (cont'd):

Benefit of the loan in a lower than market interest rate from the government is considered as government incentive. Benefit created by low interest rate is measured by the difference between initial book value of the loan and the obtained benefits. The Group is exempt from the stamp tax and duties attributed to the export transactions and other profitable foreign exchange operations to the extent of the procedures and basis determined by the Ministry of Finance and Undersecretariat of Foreign Trade.

The government grants are paid to support the participation of attending fairs abroad according to the decision dated 16 December 2004 and numbered 2004/11 of Money Credit and Coordination Committee which was prepared on the basis of "Decisions of Export-oriented Government Grants".

Based on the Monetary Credit Coordination Board's resolution dated 20/6, the Group also receives tax refunds for the export of its agricultural products in accordance with the Communiqué No: 2000/5 on 'Export Refunds for Agricultural Products'.

The Group has utilized grants given under the "Law No. 5084 Governing the Changes Made to Certain Laws Regarding Investment and Employment Grants"issued on 6 February 2004 at the Official Gazette Numbered 25365, allowing for various tax and insurance premium grants, and energy supports and free of charge lands for investments to increase investment and employment at certain cities.

Taxation and Deferred Income Taxes:

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 accompanying 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 as reported in the comprehensive income statement because it excludes items of income or expense that are taxable or deductible in other years and it further excludes 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 balance sheet date.

Deferred Tax

Deferred tax is recognized on differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit, and is accounted for using the balance sheet liability method. Deferred tax liabilities are generally recognized for all taxable temporary differences and 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 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 recognised 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 recognised to the extent that it is probable that there will be sufficient taxable profits against which to utilise the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

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

2.5 Summary of Significant Accounting Policies (cont'd)

Taxation and Deferred Income Taxes (cont'd):

Deferred Tax (cont'd)

The carrying amount of deferred tax assets is reviewed at each balance sheet date 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 balance sheet date. 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.

Current and Deferred Tax

Current and deferred tax are recognised as an expense or income in profit or loss, except when they relate to items credited or debited directly to equity, in which case the tax is also recognised directly in equity, or where they arise from the initial accounting for a business combination. In the case of a business combination, the tax effect is taken into account in calculating goodwill or determining the excess of the acquirer's interest in the net fair value of the acquiree's identifiable assets, liabilities and contingent liabilities over cost.

Employee Benefits / Retirement Pay Provision:

Benefits such as bonus, allowance for heating, marriage allowance, leave of absence, religious holidays, education incentive, birth and death allowance are provided to the Group employees. Moreover, under the 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 IAS 19 (revised): "Employee Benefits." The provision has been calculated by estimating the present value of the future probable obligation of the Group arising from the retirement of employees. 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.

The retirement benefit obligation recognised in the balance sheet represents the net present value of the total due to retirement of all employees. Recognised actuarial gains and losses are presented in the income statement.

Cash Flow Statement:

In statement of cash flow, cash flows are classified according to operating, investment and finance activities.

Cash flows from operating activities reflect cash flows generated from the manufacturing and marketing of biscuit, chocolate, chocolate coated biscuit, wafer and cake.

Cash flows from investment activities express cash used in investment activities (direct investments and financial investments) and cash flows generated from investment activities of the Group.

Cash flows relating to finance activities express sources of financial activities and payment schedules of the Group.

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

2.5 Summary of Significant Accounting Policies (cont'd)

Cash Flow Statement (cont'd):

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.

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.

2.6 Critical Accounting Judgments and Key Sources of Estimation Uncertainity

Group's Critical Accounting Judgments

In applying the entity's accounting policies, which are described in note 2.5, management has made the following judgments that have the most significant effect on the amounts recognized in the financial statements.

Useful life of property, plant and equipment:

Group has calculated the depreciation amounts regarding the useful lives specified in note 14.

Impairment of inventories:

In the current year, a provision has been provided for inventories that are not expected to be used and for slow moving inventories. In the current year the Group has also provided provision for inventories with net realizable values lower than costs. Based on the analysis, TL 2.929.611 impairment provision has been provided for inventories (2010: TL 1.324.655).

Doubtful receivables provision:

In the current year, 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 2011, a provision for TL 4.164.191 of the trade receivables has been provided for as doubtful receivable provision (2010: TL 2.884.056).

Impairment of goodwill:

In the current period, impairment of goodwill is measured by using the discounted cash flow method and accordingly no impairment is recognized.

Impairment of associates:

Under the equity method, associates are carried in the consolidated balance sheet at cost as adjusted for post-acquisition changes in the Group's share of the net assets of the associate, less any impairment in the value of individual investments. In the discounted cash flow calculation during the year 2010, the rate of 8% is used as USD basis discount rate and the rate of 3% is used in the growth rate of carrying amount.The latest discounted cash flow analysis was conducted in 2010. The Group does not have any investments accounted for under the equity method as of December 31, 2011.

Impairment of 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 financial assets and are stated at fair value. The Group also has investments in unquoted equity investments that are not traded in an active market but are also classified as available-for-sale and stated at cost since their value cannot be reliably measured.

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

2.6 Critical Accounting Judgements and Key Sources of Estimation Uncertainity (cont'd)

Impairment of Available-for-sale financial assets (cont'd)

Gains and losses arising from changes in fair value are recognized in other comprehensive income and accumulated for in the investments revaluation reserve with the exception of impairment losses, interest calculated using the effective interest method, and foreign exchange gains and losses on monetary assets, which are recognized in profit or loss. Where 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 income statement.

Dividends on available-for-sale equity instruments are recognized in profit or loss when the Group's right to receive the dividends is established.

The fair value of available-for-sale 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 amortised cost of the monetary asset. Other foreign exchange gains and losses are recognized in other comprehensive income.

Deferred taxes:

The Group recognizes deferred tax assets and liabilities based upon temporary differences arising between the financial statements as reported for IFRS 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 IFRS 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.

Fully or partial recoverability of tax assets are estimated based on available current evidences. The main factors which are considered include future earnings potential; cumulative losses in recent years; expiration dates of both loss carry-forwards and other tax assets; the carry-forward period associated with the deferred tax assets; future reversals of existing taxable temporary differences; tax-planning strategies that would, if necessary, be implemented, and the nature of the income that can be used to realize the deferred tax asset. As a result of the assessment made, the Group has recognized deferred tax assets in certain entities because it is probable that taxable profit will be available sufficient to recognize deferred tax assets in those entities

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.

Critical Decisions:

The sales and purchases of subsidiary/joint ventures to the Group firms which are not consolidated to the Group are considered as transactions under common control and recognized in the shareholders' equity.

Fair Values of Available for Sale Financial Assets :

Godiva's and G New, Inc's total firm value consists of the values coming from United States of America ("USA") and the other countries (Canada, Europe, Japan and Asia-Pacific). Expected time frame which constitutes a basis for the discounted cash flow analysis is between 2012 and 2015. At the end of the expected time frame, it is anticipated that the net profits generated by Godiva and cash flows related to these profits would persist continually. It is projected that the operations will head into the maturity level from 2015 onwards and grow with a terminal growth rate (3%).

Godiva's and G New, Inc 's distributable cash flows net of obligations were discounted at 7,5% WACC for USA and 8,8% WACC for the other countries. It is projected that the changes in the net working capital net of obligations during the expected time frame would equal to 5% of the annual changes in the expected amount of sales.

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

3. BUSINESS COMBINATIONS

On 26 December 2011, the Company acquired 91,67% stake in Ülker Çikolata Sanayi A.Ş. for TL 825.000.000. Ülker Çikolata Sanayi A.Ş. holds 99,99% stake in Atlantik Gıda Paz. ve Tic. A.Ş. Since this is an under common control transaction, respective profit/loss amount was recognized under the shareholders' equity in the accompanying consolidated financial statements.

Net asset and loss arising from this transaction is as follows:

Net Assets Acquired:	**30 September 2011**
Tangible Assets	150.954.106
Intangible Assets	42.548
Inventories	68.520.568
Trade Receivables	150.829.099
Due from Related Parties	279.664.863
Financial Investments	18.960.916
Deferred Tax Assets	16.880.773
Other Assets	43.910.812
Trade Payables	(26.307.364)
Finacial Liabilities	(293.334.826)
Due to Related Parties	(176.596.235)
Employee Benefits	(8.562.690)
Other Liabilities	(25.711.274)
Net Assets Acquired	**199.251.296**
Group's share in the net assets from acquisition (91,67%)	182.653.663
Cash paid for acquisition	(825.000.000)
Cash and cash equivalents obtained from the acquisition	2.654.545
Net equity effect from the acquisition of subsidiary	**(639.691.792)**

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

3. BUSINESS COMBINATIONS (Cont'd)

Acquisition of Fresh Cake Gıda Sanayi ve Ticaret A.Ş. which was presented under Long Term Available for Sale Financial Investments in previous period has been registered as of 30 December 2011. Fresh Cake Gıda Sanayi ve Ticaret A.Ş. continues its operations as a branch of the Company. Fresh Cake Gıda Sanayi ve Ticaret A.Ş. has been consolidated to the Group starting from the merger date. Since this transaction was an under common control transaction and was out of the scope of IFRS 3 no goodwill has been recorded.

Net assets obtained and net equity effect arising from the acquisition of Fresh Cake Gıda Sanayi ve Ticaret A.Ş. is as follows:

Net Assets Acquired:	**30 December 2011**
Tangible Assets	46.498.598
Intangible Assets	103.691
Inventories	5.930.471
Trade Receivables	1.246.470
Due from Related Parties	117.026.350
Deferred Tax Assets	843.355
Other Assets	3.854.489
Trade Payables	(17.807.974)
Financial Liabilities	(9.949.108)
Due to Related Parties	(113.097.394)
Employee Benefits	(2.159.602)
Other Liabilities	(4.908)
Net Assets Acquired	**32.484.438**
Ülker Bisküvi's share	(17.701.831)
Cash and cash equivalents obtained from the acquisition	14.476
Net equity effect of the business combination	**14.797.083**

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

3. BUSINESS COMBINATIONS (Cont'd)

Merging process of AGS Anadolu Gıda San. A.Ş. and Biskot Bisküvi Gıda San.ve Tic. A.Ş. was completed and registered as of 30 December 2011. Net assets obtained and net equity effect arising from the merger is as follows:

Net Assets Obtained:	**30 December 2011**
Tangible Assets	10.698.014
Inventories	6.401.602
Trade Receivables	4.245.676
Due from Related Parties	22.014.034
Deferred Tax Assets	(334.308)
Other Assets	3.280.165
Trade Payables	(5.568.480)
Due to Related Parties	(19.412.835)
Employee Benefits	(357.464)
Other Liabilities	(599.912)
Net Assets Acquired	**20.366.492**
Group's share in the net assets from acquisition (43,92%)	**4.994.154**
Book value of the assets disposed in Biskot due to the Merger	(3.457.662)
Cash and cash equivalents obtained from the Merger	1.405
Net equity effect of the business combination	**1.537.897**

4. JOINT VENTURES

From the companies defined as joint ventures in the consolidated financial statements of previous periods and accounted for under the equity method, Hero Gıda Sanayi ve Ticaret A.S. and Pendik Nişasta Sanayi ve Ticaret A.Ş. on June 23, 2011, 6% stake in Godiva Belgium BVBA and in G New Inc. were sold on September 23, 2011 to Yıldız Holding (the main shareholder) and these companies were not included in the accompanying consolidated financial statements as of 31 December 2011 (note 13).

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

5. 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 numbers of Ülker Bisküvi Sanayi A.Ş. and its subsidiaries.

Since the Group has operations in only one production area and the decision makers use the consolidated reports, segmental reporting in accordance with IFRS 8 have not been provided in the accompanying consolidated financial statements.

6. CASH AND CASH EQUIVALENTS

	31 December 2011	**31 December 2010**
Cash	6.924	6.325
Demand deposits	15.730.568	8.281.795
Time deposits (*)	385.392.532	603.644.688
Other liquid assets	571.931	4.667.325
	401.701.955	**616.600.133**

(*) Time deposits consist of repurchase agreements amounting to TL 320.354.228 (31 December 2010: TL 603.559.260).

The details of time deposits are as follows:

Currency Type	**Interest Rate (%)**	**Maturity**	**31 December 2011**
TL	5% - 12,05%	January 2012	380.279.498
USD	1%	January 2012	3.891.134
EUR	0,5%	January 2012	1.221.900
			385.392.532

Currency Type	**Interest Rate (%)**	**Maturity**	**31 December 2010**
TL	6,00% - 9,00%	January 2011	224.362.621
USD	3,00% - 3,30%	January 2011	379.282.067
			603.644.688

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

7. FINANCIAL INVESTMENTS

Short Term Financial Investments:	**31 December 2011**	**31 December 2010**
Available for sale financial assets	3.411.981	2.731.466
Financial assets at fair value through profit or loss	379.184	14.944
	3.791.165	**2.746.410**

The Company's short term financial investments compose of various liquid funds and stocks.

Long Term Financial Investments:	**31 December 2011**	**31 December 2010**
Available for sale financial assets	275.244.585	816.106.184
	275.244.585	**816.106.184**

Long Term Available for Sale Financial Assets	**Share %**	**31 December 2011**	**Share %**	**31 December 2010**
BİM Birleşik Mağazalar A.Ş. (i)	0,14%	17.043.345	10,05%	804.563.265
Sağlam GYO A.Ş. (ii) (*)	-	-	10,71%	5.280.000
Besler Gıda ve Kimya San. A.Ş. (iii) (*)	-	-	7,00%	3.097.686
Fresh Cake Gıda A.Ş. (***)	-	-	10,00%	2.430.618
G New, Inc (**)	19,23%	90.679.853	-	-
Godiva Belgium BVBA (**)	19,23%	165.227.053	-	-
Other		2.294.334		734.615
		275.244.585		**816.106.184**

(i) The shares are traded on the stock exchange and have been valued at their fair value. On April 21, 2011, The Company sold 15.260.340 BİM Birleşik Mağazalar A.Ş shares presented under financial assets for TL 774.462.255. From the total of 15.260.340, 7.500.000 shares were sold to foreign investors, another 7.500.000 shares were sold to Yıldız Holding A.Ş and remaining 260.340 shares were sold to Ülker Çikolata San. A.Ş. (note 27).

(ii) On June 23, 2011, Sağlam GYO A.Ş was sold to Yıldız Holding A.Ş. (the main shareholder) for the market value of TL 5.400.000.

(iii) On June 23, 2011, Besler Gıda ve Kimya San. A.Ş was sold to Yıldız Holding A.Ş. (the main shareholder) for the valuation amount of TL 23.200.000.

(*) Since these transactions are under common control transactions, the respective profit/loss amounts were recognized under the shareholders' equity in the accompanying consolidated financial statements as of December 31, 2011.

(**) On September 23, 2011, the Company sold 6% stake in Godiva Belgium BVBA to Yıldız Holding A.Ş. (the main shareholder) for the valuation amount of TL 51.463.620. On September 23, 2011, the Company sold 6% stake in G New Inc to Yıldız Holding A.Ş. (the main shareholder) for appraisal value of TL 28.244.265. Since "the significant influence" was lost on these associates, the remaining investment amount after these transactions was removed from investments accounted for under the equity method in the consolidated financial statements and reclassified under financial assets and have been revalued with fair value.

(***) Acquisition of Fresh Cake Gıda Sanayi ve Ticaret A.Ş. which was shown under "Long Term Financial Assets Available for Sale" in previous period was completed and registered as of 30 December 2011.

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

7. FINANCIAL INVESTMENTS (cont'd)

Available for sale financial assets are presented at their fair values. The difference of TL 73.153.054 (2010: TL 609.950.097) in the fair values of such assets has been presented in other comprehensive income under equity.

As the expected value gaps for available for sale financial assets of TL 1.612.311 (2010: TL 5.572.385) 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.

8. FINANCIAL LIABILITIES

	31 December 2011	31 December 2010
Short Term Financial Borrowings:		
Short term borrowings	747.277.281	446.721.989
Short term financial lease payables	16.864.817	4.703.735
	764.142.098	**451.425.724**
Long Term Financial Borrowings:		
Long term borrowings	257.362.625	504.923.600
Long term financial lease payables	12.845.545	3.038.115
	270.208.170	**507.961.715**

31 December 2011

Currency Type	Maturity	Interest Rate (%)	Short Term	Long Term
USD	January 2012-December 2013	3,21% - 6,83%	747.277.281	257.362.625
			747.277.281	**257.362.625**

31 December 2010

Currency Type	Maturity	Interest Rate (%)	Short Term	Long Term
TL	January 2011-October 2012	Spot - 8,45%	11.431.935	19.866.100
USD	January 2011-May 2013	3,1% - 4,46%	409.061.574	485.057.500
EUR	June 2011	4,00%	26.228.480	-
			446.721.989	**504.923.600**

Repayment schedule of financial borrowings is as follows:

	31 December 2011	31 December 2010
to be paid within 1 year	747.277.281	446.721.989
to be paid within 1-2 years	257.362.625	402.501.100
to be paid within 2-3 years	-	102.422.500
	1.004.639.906	**951.645.589**

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

8. FINANCIAL LIABILITIES (cont'd)

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

Short Term Financial Lease Payables	31 December 2011	31 December 2010
Financial lease payables	18.239.272	5.131.221
Deferred financial lease payables (-)	(1.374.455)	(427.486)
	16.864.817	**4.703.735**

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

Long-Term Financial Lease Payables	31 December 2011	31 December 2010
Financial lease payables	13.397.814	3.232.311
Deferred financial lease payables (-)	(552.269)	(194.196)
	12.845.545	**3.038.115**

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

	31 December 2011	31 December 2010
to be paid within 1 year	16.864.817	4.703.735
to be paid within 1-2 years	8.376.086	1.308.073
to be paid within 2-3 years	4.417.242	1.110.967
to be paid within 3-4 years	52.217	619.075
	29.710.362	**7.741.850**

As of 31 December 2011 TL 8.304.049 of financial lease payables are due to Fon Finansal Kiralama A.Ş., which is a related party (2010: TL 2.069.322).

9. OTHER FINANCIAL LIABILITIES

	31 December 2011	31 December 2010
Derivative financial liabilities	3.045.783	6.287.769
	3.045.783	**6.287.769**

Nominal amount of the interest swap agreement is USD 93.000.000 and interest rate is Libor + 2,48%.

10. TRADE RECEIVABLES AND PAYABLES

	31 December 2011	31 December 2010
Trade Receivables from Related Parties		
Trade receivables from related parties (note 31)	293.919.815	144.696.851
	293.919.815	**144.696.851**
Other Trade Receivables		
Trade receivables	293.060.318	208.614.769
Provision for doubtful receivables (-)	(4.164.191)	(2.884.056)
	288.896.127	**205.730.713**
Total Short Term Trade Receivables	**582.815.942**	**350.427.564**

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

10. 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 11,5% (31.12.2010 : 8,75 %) 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 2011 and 2010 is as follows:

	1 January – 31 December 2011	**1 January – 31 December 2010**
Opening balance	(2.884.056)	(3.014.822)
Charge for the period	(2.410.497)	(1.645.429)
Exchange differences	(114.317)	(43.235)
Provisions released	1.640.610	1.789.787
Acquisition of subsidiaries	(402.248)	-
Collections	6.317	29.643
Closing balance	**(4.164.191)**	**(2.884.056)**

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

Long Term Trade Receivables	**31 December 2011**	**31 December 2010**
Notes receivable	403.574	145.132
	403.574	**145.132**

Short Term Trade Payables	**31 December 2011**	**31 December 2010**
Trade payables to related parties (note 31)	212.654.232	173.290.148
Trade payables	205.828.591	91.215.887
	418.482.823	**264.506.035**

Long Term Trade Payables	**31 December 2011**	**31 December 2010**
Trade payables	2.176.850	1.132.637
	2.176.850	**1.132.637**

11. OTHER RECEIVABLES AND PAYABLES

	31 December 2011	**31 December 2010**
Other Receivables		
Non trade receivables from related parties (note 31)	582.308.728	317.961.978
Short term other receivables	12.378.271	29.566.382
	594.686.999	**347.528.360**
Other Short Term Receivables		
Other short term receivables	11.661.420	29.285.425
Deposits and guarantees given	6.518	3.618
Receivables from personnel	710.333	277.339
	12.378.271	**29.566.382**

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

11. OTHER RECEIVABLES AND PAYABLES (cont'd)

Other Long Term Receivables	31 December 2011	31 December 2010
Deposists and guarantees given	162.592	124.670
	162.592	**124.670**

Other Payables	31 December 2011	31 December 2010
Non-trade payables to related parties (note 31)	4.391.368	23.520.266
Short term other payables	8.169.469	721.853
	12.560.837	**24.242.119**

Other Short Term Payables	31 December 2011	31 December 2010
Other payables (*)	8.103.368	716.853
Deposists and guarantees received	66.101	5.000
	8.169.469	**721.853**

(*) TL 6.749.992 of this amount reflects unpaid dividend obligations of Biskot Bisküvi Gıda Sanayi ve Ticaret A.Ş to non-controlling shares as of December 31, 2011.

Description on the level and nature of the risks related to other receivables is given in note 38.

12. INVENTORIES

	31 December 2011	31 December 2010
Raw materials	69.429.836	94.392.289
Work in progress	4.494.169	2.465.937
Finished goods	63.059.550	32.497.335
Trade goods	19.658.161	10.183.482
Other inventories	7.502.271	2.777.187
Allowance for impairment on inventory (-)	(2.929.611)	(1.324.655)
	161.214.376	**140.991.575**

Inventory is presented on historical cost and allowence for impairment on inventory is booked.

The movement of allowence for impairment on inventory for the periods ending 31 December 2011 and 2010 are below:

	1 January – 31 December 2011	1 January – 31 December 2010
Opening balance (1 January)	(1.324.655)	(275.232)
Charge for the year	(1.681.355)	(1.324.655)
Acquisition of subsidiaries	(396.371)	-
Mergers	(29.723)	-
Reversal of provision	502.493	275.232
Closing balance (31 December)	**(2.929.611)**	**(1.324.655)**

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

13. INVESTMENTS ACCOUNTED FOR UNDER THE EQUITY METHOD

Associates and Joint Ventures accounted for under Equity method are below:

Associates and Joint Ventures	**Share %**	**31 December 2011**	**Share %**	**31 December 2010**
Hero Gıda San. ve Tic. A.Ş.(i)	-	-	%39,60	8.357.934
Pendik Nişasta San. ve Tic. A.Ş. (ii)	-	-	%23,99	19.047.997
Godiva Belgium BVBA (iii)	%19,23	-	%25,23	94.474.148
G New Inc. (iv)	%19,23	-	%25,23	115.690.148
		-		**237.570.227**

(i) Hero Gıda Sanayi ve Ticaret A.Ş. was sold to Yıldız Holding A.Ş. (the principal shareholder) for the valuation amount of TL 14.800.000 on June 23,2011.

(ii) Pendik Nişasta Sanayi ve Ticaret A.Ş.was sold to Yıldız Holding A.Ş. (the principal shareholder) for the valuation amount of TL 24.850.000 on June 23,2011.

(iii) A stake of 6% in Godiva BVBA was sold to Yıldız Holding A.Ş. (the principal shareholder) for appraisal value of TL 51.463.620 on September 23,2011. Remaining amount of investment after this transaction has been considered as financial asset and reclassified under the long-term financial investments (note 7).

(iv) A stake of 6% in G New Inc. was sold to Yıldız Holding A.Ş. (the principal shareholder) for appraisal value of TL 28.244.265 on September 23,2011. Remaining amount of investment after this transaction has been considered as financial asset and reclassified under the long-term financial investments (note 7).

Since the stakes were purchased by Yıldız Holding A.Ş. (the principal shareholder), a profit of TL 38.072.894 regarding these transactions were recognized in the shareholders' equity.

	31 December 2011	**31 December 2010**
Indexed cost	-	242.553.696
(Loss) / profit arising after the acquisition date and net-off with dividends received	-	(4.983.469)
	-	**237.570.227**

The summary of financial information on Group's associates are as follows:

	31 December 2011	**31 December 2010**
Total assets	-	1.796.225.213
Total liabilities	-	(858.442.706)
Net assets	**-**	**937.782.507**
Group's share in net assets	**-**	**237.570.227**

	1 January - 23 September 2011 (*)	**1 January - 31 December 2010**
Net sales	688.263.907	1.081.157.935
Net loss for the period	(50.349.797)	(38.995.790)
Group's share in net loss for the period	**(12.703.253)**	**(13.735.984)**

(*) Income statements of Hero Gıda Sanayi ve Ticaret A.Ş. and Pendik Nişasta Sanayi ve Ticaret A.Ş. have been included until June 23, 2011.

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

14. TANGIBLE ASSETS (NET)

Movements of tangible assets between 1 January 2011 and 31 December 2011 are as follows:

Cost	**1 January 2011**	**Addition**	**Disposal**	**Transfers**	**Acquisitions (**)**	**Mergers (*)**	**31 December 2011**
Land	3.917.688	5.000.000	(90.610)	-	-	739.581	9.566.659
Land improvements	6.047.784	1.120	(41.801)	(202.663)	197.938	19.790	6.022.168
Buildings	170.715.361	13.614.694	(3.363.788)	196.537	49.448.726	25.225.625	255.837.155
Machinery, plant and equipment	361.900.396	45.534.123	(5.870.838)	7.133.175	171.474.459	46.196.712	626.368.027
Vehicles	2.497.045	-	(887.539)	(13.441)	32.571	92.454	1.721.090
Furniture and fixtures	36.631.123	920.005	(2.792.823)	544.937	3.825.187	4.625.494	43.753.923
Leasehold improvements	17.079.521	84.597	-	818.205	3.337.859	36.107	21.356.289
Other tangible assets	2.300.328	-	(2.298.843)	-	1.017	-	2.502
Construction in progress	1.685.080	19.498.169	(2.416.950)	(8.476.750)	24.326.977	2.546.076	37.162.602
	602.774.326	**84.652.708**	**(17.763.192)**	**-**	**252.644.734**	**79.481.839**	**1.001.790.415**

Accumulated Depreciation	**1 January 2011**	**Current Period Depreciation**	**Disposal**	**Transfers**	**Acquisitions (**)**	**Mergers (*)**	**31 December 2011**
Land improvements	(1.686.844)	(273.572)	13.423	63.225	(73.773)	(6.141)	(1.963.682)
Buildings	(41.106.611)	(5.688.612)	2.544.989	124.581	(7.645.747)	(3.635.080)	(55.406.480)
Machinery, plant and equipment	(215.727.958)	(24.132.776)	3.476.663	-	(100.520.614)	(15.558.835)	(352.463.520)
Vehicles	(2.032.907)	(96.807)	667.279	13.441	(18.497)	(90.830)	(1.558.321)
Furniture and fixtures	(32.895.239)	(1.196.972)	2.421.425	(13.441)	(2.744.959)	(2.988.060)	(37.417.246)
Leasehold improvements	(6.870.193)	(674.213)	-	(187.806)	(3.261.215)	(6.281)	(10.999.708)
Other tangible assets	(1.973.384)	(168.808)	2.140.286	-	(300)	-	(2.206)
	(302.293.136)	**(32.231.760)**	**11.264.065**	**-**	**(114.265.105)**	**(22.285.227)**	**(459.811.163)**
Net Book Value	**300.481.190**						**541.979.252**

From depreciation and amortization expenses, TL 26.796.257 (31 December 2010: TL 22.979.401) is included in cost of goods sold, TL 2.427.750 (31 December 2010: TL None) is included in other operating expenses, TL 13.248 (31 December 2010: TL 12.810) is included in research and development expenses, TL 1.338.506 (31 December 2010: TL 1.607.797) is included in marketing and selling expenses and TL 1.923.977 (31 December 2010: TL 2.267.603) is included in general administrative expenses.

In the current period fixed assets amounting to TL 16.516.540 were acquired through financial leasing.

(*) Arises from the merger of Fresh Cake Gıda Sanayi ve Ticaret A.Ş and Ülker Bisküvi San. A.Ş. and that of AGS Anadolu Gıda San. A.Ş. and Biskot Bisküvi Gıda San ve Tic. A.Ş

(**) Arises from the acquisition of Ülker Çikolata San. A.Ş. and Atlantik Gıda Paz. ve Tic. A.Ş.

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

14. TANGIBLE ASSETS (NET) (cont'd)

Movements of tangible assets between 1 January 2010 and 31 December 2010 are as follows:

Cost	**1 January 2010**	**Addition**	**Disposal**	**Transfers**	**Change in Consolidation Structure**	**31 December 2010**
Land	3.902.688	15.000	-	-	-	3.917.688
Land improvements	5.994.142	14.299	-	39.343	-	6.047.784
Buildings	193.803.731	4.496.020	(19.940.162)	107.325	(7.751.553)	170.715.361
Machinery, plant and equipment	314.799.158	42.079.288	(932.476)	8.862.115	(2.907.689)	361.900.396
Vehicles	3.009.061	-	(499.548)	-	(12.468)	2.497.045
Furniture and fixtures	35.435.454	1.409.913	(402.531)	314.289	(126.002)	36.631.123
Leasehold improvements	16.296.260	805.882	-	-	(22.621)	17.079.521
Other tangible assets	2.359.877	1.485	-	(9.129)	(51.905)	2.300.328
Construction in progress	424.520	10.798.596	(12.202)	(9.313.943)	(211.891)	1.685.080
	576.024.891	**59.620.483**	**(21.786.919)**	**-**	**(11.084.129)**	**602.774.326**

Accumulated Depreciation	**1 January 2010**	**Current Period Depreciation**	**Disposal**	**Transfers**	**Change in Consolidation Structure**	**31 December 2010**
Land improvements	(1.409.955)	(276.889)	-	-	-	(1.686.844)
Buildings	(40.452.710)	(5.450.081)	4.242.498	-	553.682	(41.106.611)
Machinery, plant and equipment	(199.468.532)	(18.299.466)	621.457	-	1.418.583	(215.727.958)
Vehicles	(2.250.352)	(170.477)	378.623	-	9.299	(2.032.907)
Furniture and fixtures	(31.858.636)	(1.371.584)	262.138	(6.631)	79.474	(32.895.239)
Leasehold improvements	(6.192.773)	(697.394)	-	-	19.974	(6.870.193)
Other tangible assets	(1.870.218)	(155.970)	-	6.631	46.173	(1.973.384)
	(283.503.176)	**(26.421.861)**	**5.504.716**	**-**	**2.127.185**	**(302.293.136)**
Net Book Value	**292.521.715**					**300.481.190**

The Company purchased machinery and plants amounting to TL 33.615.000 from Fresh Cake Gıda San. ve Tic. A.Ş. Monthly rent income from these plants amounts to TL 280.000.

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

14. TANGIBLE ASSETS (NET) (cont'd)

The useful lives of tangible assets are as follows:

	Useful life
Buildings	25 – 50 years
Land improvements	10 – 50 years
Machinery and equipment	4 – 15 years
Vehicles	4 – 10 years
Other tangible assets	4 – 10 years
Furniture and fixtures	3 – 10 years
Leasehold improvements	5 – 10 years

15. INTANGIBLE ASSETS (NET)

Movements of intangible assets between 1 January 2011 and 31 December 2011 are as follows:

Cost	**1 January 2011**	**Addition**	**Disposal**	**Mergers(*)**	**Acquisitions(**)**	**31 December 2011**
Rights	2.705.274	99.856	(1.527.095)	394.607	-	1.672.642
Other intangible assets	600.627	234.420	(87.399)	-	162.769	910.417
	3.305.901	**334.276**	**(1.614.494)**	**394.607**	**162.769**	**2.583.059**
Accumulated amortization	**1 January 2011**	**Current Period Depreciation**	**Disposal**	**Mergers(*)**	**Acquisitions(**)**	**31 December 2011**
Rights	(2.150.735)	(197.172)	1.300.071	(290.916)	-	(1.338.752)
Other intangible assets	(528.456)	(70.806)	87.399	-	(123.765)	(635.628)
	(2.679.191)	**(267.978)**	**1.387.470**	**(290.916)**	**(123.765)**	**(1.974.380)**
Net Book Value	**626.710**					**608.679**

(*) Arises from the merger of Fresh Cake Gıda Sanayi ve Ticaret A.Ş and Ülker Bisküvi San. A.Ş. and that of AGS Anadolu Gıda San. A.Ş. and Biskot Bisküvi Gıda San.and Tic. A.Ş.

(**) Arises from the acquisition of Ülker Çikolata San. A.Ş. and Atlantik Gıda Paz. ve Tic. A.Ş.

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

15. INTANGIBLE ASSETS (NET) (Cont'd)

Movements of intangible assets between 1 January 2010 and 31 December 2010 are as follows:

Cost	**1 January 2010**	**Addition**	**Disposal**	**Transfer**	**Changes in Consolidation Structure**	**31 December 2010**
Rights	28.583.075	253.687	(26.222.481)	90.993	-	2.705.274
Other intangible assets	667.491	24.749	-	(90.993)	(620)	600.627
	29.250.566	**278.436**	**(26.222.481)**	**-**	**(620)**	**3.305.901**

Accumulated amortization	**1 January 2010**	**Current Period Depreciation**	**Disposal**	**Transfer**	**Changes in Consolidation Structure**	**31 December 2010**
Rights	(22.920.930)	(397.535)	21.167.730	-	-	(2.150.735)
Other intangible assets	(480.861)	(48.215)	-	-	620	(528.456)
	(23.401.791)	**(445.750)**	**21.167.730**	**-**	**620**	**(2.679.191)**
Net Book Value	**5.848.775**					**626.710**

Disposals in the related year consist of commercial movies written-off with net book values of TL 5.054.751.

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

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

16. GOODWILL

Ülker Bisküvi Sanayi A.Ş., acquired 4,725% share, which corresponds to 968.625 shares, of the total equity of Atlas Gıda Pazarlama Sanayi ve Ticaret A.Ş. for TL 2.405.600 from Dynamic Growth Fund on 19 October 2007. As a result of this acquisition a positive goodwill amounting TL 1.534.035 (2010: TL 1.534.035) has been recognised. The impairment calculations have been performed as of 31 December 2011 and as a result of this assessment no impairment for the goodwill was noted (31 December 2010: TL None).

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

17. GOVERNMENT GRANTS AND INCENTIVES

Group has received government incentives amounting TL 6.540.124 in 2011 (31 December 2010:TL 6.624.369). This benefit, regarded as government incentives, is explained in note 2. In 2011 the amount related to law 5084; TL 256.067 is from energy grants, TL 4.120.292 is from employment grants and 2.163.765 TL is from other grants. (2010: TL 777.791 from energy grants, TL 4.248.410 from employment grants, TL 1.598.168 from other grants).

18. PROVISIONS, CONTINGENT ASSETS AND LIABILITIES

Short-Term Debt Provisions	**31 December 2011**	**31 December 2010**
Provisions for returns	16.946.634	-
Provisions for lawsuits	1.872.274	2.305.769
Provisions for sales premiums	297.323	-
Other	393.030	-
	19.509.261	**2.305.769**

Movement of the legal case provisions for December 2011 and December 2010 is as follows:

	1 January-31 December 2011	**1 January-31 December 2010**
Opening Balance	2.305.769	1.966.102
Current year charge	326.962	586.937
Reversal of provisions	(945.140)	(247.270)
Payment/relinquishment (-)	(65.082)	-
Acquisition of subsidiaries	214.765	-
Mergers	35.000	-
	1.872.274	**2.305.769**

A significant portion of the legal case provision as of 31 December 2011 and 2010 is related to legal filings made by the personnel.

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

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

a) Guarantees Given

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

	31 December 2011		31 December 2010	
	TL	**USD**	**TL**	**USD**
A) Total Guarantees Pledges and Liens ("GPL")Given in the Legal Name of the Company	130.306.159	1.756.840	57.149.268	1.264.324
B) Total GPL Given in the Name of Fully Consolidated Companies	-	-	-	-
C) Total GPL Given to Manage Trading Operations of Entity in the name of 3rd parties	-	-	-	-
D) Total - Other GPL Given	-	-	1.414.578	10.000.000
i. Total GPL Given in the Name of the Parent	-	-	-	-
ii. Total GPL Given in the name of other Group companies not included in B) and C)	-	-	1.414.578	10.000.000
iii. Total GPL given in the name of 3rd parties not included in C)	-	-	-	-
Total	**130.306.159**	**1.756.840**	**58.563.846**	**11.264.324**

The proportion of guarantees, pledges and liens given by the Group to its equity as of 31 December 2011 is " 0%" (31 December 2010: 1,16%).

b) Lawsuits Filed by and Against to the Group

ba) As of 31 December 2011;

Lawsuits filed by the Group:

	TL	**USD**
Compensation litigations	802.193	-
Foreclosure litigations	469.323	-
Tax litigations	234.967	-
Action of debt	207.623	-
Penalty litigations	5.000	-
	1.719.106	**-**

Lawsuits filed against to the Group:

	TL	**USD**
Action of debts (*)	222.932	-
Compensation ligitations (*)	893.781	400.000
	1.116.713	**400.000**

(*) A provision of TL 1.872.274 has been provided for various court cases filed against the Group. For the rest of the lawsuits no provision was recognised because no cash outflow is projected (31 December 2010:TL 2.305.769).

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

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

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

bb) As of 31 December 2010;

Lawsuits filed by the Group:

	TL	USD
Compensation litigations	1.526.314	-
Foreclosure proceedings	1.650.140	100.000
Action of debt	84.000	-
	3.260.454	**100.000**

Lawsuits filed against to the Group:

	TL	USD
Action of debt	225.044	-
Foreclosure proceedings	49.713	-
Compensation ligitations	3.278.039	400.000
	3.552.796	**400.000**

Operational Leasing Agreements

The operating leases of the company 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 are TL 6.135.234 during the current year. (2010: TL 5.990.732). In the current year opeational leasing expenses are TL 929.202 (2010: TL 912.305). Due to non-cancellable rent agreements, the Group's rental revenue to be received in the future periods is TL 6.784.672 (2010: TL 6.169.426) 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 948.564 (2010: TL 987.309) and are all payable in a one year period.

19. COMMITMENTS

The Group's export commitments amount to TL 178.557.402 as of 31 December 2011 (31 December 2010: TL 166.067.552).

20. EMPLOYEE BENEFITS

Short Term Provisions	31 December 2011	31 December 2010
Unused vacation accrual	5.636.690	2.993.971
Due to personnel	8.118.155	4.355.542
Performance premium accrual	4.824.006	3.007.265
	18.578.851	**10.356.778**

Long Term Provisions	31 December 2011	31 December 2010
Retirement pay provision	18.866.864	8.471.180
	18.866.864	**8.471.180**

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

20. EMPLOYEE BENEFITS (cont'd)

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 2.731,85 for each period of service as of 31 December 2011 (31 December 2010: TL 2.517,01).

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. IAS 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 2011, 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 5,10% and a discount rate of 10%, resulting in a real discount rate of approximately 4,65% (31 December 2010: 4,66%). The maximum liability is revised semi annually. The basis considered in calculating the provisions is the amount of maximum liability of TL 2.805,04 which became effective as of 1 January 2012. As of 2011 year end, the probability of resignation of employees is 4,2% (2010: 3,2%).

Movement of retirement pay provision is as follows:

	1 January – 31 December 2011	**1 January – 31 December 2010**
Opening balance	8.471.180	6.168.987
Service costs	6.784.377	2.997.480
Interest costs	384.086	286.064
Actuarial loss	128.249	840.572
Acquisitions of subsidiaries	4.630.195	-
Mergers	2.183.234	-
Payment	(3.714.457)	(1.821.923)
Closing balance	**18.866.864**	**8.471.180**

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

21. OTHER ASSETS AND LIABILITIES

Other Current Assets	**31 December 2011**	**31 December 2010**
VAT carried forward	54.992.882	37.466.838
Order advances given	13.268.252	13.210.173
Prepaid taxes and funds	10.027.231	1.333.332
Prepaid expenses	991.464	889.816
Other	212.569	494.653
	79.492.398	**53.394.812**

Other non-current assets	**31 December 2011**	**31 December 2010**
Advances given	9.696.247	9.866.177
	9.696.247	**9.866.177**

Other Current Liabilities	**31 December 2011**	**31 December 2010**
Order advances received	7.752.277	6.106.467
Social security premiums payable	7.167.930	2.372.932
Taxes and funds payable	5.318.110	2.493.063
Expense accruals	19.265	1.212.679
Other liabilities	142.234	497.678
	20.399.816	**12.682.819**

22. SHAREHOLDERS' EQUITY

The composition of the Company's paid-in share capital as of 31 December 2011 and 2010 is as follows:

	31 December 2011		**31 December 2010**	
Shareholders	**Amount**	**Share (%)**	**Amount**	**Share (%)**
Yıldız Holding A.Ş.	112.496.294	41,88%	106.999.435	39,84%
Dynamic Growth Fund	73.308.031	27,29%	73.568.033	27,39%
Other	82.795.675	30,83%	88.032.532	32,77%
	268.600.000	**100,00%**	**268.600.000**	**100,00%**

Subsequent to the acquisition of Anadolu Gıda Sanayi A.Ş., the Company increased its registered share capital ceiling to TL 500.000.000 with the permission of Capital Markets Board dated 23 January 2004, numbered 1301 and switched to the registered capital system.

Considering additional profit share distribution, Class A and B share certificate owners have been granted a privilege out of the primary dividend at an additional rate of 17,65%. Additionally, the owners of 22.171 founder certificates not included in the capital structure have been granted privilege out of the primary dividend at the rate of 11,76%. Class A and D share certificate owners have also been granted privilege for 4 and 1 vote respectively, for appointing candidates for board of directors.

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

22. SHAREHOLDERS' EQUITY (cont'd)

a) Valuation Fund

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 2011 the Group has a financial asset valuation fund of TL 73.153.054 (31 December 2010: TL 609.950.097).

Movement of financial asset valuation fund is below :

	31 December 2011	31 December 2010
Opening Balance	609.950.097	446.354.171
Net gain/loss from revaluation of AFS	73.375.730	172.206.238
Income tax on net gain from revaluation of AFS	(3.685.962)	(8.610.312)
Valuation fund arising from acquisition	3.119.781	-
Accumulated gain/loss classified in income statement from sales of AFS	(609.606.592)	-
Closing Balance	**73.153.054**	**609.950.097**

b) 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 5% 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.

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 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.

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

22. SHAREHOLDERS' EQUITY (cont'd)

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

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 27 January 2010, in relation to the profit distribution of earnings derived from the operations in 2009, minimum profit distribution is not required for listed companies (December 31, 2008: 20%), and accordingly, profit distribution should be made based on the requirements set out in the Board's Communiqué Serial:IV, No: 27 "Principles of Dividend Advance Distribution of Companies That Are Subject To The CMB Regulations", terms of articles of corporations and profit distribution policies publicly disclosed by the companies.

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

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

Dividends paid per share is 0,11 as of December 31, 2011 (December 31, 2010 : 0,05).

Resources Available for Profit Distribution:

The Group has in its legals books a profit for the period of TL 741.168.822 (31 December 2010: TL 208.385.624) and other reserves of TL 420.504.827 (31 December 2010: TL 254.438.827) that can be utilized for profit distribution.

c) Retained Earnings

Details of the retained earnings is as follows:

	31 December 2011	31 December 2010
Retained earnings	(584.158.218)	(95.732.342)
Extraordinary reserves	310.559.555	268.796.474
Inflation restatement differences of shareholders' equity accounts other than capital and legal reserves	38.728.240	38.728.240
Other reserves	60.743.677	4.276.168
	(174.126.746)	**216.068.540**

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

22. SHAREHOLDERS' EQUITY (cont'd)

d) Non Controlling Interest/ Non Controlling Interest Profit or Loss

The amount of non-controlling interest as of 31 December 2011 is equal to TL 94.668.191 (31 December 2010: TL 68.316.245). The minority share of TL 11.969.293 on operating results for the period between 1 January – 31 December 2011 has been presented separately from the net profit for the same period in the accompanying consolidated statements of income (1 January – 31 December 2010: TL 6.575.749).

e) Foreign Currency Translation Difference

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 TL, which is the functional and presentation currency of the Group. Details and calculation methods of the foreign currency translation differences are explained in note 2.1.

Movement table of foreign currency translation difference for the period is below:

	31 December 2011	31 December 2010
Opening Balance	34.938.557	31.362.234
Exchange differences arising on translating the net assets of foreign operations	41.708.034	2.336.115
Foreign currency translation reserve arising from disposal of foreign operations from consolidation	(76.646.591)	1.240.208
Closing Balance	**-**	**34.938.557**

23. SALES AND COST OF SALES

a) Revenue

The detail of operating income is as follows:

	1 January 31 December 2011	1 January 31 December 2010
Domestic sales	1.934.192.897	1.646.985.060
Export sales	362.043.681	275.109.083
Other operating income	5.844.656	9.082.233
Sales returns (-)	(503.291.291)	(407.657.696)
Sales Income (net)	**1.798.789.943**	**1.523.518.680**

b) Cost of sales

	1 January 31 December 2011	1 January 31 December 2010
Raw materials used	(799.893.997)	(639.951.179)
Personnel expenses	(109.929.657)	(98.698.144)
Production overheads	(70.798.684)	(53.798.643)
Depreciation and amortization expenses	(26.796.257)	(22.979.401)
Change in work-in-progress inventories	(5.112.186)	673.245
Change in finished goods inventories	3.010.927	(5.203.582)
Cost of merchandises sold	**(1.009.519.854)**	**(819.957.704)**
Cost of trade goods sold	**(425.234.100)**	**(377.520.638)**
Cost of sales	**(1.434.753.954)**	**(1.197.478.342)**

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

24. RESEARCH AND DEVELOPMENT EXPENSES, MARKETING, SELLING AND DISTRIBUTION EXPENSES, GENERAL ADMINISTRATIVE EXPENSES

	1 January-31 December 2011	1 January-31 December 2010
Marketing, selling and distribution expenses	(251.740.617)	(228.366.829)
General administrative expenses	(64.711.487)	(56.675.198)
Research and development expenses	(2.689.990)	(1.045.818)
	(319.142.094)	**(286.087.845)**

25. EXPENSES BY NATURE

The detail of operating expenses are as follows;

	1 January-31 December 2011	1 January-31 December 2010
Research and Development Expenses		
Personnel expenses	(1.224.357)	(523.992)
Materials used	(903.616)	(78.641)
Depreciation and amortization expenses	(13.248)	(12.810)
Other	(548.769)	(430.375)
	(2.689.990)	**(1.045.818)**
Marketing, Sales and Distribution Expenses		
Personnel expenses	(36.306.809)	(26.056.799)
Marketing expenses	(170.309.553)	(164.155.538)
Depreciation and amortization expenses	(1.338.506)	(1.607.797)
Other	(43.785.749)	(36.546.695)
	(251.740.617)	**(228.366.829)**
General Administrative Expenses		
Personnel expenses	(25.215.765)	(18.190.617)
Operating expenses (*)	(25.336.448)	(21.095.821)
Depreciation and amortization expenses	(1.923.977)	(2.267.603)
Consultancy expenses	(362.165)	(279.155)
Taxes, duties and levies	(1.400.222)	(3.108.204)
Other	(10.472.910)	(11.733.798)
	(64.711.487)	**(56.675.198)**
Total Operating Expenses	**(319.142.094)**	**(286.087.845)**

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

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

26. OTHER OPERATING INCOME / (EXPENSES)

a) The detail of other operating income is as follows;

	1 January-31 December 2011	**1 January-31 December 2010**
Gain on sale of property, plant and equipment	45.674.570	379.788
Reversal of provisions	880.677	614.857
Rent income	10.706.203	7.396.495
Service income	2.068.396	3.223.621
Other ordinary income and profits	18.211.014	17.887.637
	77.540.860	**29.502.398**

b) The detail of other operating expenses is as follows;

	1 January-31 December 2011	**1 January-31 December 2010**
Provision expense	(2.441.184)	(323.547)
Depreciation expense	(2.427.750)	-
Previous period taxes paid	(2.299.023)	(496.867)
Loss on sale of property, plant and equipment	(7.251)	(7.525.201)
Other expenses	(3.932.388)	(3.070.978)
	(11.107.596)	**(11.416.593)**

27. FINANCE INCOME

	1 January-31 December 2011	**1 January-31 December 2010**
Gain on sale of financial assets (*)	616.301.176	158.005.893
Dividend income	3.920.330	27.731.180
Foreign exchange gain	153.427.843	154.224.722
Finance income on credit sales	29.386.982	30.026.206
Foreign currency and interest gain from financing	80.692.037	37.854.614
Discount income	5.977.164	7.012.953
Other	486.675	61.755
	890.192.207	**414.917.323**

(*) TL 609.606.592 of the gain on sale of financial assets comes from the disposal of BİM Birleşik Mağazalar A.Ş.

28. FINANCE EXPENSES

	1 January-31 December 2011	**1 January-31 December 2010**
Foreign exchange loss	(59.365.123)	(127.846.175)
Foreign exchange and interest loss from financing	(176.641.886)	(77.721.938)
Finance expense on credit purchases	(25.045.698)	(21.022.475)
Discount expense	(6.191.099)	(6.371.508)
Loss on disposal of financial assets	(572)	(569.351)
Other	(1.544.808)	(1.963.730)
	(268.789.186)	**(235.495.177)**

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

29. DEFERRED TAX ASSETS AND LIABILITIES

The Group, accounts deferred tax assets and liabilities for temporary timing differences rooted from differences between legal financial statements and financial statements prepared in accordance with IFRS. 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 IFRS. These differences is 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 is 20% (2010: 20%).

Deferred tax bases

	Deferred tax (assets)		Deferred tax liabilities	
	31 December 2011	**31December 2010**	**31 December 2011**	**31 December 2010**
Indexation and useful life differences of tangible and intangible assets	36.454.298	575.060	107.916.830	98.688.780
Financial instruments valuation differences	890.935	(110.312.920)	71.790.960	698.791.060
Profit margin elimination on inventory	(13.101.545)	-	-	(5.349.442)
Discount of trade receivables / payables (net)	(1.063.232)	(447.280)	1.093.626	1.159.515
Allowance for employee benefits	(6.574.619)	(970.030)	(12.292.245)	(7.501.150)
Allowance for doubtful receivables	(3.321.427)	(225.515)	(193.165)	(662.880)
Previous year losses	(75.175.466)	(8.189.410)	(18.448.895)	-
Provision for lawsuits	(266.539)	-	(1.605.735)	(2.305.769)
Derivative financial liabilities	-	-	(3.045.783)	(6.287.769)
Other	(23.526.647)	(1.886.175)	(5.143.211)	(4.984.605)
	(85.684.242)	**(121.456.270)**	**140.072.382**	**771.547.740**

Deferred tax (asset) / liabilities

	Deferred tax (assets)		Deferred tax liabilities	
	31 December 2011	**31December 2010**	**31 December 2011**	**31 December 2010**
Indexation and useful life differences of tangible and intangible assets	7.290.860	115.012	21.583.367	19.737.756
Financial instruments valuation differences	44.547	(5.501.586)	3.589.548	34.939.553
Profit margin elimination on inventory	(2.620.309)	-	-	(1.069.888)
Discount of trade receivables / payables (net)	(212.646)	(89.456)	218.723	231.903
Allowance for employee benefits	(1.314.925)	(194.006)	(2.458.449)	(1.500.230)
Allowance for doubtful receivables	(664.286)	(45.103)	(38.633)	(132.576)
Previous year losses	(15.035.093)	(1.637.882)	(3.689.779)	-
Provision for lawsuits	(53.309)	-	(321.147)	(461.154)
Derivative financial liabilites	-	-	(609.157)	(1.257.554)
Other	(4.571.688)	(377.235)	(1.028.641)	(996.919)
	(17.136.849)	**(7.730.256)**	**17.245.832**	**49.490.891**

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

29. DEFERRED TAX ASSETS AND LIABILITIES (cont'd)

Movement of Deferred Tax Liabilities:	**1 January – 31 December 2011**	**1 January – 31 December 2010**
Opening balance	41.760.635	39.838.823
Acquisitions of subsidiaries	(15.474.605)	-
Taxes netted against funds recognised under equity	(28.458.085)	8.614.018
Mergers	(509.048)	(1.620.543)
Deferred tax expense / (income)	2.790.086	(5.071.663)
	108.983	**41.760.635**

The Group calculated deferred tax assets of TL 93.624.361 (December 31, 2010: TL 8.189.410) for deductable financial losses in the consolidated financial statements for the year then ended December 31, 2011. The maturities of these losses are as follows:

	31 December 2011	**31 December 2010**
2013	31.263.200	1.555.759
2014	1.224.677	1.581.760
2015	33.077.851	5.051.891
2016	28.058.633	-
	93.624.361	**8.189.410**

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 2011 is 20% (31 December 2010: 20%).

In Turkey, advance tax returns are filed on a quarterly basis. The advance corporate income tax rate is 20% in 2011 (31 December 2010: 20%).

Losses are allowed to be carried 5 years maximum to be deducted from the taxable profit of the following years. However, losses incurred cannot be deducted from the prior years' profit retroactively.

In Turkey, there is no procedure for a final and definitive agreement on tax assessments. Companies file their tax returns between 1-25 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 witholding tax

In addition to corporate taxes, companies should also calculate income withholding taxes and funds surcharge on any dividends distributed, except for resident companies in Turkey which include this dividend income in their taxable profit for the related period and Turkish branches of foreign companies. The rate of income withholding tax is 10% starting from 24 April 2003. This rate was changed to 15% with the resolution of council of ministers on 23 July 2006. Undistributed dividends incorporated in share capital are not subject to income withholding taxes.

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

29. DEFERRED TAX ASSETS AND LIABILITIES (cont'd)

Since the Group did not assume any investment incentives, it has used 20% corporate tax rate.

Provision for taxation as of 31 December 2011 and 2010 are as follows:

	31 December 2011	31 December 2010
Current year corporate tax provision	(48.245.534)	(37.373.545)
Prepaid taxes and funds	40.303.071	17.571.302
Taxation in the balance sheet	**(7.942.463)**	**(19.802.243)**

	31 December 2011	31 December 2010
Current year tax provision	48.245.534	37.373.545
Deferred tax (loss) / income	2.790.086	(5.071.663)
Taxation in the statement of income	**51.035.620**	**32.301.882**

The reconciliation of taxation as of 31 December 2011 and 2010 are as follows:

	1 January – 31 December 2011	1 January – 31 December 2010
Reconciliation of taxation:		
Profit before tax	720.026.927	223.724.460
Effective tax rate	20%	20%
Expected taxation	144.005.385	44.744.892
Tax effects of:		
-Non-deductible expenses	15.516.049	2.856.260
-Dividends and other non-taxable income	(117.410.330)	(17.357.892)
-Non-deductible other gains / (losses)	3.483.842	(1.086.863)
-Consolidation adjustments	5.440.674	3.145.485
Taxation in the statement of income	**51.035.620**	**32.301.882**

30. EARNINGS PER SHARE

A summary of the Group's weighted average number of shares outstanding as of 31 December 2011 and 2010 and computation of earnings per share set out here as follows:

	1 January – 31 December 2011	1 January – 31 December 2010
Weighted average number of common stock outstanding	26.860.000.000	26.860.000.000
Net profit	657.022.014	184.846.829
Basic Earnings Per Share (1 TL par value each)	**2,45**	**0,69**

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

31. BALANCES AND TRANSACTIONS WITH RELATED PARTIES

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

	31 December 2011	31 December 2010
Trade receivables	293.919.815	144.696.851
Non-trade receivables	582.308.728	317.961.978
	876.228.543	**462.658.829**

Trade receivables from retaled 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 quarterly based on effective market interest rate. The interest rate used in 31 December 2011 is 11,5% for TL, 5,5% for foreign currencies (31 December 2010: 8,75% for TL , 4% for foreign currencies).

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

	31 December 2011		**31 December 2010**	
	Trade	**Non-Trade**	**Trade**	**Non-Trade**
Principle Shareholders				
Yıldız Holding A.Ş.	-	406.335.987	213.898	307.472.101
Other Companies Controlled by the Principle Shareholders				
Pasifik Tük. Ürün. Satış ve Ticaret A.Ş.	136.230.960	-	53.094.401	-
Önem Gıda San. ve Tic. A.Ş.	58.103.429	124.899.409	67.625	-
Teközel Gıda T.Sağ. Mrk. Hiz. San. Tic. A.Ş.	25.992.735	-	13.844.009	-
Hamle Company Ltd. (Kazakhstan)	15.795.212	13.429.334	11.831.490	10.057.399
Hüner Pazarlama San. ve Tic. A.S.	13.754.578	-	2.533.900	-
Merkez Gıda Pazarlama San. ve Tic. A.Ş.	11.934.122	-	8.330.880	-
Esas Pazarlama ve Tic. A.Ş.	11.112.400	-	7.380.727	-
Hero Gıda Sanayi ve Ticaret A.Ş.	5.387.380	-	5.509.261	-
GF Lovell	4.667.165	-	2.307.292	-
KBF Limited	3.317.740	-	2.189.089	-
Bizim Toptan Satış Mağazaları A.Ş.	1.178.255	-	1.757.407	-
Yeni Çikolatalı Mamuller Gıda San. ve Tic A.Ş.	90.399	28.906.466	-	-
AGS Anadolu Gıda San. Tic. A.Ş.	-	-	10.864.364	-
Atlantik Gıda Pazarlama ve Tic. A.Ş.	-	-	10.463.246	-
Ülker Çikolata Sanayi A.Ş.	-	-	2.953.959	-
UG Food Private Ltd	-	-	96.848	-
Other	6.355.440	8.737.532	11.258.455	432.478
	293.919.815	**582.308.728**	**144.696.851**	**317.961.978**

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

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

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

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

	31 December 2011	**31 December 2010**
Trade payables	212.654.232	173.290.148
Non-trade payables	4.391.368	23.520.266
	217.045.600	**196.810.414**

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

	31 December 2011		**31 December 2010**	
	Trade	**Non-Trade**	**Trade**	**Non-Trade**
Principle Shareholders				
Yıldız Holding A.Ş.	-	-	4.585.248	22.916.659
Other Companies Controlled by the Principle Shareholders				
Önem Gıda San. ve Tic. A.Ş.	98.461.532	-	6.009.343	-
Besler Gıda ve Kimya San. Tic. A.Ş.	59.596.861	-	41.564.854	-
SCA Yıldız Kağıt ve Kişisel Bakım Üretim A.Ş.	14.369.044	-	1.337.455	-
Hero Gıda Sanayi ve Ticaret A.Ş.	10.283.171	-	3.038.688	-
Polinas Plastik San. Tic. A.Ş.	8.525.270	-	2.266.154	-
Ak Gıda San. ve Tic. A.Ş.	5.116.908	-	8.032.219	-
Örgen Gıda San. ve Tic. A.Ş.	3.250.384	-	905.317	-
Pendik Nişasta Sanayi A.Ş	1.961.620	-	437.975	-
Fresh Cake Gıda San.ve Tic.A.Ş.	-	-	68.674.077	-
Öncü Pazarlama ve Ticaret A.Ş. (*)	-	-	10.834.803	-
AGS Anadolu Gıda San. Tic. A.Ş.	-	-	9.732.694	-
Ülker Çikolata Sanayi A.Ş.	-	-	4.134.549	-
Atlantik Gıda Paz. ve Tic. A.Ş.	-	-	1.489.669	-
Diğer	11.089.442	4.391.368	10.247.103	603.607
	212.654.232	**4.391.368**	**173.290.148**	**23.520.266**

(*) As of November 30, 2011 Öncü Pazarlama ve Ticaret A.Ş. and Yıldız Holding A.Ş merged under the Parent Company Yıldız Holding A.Ş.

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

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

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

	1 January– 31 December 2011		1 January– 31 December 2010	
	Purchases	**Sales**	**Purchases**	**Sales**
Other Companies Controlled by the Principle Shareholders				
Önem Gıda San. ve Tic. A.Ş.	200.272.080	53.921.945	90.150.059	4.945.967
Besler Gıda ve Kimya San. ve Tic. A.Ş.	164.900.752	1.812.308	104.611.388	3.831.848
Fresh Cake Gıda San. ve Tic. A.Ş.(**)	119.610.169	5.438.783	107.947.128	8.516.316
Hero Gıda San. ve Tic. A.Ş.	55.347.636	35.137.824	32.922.374	37.554.900
SCA Yıldız Kağıt ve Kişisel Bakım Üretim A.Ş.	38.987.925	-	7.910.972	618.108
AGS Anadolu Gıda San. Tic. A.Ş.(***)	38.164.337	6.714.862	34.126.249	21.721.899
Örgen Gıda San. ve Tic. A.Ş.	25.388.039	89.188	11.159.235	-
Ülker Çikolata Sanayi A.Ş.(****)	23.751.355	10.016.999	18.231.205	16.494.308
Ak Gıda San. ve Tic. A.Ş.	20.876.626	170.836	67.977.041	2.159.729
Polinas Plastik San. Tic. A.Ş.	17.488.130	243.556	13.417.351	1.151.740
Pendik Nişasta San. A.Ş.	11.997.754	-	12.755.575	2.322
Bellini Gıda San. A.Ş.	756.219	48.515.960	-	-
Baycan Çiklet ve Gıda San. A.Ş.	597.392	29.855	3.604.341	-
Farmamak Amb Mad. ve Amb Mak. A.Ş.	450.780	-	4.901.750	3.080
Esas Pazarlama ve Tic. A.Ş.	443.381	49.110.171	531.749	50.111.173
Pasifik Tüketim Ürünleri Satış ve Tic. A.Ş.	104.293	229.234.840	-	174.392.204
Bizim Toptan Satış Mağazaları A.Ş.	50.531	2.938.912	25.000	6.568.828
Merkez Gıda Paz. San. Tic. A.Ş.	73	44.457.278	-	49.990.076
Teközel Gıda Tem. Sağ. Mark. Hizm. A.Ş.	-	72.164.412	-	64.687.946
Hüner Pazarlama San. ve Tic. A.Ş.	-	37.694.009	-	3.453.867
Della Gıda San. ve Tic. A.Ş.	-	-	6.376.585	168.485
Marsan Gıda San. Tic. A.Ş.	-	-	3.689.977	27.108.118
Mondi Tire Kutsan Kağıt ve Amb. San. A.Ş. (*)	-	-	-	1.535.943
Other	74.992.731	35.813.998	6.985.436	900.963
	794.180.203	**633.505.736**	**527.323.415**	**475.917.820**

Other than those described above, as of 31 December 2011, the Group has financial leasing payables of TL 8.304.049 (2010: TL 2.069.322) to Fon Finansal Kiralama A.Ş.

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 Group sells its products mainly to three companies which are conducts sales and distribution operations of the Group. These firms are Esas Pazarlama Ve Ticaret A.Ş., Atlantik Gıda Pazarlama ve Tic. A.Ş, Pasifik Tük. Ürün. Satış Ve Ticaret A.Ş.

(*) Since its shares held by the Group were sold on the beginning of October, Mondi Tire Kutsan Kağıt ve Amb. San. A.Ş. (its previous title: Tire Kutsan Oluklu Muk. A.Ş.) was removed from the related parties and only information regarding first nine months of 2010 was presented in the notes.

(**) On December 30, 2011, Fresh Cake Gıda San. ve Tic. A.Ş. merged with the Company via acquisition and the purchases and the sales prior to the acquisition were included in 2011.

(***) On December 30, 2011, AGS Anadolu Gıda San. Tic. A.Ş merged with Biskot Bisküvi Gıda San.ve Tic. A.Ş. via acquisition and the purchases and the sales prior to the acquisition were included in 2011.

(****) On September 26, 2011, the Company purchased a 91,67% stake in Ülker Çikolata Sanayi A.Ş. and as of the acquisition date Ülker Çikolata Sanayi A.Ş. has been included in consolidation process. Purchases and sales numbers of 2011 reflect the transactions prior to the acquisition.

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

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 2011;

	Interest Income	Interest Expense	Rent Income	Rent Expense	Service Income	Service Expense
Principle Shareholders						
Yıldız Holding A.Ş.	50.095.840	(2.485.260)	136.902	(4.083.842)	146.568	(37.078.217)
Other Companies Controlled by Principle Shareholders						
Hero Gıda Sanayi ve Tic.A.Ş.	-	-	-	-	2.517.777	(683.534)
Pendik Nişasta Sanayi ve Tic.A.Ş.	-	-	-	-	27.785	(12.902)
SCA Yıldız Kağıt ve Kişisel Bakım Üretim A.Ş.	-	-	-	-	7.435.955	-
Ak Gıda San. ve Tic. A.Ş.	-	-	-	-	-	(170.612)
Fresh Cake Gıda San. ve Tic. A.Ş.(*)	-	-	3.360.000	-	1.784.446	(346.973)
Della Gıda San. ve Tic. A.Ş.	-	-	-	-	18.538	-
Merkez Gıda Paz. San. Tic. A.Ş.	-	-	65.980	(8.862)	61.837	(607.752)
FFK- Fon Finansal Kiralama A.Ş.	8.222	(483.549)	-	-	-	(44)
Öncü İletişim Pazarlama Yapım ve Tic. A.Ş.	-	-	74.548	(180.838)	916.021	(41.770.976)
Pasifik Tüketim Ürünleri Satış ve Tic. A.Ş.	-	-	32.380	-	1.478.501	(1.278.169)
Teközel Gıda Tem. Sağ. Mark. Hizm. A.Ş.	-	-	-	-	9.511	(116.487)
Ülker Çikolata Sanayi A.Ş.(**)	-	-	549.548	(5.952)	531.951	(1.158.118)
Diğer	2.150.741	(348.110)	1.789.181	(924.396)	4.032.088	(6.699.015)
	52.254.803	**(3.316.919)**	**6.008.539**	**(5.203.890)**	**18.960.978**	**(89.922.799)**

(*) On December 30, 2011, Fresh Cake Gıda San. ve Tic. A.Ş. merged with the Company via acquisition and the purchases and the sales prior to the acquisition were included in 2011.

(**) On September 26, 2011, the Company purchased a 91,67% stake in Ülker Çikolata Sanayi A.Ş.and as of the acquisition date Ülker Çikolata Sanayi A.Ş. has been included in concolidation process. Purchases and sales numbers of 2011 reflect the transactions prior to the acquisition.

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

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

For the twelve month period ended on 31 December 2010;

	Interest Income	Interest Expense	Rent Income	Rent Expense	Service Income	Service Expense
Principle Shareholders						
Yıldız Holding A.Ş.	37.521.685	(2.874.961)	145.384	(2.900.376)	86.059	(23.241.641)
Joint Ventures						
Hero Gıda Sanayi ve Tic.A.Ş.	-		928	-	373.873	(1.756.718)
Pendik Nişasta Sanayi ve Tic.A.Ş	-		-	-	102.432	(214)
Other Companies Controlled by Principle Shareholders						
Ak Gıda San. ve Tic. A.Ş.	-	-	-	-	84.071	(320.584)
Başak Sağ. ve Eğt. Hizm. San. Tic. A.Ş.	237.216	-	-	-	-	(6.291)
Datateknik Bilg. Sist. Tic. San. A.Ş.	-	-	-	-	419	(123.402)
Della Gıda San. ve Tic. A.Ş.	1.625.100	-	-	-	-	(16.011)
Merkez Gıda Paz. San. Tic. A.Ş.	-	-	74.183	-	107.334	(21.384)
FFK- Fon Finansal Kiralama A.Ş.	91.004	(695.915)	-	-	-	(424)
Netlog Lojistik Hizmetleri A.Ş.(*)	-	-	1.247.414	(62.395)	82.729	(8.266.069)
Öncü İletişim Pazarlama Yapım ve Tic. A.Ş.	458	-	124.443	(526.626)	1.314.981	(64.093.364)
Pasifik Tüketim Ürünleri Satış ve Tic. A.Ş.	-	-	28.130	(1.230)	1.678.914	(1.068.918)
Teközel Gıda Tem. Sağ. Mark. Hizm. A.Ş.	-	(7.201)	-	(849)	4.409	(63.876)
Ülker Çikolata Sanayi A.Ş.	557.733	-	479.736	(5.520)	374.631	(745.965)
Merkez Gıda Paz. San. Tic. A.Ş.	-	-	74.183	-	107.334	(21.384)
Marsan Gıda San. Tic. A.Ş.	734.156	(451.643)	-	(2.681.908)	179.126	(725.715)
Other	1.121.074	(31.623)	1.609.499	(492.248)	983.039	(4.262.028)
	41.888.426	**(4.061.343)**	**3.783.900**	**(6.671.152)**	**5.479.351**	**(104.733.988)**

(*) Since its shares held by the Group were sold in March 2010, Netlog Lojistik Hizmetleri A.Ş was removed from the related parties and only information regarding first three months of 2010 was presented in the notes.

e) Benefits provided to board members and key management personnel:

	31 December 2011	31 December 2010
BOD Members	1.246.442	438.872
Senior management	9.573.287	4.639.045
	10.819.729	**5.077.917**

f) There are no guarantees, commitments and advances given in favour of related parties in current period (2010: TL 1.414.578).

The related note references of the transactions with related parties under common control are explained under the equity movement statement.

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

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 8, cash and cash equivalents disclosed in note 6 and equity attributable to equity holders of the parent, comprising issued capital, reserves and retained earnings as disclosed in note 22.

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

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

Net liability / Total capital ratio as of 31 December 2011 and 2010 is as follows;

	31 December 2011	**31December 2010**
Total financial liabilities	1.034.350.268	959.387.439
Negative: Cash & cash equivalents	(401.701.955)	(616.600.133)
Net liabilities	632.648.313	342.787.306
Total shareholder's equity	1.002.582.500	1.458.891.511
Total capital	1.635.230.813	1.801.678.817
Net Liability/Total Capital Ratio	39%	19%

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.

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

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

(b-1) Credit Risk Management

Credit Risk of Financial Instruments	Receivables				
	Trade Receivables		Other Receivables		
31 December 2011	Related party	Third party	Related party	Third party	Deposits in Bank
Maximum net credit risk as of balance sheet date (*)	293.919.815	289.299.701	582.308.728	12.540.863	401.123.100
- The part of maximum risk under guarantee with collateral etc. (**)	-	120.560.499	-	-	-
A. Net book value of financial assets that are neither past due nor impaired	291.858.026	287.035.542	582.308.728	12.540.863	401.123.100
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	2.061.789	1.249.511	-	-	-
- The part under guarantee with collateral etc.	-	803.251	-	-	-
D. Net book value of impaired assets	-	1.014.648	-	-	-
- Past due (gross carrying amount)	-	5.178.839	-	-	-
- Impairment (-)	-	(4.164.191)	-	-	-
- The part of net value under guarantee with collateral etc.	-	1.014.648-	-	-	-
- 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, gurantee notes and mortgages.

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

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

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

Credit Risk of Financial Instruments	**Receivables**				
	Trade Receivables		**Other Receivables**		
31 December 2010	**Related party**	**Third party**	**Related party**	**Third party**	**Deposits in Bank**
Maximum net credit risk as of balance sheet date (*)	144.696.851	205.875.845	317.961.978	29.691.052	611.926.483
- The part of maximum risk under guarantee with collateral etc. (**)	-	81.710.442	-	-	-
A. Net book value of financial assets that are neither past due nor impaired	138.591.964	200.960.341	317.961.978	29.691.052	611.926.483
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	6.104.887	4.636.010	-	-	-
- The part under guarantee with collateral etc.	-	1.342.561	-	-	-
D. Net book value of impaired assets	-	279.494	-	-	-
- Past due (gross carrying amount)	-	3.163.550	-	-	-
- Impairment (-)	-	(2.884.056)	-	-	-
- The part of net value under guarantee with collateral etc.	-	279.494	-	-	-
- 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.

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

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

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

Aging of the past due receivables are as follows:

	Receivables		
31 December 2011	**Trade Receivables**	**Other Receivables**	**Total**
Past due 1-30 days	3.178.256	-	3.178.256
Past due 1-3 months	29.254	-	29.254
Past due 3-12 months	-	-	-
Past due 1-5 years	103.790	-	103.790
Past due more than 5 years	-	-	-
Total past due receivables	**3.311.300**	**-**	**3.311.300**
The part under guarantee with collateral	**803.251**	**-**	**803.251**

	Receivables		
31 December 2010	**Trade Receivables**	**Trade Receivables**	**Total**
Past due 1-30 days	3.574.626	-	3.574.626
Past due 1-3 months	90.677	-	90.677
Past due 3-12 months	2.704.715	-	2.704.715
Past due 1-5 years	4.370.879	-	4.370.879
Past due more than 5 years	-	-	-
Total past due receivables	**10.740.897**	-	**10.740.897**
The part under guarantee with collateral	**1.342.561**	-	**1.342.561**

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

	31 December 2011	**31 December 2010**
	Fair Value	Fair Value
Guarantees Received	539.972	1.342.561
Collaterals	5.081	-
Other	258.198	-
	803.251	**1.342.561**

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

	31 December 2011	**31 December 2010**
	Fair Value	Fair Value
Guarantees Received	1.014.648	279.494

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.

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

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.

Contractual Maturity Analysis December, 31 2011	Carrying value	Total cash outflow according to contract (I+II+III)	Less than 3 months (I)	3-12 months (II)	1-5 years (III)
Non-derivative financial liabilities					
Bank borrowings	1.004.639.906	1.033.733.147	147.877.967	620.755.687	265.099.493
Financial lease liabilities	29.710.362	31.637.086	5.316.058	12.923.214	13.397.814
Trade payables	420.659.673	427.109.419	389.074.584	35.857.985	2.176.850
Other financial liabilities	12.560.837	12.631.403	9.035.980	3.595.423	-
Total liabilities	**1.467.570.778**	**1.505.111.055**	**551.304.589**	**673.132.309**	**280.674.157**

Contractual Maturity Analysis December, 31 2011	Carrying value	Total cash outflow according to contract (I+II+III)	Less than 3 months (I)	3-12 months (II)	1-5 years (III)
Derivative financial liabilities					
Other financial liabilities	3.045.783	3.045.783	-	-	3.045.783
Total liabilities	**3.045.783**	**3.045.783**	**-**	**-**	**3.045.783**

The expected maturities are same as the maturities per contracts.

Contractual Maturity Analysis December, 31 2010	Carrying value	Total cash outflow according to contract (I+II+III)	Less than 3 months (I)	3-12 months (II)	1-5 years (III)
Non-derivative financial liabilities					
Bank borrowings	951.645.589	972.309.047	132.240.461	318.061.236	522.007.350
Financial lease liabilities	7.741.850	8.363.532	1.199.741	3.931.480	3.232.311
Trade payables	265.638.672	277.634.138	276.501.501	-	1.132.637
Other financial liabilities	24.242.119	24.808.669	8.928.408	15.880.261	-
Total liabilities	**1.249.268.230**	**1.283.115.386**	**418.870.111**	**337.872.977**	**526.372.298**

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

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

b.2) Liquidity risk management

The expected maturities are same as the maturities per contracts.

Contractual Maturity Analysis December, 31 2010	Carrying value	Total cash outflow according to contract (I+II+III)	Less than 3 months (I)	3-12 months (II)	1-5 years (III)
Derivative financial liabilities					
Other financial liabilities	6.287.769	6.287.769	-	-	6.287.769
Total liabilities	**6.287.769**	**6.287.769**	**-**	**-**	**6.287.769**

(b) -3 Market risk management

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

Market risk management is also measured by 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 provide 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:

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

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

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

	31 December 2011					
	TL Equivalent as of 31 December 2011	**USD**	**EUR**	**CHF**	**GBP**	**DKK**
1. Trade Receivables	73.347.739	30.375.570	5.966.763	-	476.431	-
2a. Monetary Financial Assets	601.000.516	312.454.602	4.341.405	12.040	58.688	145
2b. Non-Monetary Financial Assets	3.411.981	1.806.332	-	-	-	-
3. Other	6.067.006	2.582.963	483.357	-	2.338	-
4. CURRENT ASSETS	**683.827.242**	**347.219.467**	**10.791.525**	**12.040**	**537.457**	**145**
5. Trade Receivables	-	-	-	-	-	-
6a. Monetary Financial Assets	36.750	12.900	5.067	-	-	-
6b. Non-Monetary Financial Assets	-	-	-	-	-	-
7. Other	577.989	19.608	154.861	81.000	-	-
8. NON-CURRENT ASSETS	**614.739**	**32.508**	**159.928**	**81.000**	**-**	**-**
9. TOTAL ASSETS	**684.441.981**	**347.251.975**	**10.951.453**	**93.040**	**537.457**	**145**
10. Trade Payables	33.079.232	15.464.709	1.390.418	62.830	117.926	-
11. Financial Liabilities	763.575.016	397.300.199	5.366.507	-	-	-
12a. Other Monetary Financial Liabilities	15.178.160	8.025.922	-	8.970	-	-
12b. Other Non-Monetary Financial Liabilities	6.872.517	3.489.621	113.201	-	1.485	-
13. CURRENT LIABILITIES	**818.704.925**	**424.280.451**	**6.870.126**	**71.800**	**119.411**	**-**
14. Trade Payables	-	-	-	-	-	-
15. Financial Liabilities	270.155.215	137.047.274	4.618.471	-	-	-
16a. Other Monetary Financial Liabilities	-	-	-	-	-	-
16b. Other Non-Monetary Financial Liabilities	-	-	-	-	-	-
17. NON-CURRENT LIABILITIES	**270.155.215**	**137.047.274**	**4.618.471**	**-**	**-**	**-**
18. TOTAL LIABILITIES	**1.088.860.140**	**561.327.725**	**11.488.597**	**71.800**	**119.411**	**-**
19. Net foreign currency liability position	(404.418.159)	(214.075.750)	(537.144)	21.240	418.046	145
20. Net foreign currency asset / liability position of monetary items (1+2+5+6a-10-11-12a-14-15-16a)	**(407.602.618)**	**(214.995.032)**	**(1.062.161)**	**(59.760)**	**417.193**	**145**

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

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

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

	31 December 2010			
	TL Equivalent as of 31 December 2010	**USD**	**EUR**	**GBP**
1. Trade Receivables	61.227.041	28.739.255	7.902.107	252.845
2a. Monetary Financial Assets	687.526.124	424.565.973	15.090.440	94.327
2b. Non-Monetary Financial Assets	2.283.649	1.477.134	-	-
3. Other	8.716.891	4.881.829	570.779	-
4. CURRENT ASSETS	**759.753.705**	**459.664.191**	**23.563.326**	**347.172**
5. Trade Receivables	-	-	-	-
6a. Monetary Financial Assets	19.943	12.900	-	-
6b. Non-Monetary Financial Assets	-	-	-	-
7. Other	1.906.734	152.049	815.805	-
8. NON-CURRENT ASSETS	**1.926.677**	**164.949**	**815.805**	**-**
9. TOTAL ASSETS	**761.680.382**	**459.829.140**	**24.379.131**	**347.172**
10. Trade Payables	9.147.931	4.182.752	1.306.416	1.850
11. Financial Liabilities	466.800.065	283.093.393	14.219.745	-
12a. Other Monetary Financial Liabilities	1.837.159	905.263	213.568	-
12b. Other Non-Monetary Financial Liabilities	5.153.965	3.122.128	157.695	1.684
13. CURRENT LIABILITIES	**482.939.120**	**291.303.536**	**15.897.424**	**3.534**
14. Trade Payables	-	-	-	-
15. Financial Liabilities	488.095.615	314.347.635	1.031.756	-
16a. Other Monetary Financial Liabilities	-	-	-	-
16b. Other Non-Monetary Financial Liabilities	-	-	-	-
17. NON-CURRENT LIABILITIES	**488.095.615**	**314.347.635**	**1.031.756**	**-**
18. TOTAL LIABILITIES	**971.034.735**	**605.651.171**	**16.929.180**	**3.534**
19. Net foreign currency liability position	(209.354.353)	(145.822.031)	7.449.951	343.638
20. Net foreign currency asset / liability position of monetary items (1+2a+5+6a-10-11-12a-14-15-16a)	**(217.107.662)**	**(149.210.915)**	**6.221.062**	**345.322**

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

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 twelve month periods are presented below:

	1 January-31 December 2011	1 January-31 December 2010
Total exports	362.043.681	275.109.083
Total imports	41.350.737	31.420.094

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 arrising from 10% change in US dolar 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.

	31 December 2011		**31 December 2010**	
	Income / Expense		Income / Expense	
	Appreciation of foreign currency	Depreciation of foreign currency	Appreciation of foreign currency	Depreciation of foreign currency
	If US Dollar appreciated against TL by 10%			
1-US Dollar net asset / liability	(40.610.412)	40.610.412	(23.068.007)	23.068.007
2-Part of hedged from US Dollar risk (-)				
3-US Dollar net effect (1 +2)	**(40.610.412)**	**40.610.412**	**(23.068.007)**	**23.068.007**
	If Euro appreciated against TL by 10%			
4-Euro net asset / liability	(259.571)	259.571	1.274.758	(1.274.758)
5-Part of hedged from Euro risk (-)				
6-Euro net effect (4 +5)	**(259.571)**	**259.571**	**1.274.758**	**(1.274.758)**
Total (3+6)	**(40.869.982)**	**40.869.982**	**(21.793.250)**	**21.793.250**

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

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 intrest 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 swaps

The notional amount of the interest rate swap contract the Group entered into as of 31 December 2011 is USD 93 Million. The swap including the term beginning September 15, 2008, through March 13, 2013 fixed the interest rate for 2,48%.

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 Company would have been decreased by TL 2.339.997 (31 December 2010 net profit would have been decreased by TL 3.351.127). This is mainly attributable to the Group's exposure to interest rates on its variable rate borrowings.The Group's net profit after interest rate swap for the current period would have been decreased by TL 2.309.539 (2010: TL 3.288.249). 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. Net income of the Company would have increased by some amount, if Euribor interest rates had been 1% lower.

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

Interest Position Table

		31 December 2011	**31 December 2010**
	Fixed interest rate financial instruments		
Financial assets	Cash and Cash Equivalents	385.392.532	603.644.688
	Other Receivables	12.540.863	1.953.229
Financial liabilities	Loans	192.722.850	295.934.515
	Leasing Liabilities	29.710.362	6.184.138
	Other Payables	8.169.469	698.402
	Floating interest rate financial instruments		
Financial Assets	Non-trade Receivables from related parties	582.308.728	317.961.978
	Other Receivables	-	27.737.823
Financial liabilities	Loans (*)	811.917.056	655.711.074
	Non-trade Payables to related parties	4.391.368	23.520.266
	Leasing Liabilities	-	1.557.712
	Other Payables	-	23.451

(*) A portion of USD 93 million of financial liabilities is fixed through interest rate swap.

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 has 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 2011, 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 effected.

The other funds in the shareholders' equity will increase/decrease by TL 1.772.537 (2010: incerase/decrease of TL 63.582.309). This situation is the result of the changes in the fair value of available for sale securities.

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

39. FINANCIAL INSTRUMENTS

Categories and fair values of financial instruments:

31 December 2011	Financial assets at amortized cost	Loans and receivables	Available for sale financial assets	Financial liabilities at amortized cost	Fair value difference recognized in income statement	Carrying value	Notes
Financial assets							
Cash and cash equivalents	401.701.955	-	-		-	401.701.955	6
Trade receivables	-	289.299.701	-	-	-	289.299.701	10
Due from related parties	-	876.228.543	-	-	-	876.228.543	31
Other financial assets	-	379.184	278.656.566	-	-	279.035.750	7
Financial liabilities				-			
Financial liabilities	-	-	-		-	1.034.350.268	8
Trade payables	-	-	-	1.034.350.268	-	208.005.441	10
Due to related parties	-	-	-	208.005.441	-	217.045.600	31
Other financial liabilities	-	-	-	217.045.600	3.045.783	3.045.783	9

31 December 2010	Financial assets at amortized cost	Loans and receivables	Available for sale financial assets	Financial liabilities at amortized cost	Fair value difference recognized in income statement	Carrying value	Notes
Financial assets							
Cash and cash equivalents	616.600.133	-	-	-	-	616.600.133	6
Trade receivables	-	205.875.845	-	-	-	205.875.845	10
Due from related parties	-	462.658.829	-	-	-	462.658.829	31
Other financial assets	-	14.944	818.837.650	-	-	818.852.594	7
Financial liabilities							
Financial liabilities	-	-	-	959.387.439	-	959.387.439	8
Trade payables	-	-	-	92.348.524	-	92.348.524	10
Due to related parties	-	-	-	196.810.414	-	196.810.414	31
Other financial liabilities	-	-	-	-	6.287.769	6.287.769	9

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

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

33. FINANCIAL INSTRUMENTS (cont'd)

Derivative Financial Instruments

The Group entered into interest rate swap agreement to control part of its borrowings by replacing floating interest rate with fixed interest rate swaps. Floating interest rate of the loan is hedged by the result of the change in six month Libor interest. The notional value of the swap contract is USD 93.000.000. As of December 31, 2011, expected fair value of the swap contract was around TL 3.045.783 (2010:TL 6.287.769).

Fair value of financial instruments

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

- First level: The fair value of financial assets and financial liabilities are determined with reference to actively traded market prices;

- Second level: Other than market prices specified at first level, the fair value of financial assets and financial liabilities are evaluated with reference to inputs that used to determine directly or indirectly observable price in market;

- Third level: The fair value of financial assets and financial liabilities are evaluated with reference to inputs that used to determine fair value but not relying on observable data in the market.

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

		Level of fair value as of reporting date		
Financial assets	**31 December 2011**	**Level 1 TL**	**Level 2 TL**	**Level 3 TL**
Fair value difference through profit and loss				
- Held for trading	379.184	-	379.184	-
Fair value difference through comprehensive income statement				
- Shares	277.044.255	17.725.368	3.411.981	255.906.906
Total	**277.423.439**	**17.725.368**	**3.791.165**	**255.906.906**
Financial liabilities				
Fair value difference through profit and loss				
- Other financial liabilities	(3.045.783)	-	(3.045.783)	-
Total	**(3.045.783)**	**-**	**(3.045.783)**	**-**

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

33. FINANCIAL INSTRUMENTS (cont'd)

Fair value of financial instruments (cont'd)

		Level of fair value as of reporting date		
Financial assets	**31 December 2010**	**Level 1 TL**	**Level 2 TL**	**Level 3 TL**
Fair value difference through profit and loss				
- Held for trading	14.944	-	14.944	-
Fair value difference through comprehensive income statement				
- Shares	813.265.265	810.533.799	2.731.466	-
Total	**813.280.209**	**810.533.799**	**2.746.410**	**-**
Financial liabilities				
Fair value difference through profit and loss				
- Other financial liabilities	(6.287.769)	-	(6.287.769)	-
Total	**(6.287.769)**	-	**(6.287.769)**	-

Year beginning and year and reconciliations of financial assets and liabilities valued at 3rd level are below:

	Assets that their fair value differences recognized in income statement
	Shares
Opening Balance	-
Total gain/loss	
- Classified under other comprehensive income	73.719.235
Transfers to 3rd level because of amendment in scope of consolidation	182.187.671
Closing Balance	**255.906.906**

34. EVENTS AFTER THE BALANCE SHEET DATE

Expressing an affirmative opinion on cancellation of Type A and Type B preferred stocks' privilege rights in dividend distribution, retirement of dividend right certificates and amendments to be made on 7., 9., 12., and 34. provisions of the articles of incorporation to raise capital via a private placement offering thereby restricting preemptive rights of partners entirely and that on the application for registration of C Type shares with par value of TL 73.400.000 and with no preemptive rights as a result of the increase in the amount of issued capital, which was included in the upper limit of registered capital of TL 500.000.000, from TL 268.600.000 to TL 342.000.000 because of the transfer of dividend rights of 1.436 Type A shares for Type C shares with par value of TL 29.525.607, dividend rights of 731 Type B shares for Type C shares with par value of TL 14.524.373 and 22.171 dividend right certificates for Type C shares with par value of TL 29.350.020 to the Company was sanctioned by the Capital Markets Board. For the authorization of the decisions above mentioned, Extraordinary General Assembly was held on March 19, 2012, Monday, at the address of Davutpaşa Caddesi No:10 Topkapı, Zeytinburnu – İSTANBUL.

Ülker Çikolata Sanayi A.Ş. agreed, declared and undertook that it would not sell 115.170,80 shares, that it would have in Ülker Bisküvi Sanayi ve Ticaret A.Ş. via a private placement offering -based on the official letter from the Capital Markets Board titled "Private Placement Offering" no. B.02.6.SPK.0.13.00 - 105.01.01.01.123 dated January 24, 2012- thereby restricting Type A and Type B preferred stocks' privilege rights in dividend distribution and preemptive rights of existing partners' dividend right certificates, through the İstanbul Stock Exchange (ISE) within two years from the date of the placement hereby in order to avert the possible instant price fluctuations in the secondary markets.

Moreover, Yıldız Holding A.Ş. agreed, declared and undertook that it would not sell the shares, that it would have in Ülker Bisküvi Sanayi ve Ticaret A.Ş. via a private placement offering thereby restricting Type A and Type B preferred stocks' privilege rights in dividend distribution and preemptive rights of existing partners' dividend right certificates and that constitute over the 10% of the total equity, through the İstanbul Stock Exchange (ISE) within six months from the date of the placement hereby in order to avert the possible instant price fluctuations in the secondary markets.

Additionally, Yıldız Holding A.Ş. agreed, declared and undertook that it would not sell 215.779,40 C Type shares, that it would have in Ülker Bisküvi Sanayi ve Ticaret A.Ş. and allotted to the dividend right certificate owners via a private placement offering thereby restricting Type A and Type B preferred stocks' privilege rights in dividend distribution and preemptive rights of existing partners' dividend right certificates, through the İstanbul Stock Exchange (ISE) within two years from the date of the placement hereby in order to avert the possible instant price fluctuations in the secondary markets.