AG ANADOLU GRUBU HOLDİNG ANONİM ŞİRKETİ
(Formerly Yazıcılar Holding Anonim Şirketi)

CONVENIENCE TRANSLATION INTO ENGLISH OF
CONSOLIDATED FINANCIAL STATEMENTS
TOGETHER WITH INDEPENDENT AUDITOR'S REPORT
FOR THE PERIOD JANUARY 1 - DECEMBER 31, 2017

(ORIGINALLY ISSUED IN TURKISH)

Deloitte.

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**(CONVENIENCE TRANSLATION OF
INDEPENDENT AUDITOR'S REPORT ORIGINALLY ISSUED IN TURKISH)**

INDEPENDENT AUDITOR'S REPORT

To the General Assembly of AG Anadolu Grubu Holding A.Ş.

A) Report on the Audit of the Consolidated Financial Statements

1) Opinion

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

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

2) Basis for Opinion

We conducted our audit in accordance with the standards on auditing issued by Capital Markets Board and the standards on Independent Auditing ("SIA") which is a part of Turkish Auditing Standards published by the Public Oversight Accounting and Auditing Standards Authority ("POA"). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Company in accordance with the Code of Ethics for Independent Auditors ("Code of Ethics") published by the POA, together with the ethical requirements that are relevant to our audit of the consolidated financial statements, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the Code of Ethics. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

3) Key Audit Matter

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

Key Audit Matter	How This Matter Was Addressed In the Audit
Business Combination Migros Ticaret A.Ş. (Migros), a joint venture of the Group, took over the management of Kipa Ticaret A.Ş. ("Kipa") on March 1, 2017 as a result of the purchase agreement signed with Tesco Overseas Investments Limited (the "Seller") on June 10, 2016. Migros accounted for this transaction in accordance with TFRS 3 "Business Combinations" in its consolidated financial statements. Purchase price allocation study is performed by Migros management. Bargain purchase gain recognized as an output of this purchase transaction is material for the consolidated financial statements of Migros. Furthermore, purchase price allocation study which was performed by Migros management includes significant estimations and judgements. These are; royalty rate used in the calculation of brand value and favorable contracts, weighted average cost of capital ("WACC") rate and estimated cash-inflows of cash generating units. Considering the fact that purchase price allocation includes significant estimations and its significance, business combination is determined as a key audit matter since it is significant for the financial statements. Please refer to Note 2 and Note 3 to the consolidated financial statements for the relevant disclosures, including the accounting policy.	The audit procedures applied including but not limited to the following are: • Challenge how the evaluation of share purchase agreement and purchase price is performed by the component auditor, • Challenge how the reasonableness of key assumptions, such as WACC rate and royalty rate which are used in purchase price allocation study is assessed through involvement of the internal valuation specialists by the component auditor, • Challenge how the evaluation of reasonableness of estimated cash flows of the cash generating units which is used in brand value calculation by comparing to the past financial performance results of these cash generating units and the review of the brand value projections with actual results as of December 31, 2017 is performed by the component auditor.

3) Key Audit Matter (Cont'd)

Key Audit Matter	How This Matter Was Addressed In the Audit
Residual Value of Assets Used in Lease Operations The operations of Çelik Motor Ticaret A.Ş., a subsidiary of the Group, consist of operational rent a car business ("long term and short term"). Assets under these operations comprise of 6% in total assets. The residual value of an asset used in lease operations is the estimated sales amount less costs to sell due to disposal of the assets at the end of the leasing period. The residual value of these assets is calculated on the critical assumptions of the Çelik Motor management. These assumptions aim to estimate the residual value of the asset under lease operation at the end of the lease contract. The calculation of the residual value of assets used in lease operations is selected as a key audit matter as it includes estimates and judgment and the amount is material in terms of consolidated financial statements. Notes including the accounting policies for "Residual Value of Assets Used in Operational Lease" have been disclosed in Note 2 and Note 20.	The audit procedures applied including but not limited to the following are: • Evaluate design and implementation of key controls regarding the estimation of residual value by Çelik Motor management, • Evaluate whether the residual value of certain motor vehicle has been calculated by using the assumptions such as vehicle's model year, mileage and size class confirmed by the Çelik Motor management based on sampling method, • Confirm the compatibility of the assumptions used by the Çelik Motor management with market facts and historical data of Çelik Motor, • Test the accuracy of the residual value calculation with a sample by comparing data obtained from the residual value calculation to the sales in the current period, • Our evaluation of the adequacy of the explanations disclosed under Note 20 Other Assets and Liabilities in accordance with TAS.

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3) **Key Audit Matter (Cont'd)**

Key Audit Matter	How This Matter Was Addressed In the Audit
Impairment Testing of Goodwill and Intangible Assets with Indefinite Useful Lives Anadolu Efes Biracılık ve Malt Sanayii A.Ş. ("Anadolu Efes"), a subsidiary of the Group and its subsidiary Coca Cola İçecek A.Ş. ("Coca-Cola"), has expanded its operations in the previous years with business combinations. As a result of the business combinations, the share of goodwill and intangible assets with indefinite useful life in total assets has reached to 32% in the consolidated financial statements. Anadolu Efes management performs annual impairment testing of its cash generating units to which goodwill has been allocated and its intangible assets with indefinite useful lives in accordance with its accounting policies. The recoverable amount of cash generating units and intangible assets with indefinite useful lives is determined based on value in use. Recoverable amount is determined based on discounted projected cash flows by using key management estimates; such as, revenue increase, discount rate, long-term growth rate and inflation rate. Considering that impairment testing includes significant estimates and assumptions and the significance of these assets to the financial statements, the impairment testing of cash generating units and intangible assets with indefinite useful lives is determined as a key audit matter. The related disclosures including the accounting policies for impairment testing of goodwill and intangible assets with indefinite useful lives are disclosed in Note 2, Note 14 and Note 15.	The audit procedures applied including but not limited to the following are: • Review of Anadolu Efes and Coca-Cola's budget processes in detail (basis of estimations) and review of basis and arithmetical accuracy of models that are used for the discounted projected cash flows, • Verification of accuracy of calculations derived from each estimation models and review of changes in estimations of performance increase, discount rate and working capital, approved Board of Directors estimated models, external information, • Comparative analysis of actual results with the initial estimations to verify the accuracy of historical estimations, • Review whether the appropriateness of impairment disclosures and sensitivity analysis of impairment results to potential changes in key assumptions are included in disclosures related to the current valuation risks, • Review the appropriateness of related disclosures regarding to Intangible Assets With Indefinite Useful Lives and Goodwill in Note 14 and Note 15 in accordance with TAS.

3) **Key Audit Matter (Cont'd)**

Key Audit Matter	How This Matter Was Addressed In the Audit
Impairment Testing of Goodwill Recognised Related to the Acquisition of Joint Venture	
The Group acquired 50% shares of Migros Ticaret A.Ş. ("Migros") and accounted through equity method. The transfer of shares has been completed on July 15, 2015. As a result of this transaction, a fair value difference between the total purchase cost and purchased net assets amounting to TRL 2.854.926 thousand has been recognised under investments accounted through equity method as disclosed in Note 11. Share of this amount is 8% in total assets. Group management has to use significant assumptions when evaluating the impairment of goodwill. These assumptions include discounted cash flows of cash generating units. This model is significantly influenced by revenue increase, growth rate and weighted average cost of capital (discount rate). Considering the reasons stated above, the testing of impairment of goodwill recognised related to the acquisition of Migros shares is determined as a key audit matter in our audit.	The audit procedures applied including but not limited to the following are: • Analysis of budget processes of the Group (basis for the estimations), testing of the principles of discounted cash flows and the mathematical accuracy of the models, • Comparison of the growth rates and increases in revenue included in the discounted cash flows with the historical data, • Involvement of our specialists to test weighted average cost of capital and assessing the reasonableness of the model, • Comparison of borrowing rates, financing structure and the risk profile of Migros included in discounted cash flow models with market data, • Recalculation of the value in use of the cash generating unit by using discounted cash flow model, • Perform sensitivity analysis for growth rates and weighted average cost of capital, • Review the appropriateness of related disclosures regarding to Investments Accounted Through Equity Method in Note 11 in accordance with TAS.

4) Other Matter

Another independent audit firm has audited the Group's consolidated financial statements for the year ended 31 December 2016. The predecessor auditing firm expressed an unqualified opinion in the auditor's report dated 13 March 2017 on the consolidated financial statements as of 31 December 2016.

5) Responsibilities of Management and Those Charged with Governance for the Consolidated Financial Statements

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

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

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

6) Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

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

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

As part of an audit in accordance with the standards on auditing issued by Capital Markets Board and SIA, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. (The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.)

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

6) Auditor's Responsibilities for the Audit of the Consolidated Financial Statements (Cont'd)

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

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

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

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

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

B) Report on Other Legal and Regulatory Requirements

In accordance with paragraph four of the Article 398 of the Turkish Commercial Code No. 6102 ("TCC"), the auditor's report on the system and the committee of early detection of risk has been submitted to the Board of Directors of the Company on 12 March 2018.

In accordance with paragraph four of the Article 402 of TCC, nothing has come to our attention that may cause us to believe that the Group's set of accounts and financial statements prepared for the period 1 January-31 December 2017 does not comply with TCC and the provisions of the Company's articles of association in relation to financial reporting.

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B) Report on Other Legal and Regulatory Requirements (Cont'd)

In accordance with paragraph four of the Article 402 of TCC, the Board of Directors provided us all the required information and documentation with respect to our audit.

The engagement partner on the audit resulting in this independent auditor's report is Burç Seven.

DRT BAĞIMSIZ DENETİM VE SERBEST MUHASEBECİ MALİ MÜŞAVİRLİK A.Ş.
Member of **DELOITTE TOUCHE TOHMATSU LIMITED**

Burç Seven
Partner

İstanbul, 12 March 2018

AG ANADOLU GRUBU HOLDİNG ANONİM ŞİRKETİ
(Formerly Yazıcılar Holding Anonim Şirketi)

Consolidated Financial Statements as at December 31, 2017

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CONSOLIDATED STATEMENTS OF FINANCIAL POSITION AS AT DECEMBER 31, 2017, 2016 AND JANUARY 1, 2016
(Currency – Thousands of Turkish Lira (TRL) unless otherwise indicated.)

		Audited		
			Restated (Note 2)	
ASSETS	**Notes**	**December 31, 2017**	December 31, 2016	January 1, 2016
Cash and Cash Equivalents	5	**5.800.315**	3.291.294	2.358.707
Financial Investments	6	**107.946**	20.487	44.458
Trade Receivables		**2.309.203**	1.928.623	1.636.632
- Due from Related Parties	*32.1*	***259.589***	*145.223*	*117.737*
- Trade Receivables, Third Parties	*8.1*	***2.049.614***	*1.783.400*	*1.518.895*
Other Receivables		**107.954**	116.035	144.961
- Due from Related Parties	*32.1*	**-**	*1.040*	*1.026*
- Other Receivables, Third Parties	*9.1*	***107.954***	*114.995*	*143.935*
Derivative Financial Assets	34.2	**64.521**	42.219	16.112
Inventories	10	**2.122.397**	1.589.263	1.728.287
Prepaid Expenses	19.1	**561.248**	465.773	467.916
Current Income Tax Assets	30.1	**132.368**	138.085	123.687
Other Current Assets	20.1	**874.144**	799.052	667.662
TOTAL CURRENT ASSESTS		**12.080.096**	8.390.831	7.188.422
Financial Investments	6	**342**	26.577	37.595
Trade Receivables		**5.851**	11.235	4.253
- Trade Receivables, Third Parties	*8.1*	***5.851***	*11.235*	*4.253*
Other Receivables		**25.682**	17.442	24.462
- Other Receivables, Third Parties	*9.2*	***25.682***	*17.442*	*24.462*
Derivative Financial Assets	34.2	**30.572**	20.567	6.522
Investments Accounted Through Equity Method	11	**2.333.170**	2.197.926	2.753.174
Investment Property	12	**307.941**	322.494	306.216
Property, Plant and Equipment	13	**8.356.588**	8.154.927	7.176.528
Intangible Assets		**12.339.782**	11.711.363	10.235.844
- Goodwill	15	***1.834.897***	*1.669.307*	*1.328.827*
- Other Intangible Assets	14	***10.504.885***	*10.042.056*	*8.907.017*
Prepaid Expenses	19.2	**254.888**	195.668	209.184
Deferred Tax Assets	30.2	**551.155**	397.649	314.399
Other Non-Current Assets	20.2	**1.781.316**	1.540.281	1.084.540
TOTAL NON-CURRENT ASSETS		**25.987.287**	24.596.129	22.152.717
TOTAL ASSETS		**38.067.383**	32.986.960	29.341.139

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

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION AS AT DECEMBER 31, 2017, 2016 AND JANUARY 1, 2016

(Currency – Thousands of Turkish Lira (TRL) unless otherwise indicated.)

		Audited		
			Restated (Note 2)	
LIABILITIES	**Notes**	**December 31, 2017**	December 31, 2016	January 1, 2016
Short-Term Borrowings	7	**1.488.820**	878.182	1.159.479
Current Portion of Long-Term Borrowings	7	**4.189.616**	1.305.862	1.224.799
Trade Payables		**2.231.604**	1.788.907	1.448.359
- Due to Related Parties	*32.2*	***726***	*657*	*524*
- Trade Payables, Third Parties	*8.2*	***2.230.878***	*1.788.250*	*1.447.835*
Employee Benefit Obligations	17.1	**94.506**	75.134	59.433
Other Payables		**882.812**	685.952	675.100
- Other Payables, Third Parties	*9.3*	***882.812***	*685.952*	*675.100*
Derivative Financial Liabilities	34.2	-	65	*11.279*
Deferred Income	21.1	**481.042**	289.130	62.824
Income Tax Payable	30.1	**7.826**	4.480	8.618
Short-Term Provisions		**151.619**	170.653	122.160
- Short-Term Provisions for the Employee Benefits	*17.2*	***127.731***	*141.091*	*103.534*
- Other Short-Term Provisions	*17.3*	***23.888***	*29.562*	*18.626*
Other Current Liabilities	20.3	**24.217**	533.300	20.567
TOTAL CURRENT LIABILITIES		**9.552.062**	5.731.665	4.792.618
Long-Term Borrowings	7	**8.434.084**	8.050.150	6.976.476
Trade Payables		**35.180**	26.425	21.305
- Trade Payables, Third Parties	*8.2*	***35.180***	*26.425*	*21.305*
Other Payables		**349.032**	303.012	265.000
- Other Payables, Third Parties	*9.3*	***349.032***	*303.012*	*265.000*
Derivative Financial Liabilities	34.2	-	-	*98*
Deferred Income	21.2	**21.508**	5.663	6.525
Long-Term Provisions		**167.865**	155.397	135.441
- Long-Term Provisions for the Employee Benefits	*17.2*	***167.865***	*155.397*	*135.441*
Deferred Tax Liability	30.2	**1.915.078**	1.854.508	1.725.417
Other Non-Current Liabilities	20.4	**165.512**	166.420	615.667
TOTAL NON-CURRENT LIABILITIES		**11.088.259**	10.561.575	9.745.929
TOTAL LIABILITIES		**20.640.321**	16.293.240	14.538.547
EQUITY				
Equity Attributable to Equity Holders of the Parent		**5.751.148**	5.709.677	5.349.329
Paid-in Share Capital	22	**243.535**	182.000	182.000
Inflation Adjustments on Capital		**65.771**	65.771	65.771
Share Premium (Discounts)		**1.319.349**	1.360.483	1.360.483
Effects of Business Combinations Under Common Control		**(7.145)**	-	-
Put Option Revaluation Fund Related With Non-Controlling Interests		**8.728**	8.577	2.495
Other Comprehensive Income (Loss) Not To Be Reclassified to Profit or Loss		**(16.875)**	(12.766)	(9.035)
- Revaluation and Remeasurement Gain (Loss)		***(16.875)***	*(12.766)*	*(9.035)*
- Income (Loss) on Remeasurements of Defined Benefit Plans		***(16.875)***	*(12.766)*	*(9.035)*
Other Comprehensive Income (Loss) To Be Reclassified to Profit or Loss		**1.113.973**	792.667	25.421
- Currency Translation Differences		***1.101.588***	*767.558*	*14.327*
- Gains (Losses) on Hedge		***12.385***	*25.109*	*13.943*
- Gains (Losses) on Revaluation and Reclassification		-	-	*(2.849)*
Restricted Reserves Allocated From Net Profit	*22*	**909.511**	434.424	414.167
Other Reserves		**(101.487)**	(101.487)	(101.487)
Retained Earnings	22	**2.345.838**	3.356.054	3.721.784
Net Profit or Loss		**(130.050)**	(376.046)	(312.270)
Non-Controlling Interests		**11.675.914**	10.984.043	9.453.263
TOTAL EQUITY		**17.427.062**	16.693.720	14.802.592
TOTAL LIABILITIES AND EQUITY		**38.067.383**	32.986.960	29.341.139

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

CONSOLIDATED STATEMENTS OF PROFIT OR LOSS FOR THE YEAR ENDED DECEMBER 31, 2017 AND 2016

(Currency – Thousands of Turkish Lira (TRL) unless otherwise indicated)

		Audited	
			Restated (Note 2)
	Notes	**January 1 - December 31, 2017**	January 1 - December 31, 2016
Revenue	23	**17.378.246**	14.149.931
Cost of Sales	23	**(11.577.288)**	(9.487.165)
GROSS PROFIT (LOSS)		**5.800.958**	4.662.766
General Administrative Expenses	24	**(1.176.133)**	(1.008.086)
Marketing Expenses	24	**(3.155.591)**	(2.619.081)
Research and Development Expenses		**(4.726)**	(5.025)
Other Operating Income	26.1	**376.954**	321.752
Other Operating Expenses	26.2	**(297.909)**	(273.066)
Gain (Loss) from Investments Accounted Through Equity Method	11	**135.907**	(180.691)
OPERATING PROFIT (LOSS)		**1.679.460**	898.569
Income from Investing Activities	27.1	**79.752**	416.825
Expenses from Investing Activities	27.2	**(115.515)**	(97.962)
OPERATING PROFIT (LOSS) BEFORE FINANCIAL INCOME (EXPENSE)		**1.643.697**	1.217.432
Financial Income	28	**1.331.799**	1.000.503
Financial Expenses	29	**(2.818.643)**	(2.576.081)
PROFIT (LOSS) BEFORE TAX FROM CONTINUING OPERATIONS		**156.853**	(358.146)
Tax (Expense) Income from Continuing Operations		**(51.216)**	(52.858)
- Current Period Tax (Expense) Income	30.3	**(166.657)**	(105.119)
- Deferred Tax (Expense) Income	30.3	**115.441**	52.261
NET PROFIT (LOSS) FOR THE PERIOD FROM CONTINUING OPERATIONS		**105.637**	(411.004)
Attributable to:			
- Non-controlling Interests		**235.687**	(34.958)
- Equity Holders of the Parent		**(130.050)**	(376.046)
Earnings (Loss) per share (full TRL)	31	**(0,53)**	(2,07)
- Earnings (Loss) per share from continuing operations (full TRL)		**(0,53)**	(2,07)

CONSOLIDATED STATEMENTS OF OTHER COMPREHENSIVE INCOME FOR THE YEAR ENDED DECEMBER 31, 2017 AND 2016

(Currency – Thousands of Turkish Lira (TRL) unless otherwise indicated)

	Audited	
		Restated (Note 2)
	January 1- December 31, 2017	January 1- December 31, 2016
NET PROFIT (LOSS)	**105.637**	(411.004)
OTHER COMPREHENSIVE INCOME		
Items Not To Be Reclassified To Profit or Loss	**(7.178)**	(11.380)
- Remeasurement Gain (Loss) from Defined Benefit Plans	**(9.282)**	(13.063)
- Shares of Other Comprehensive Income of Investments Accounted Through Equity Method Not To Be Classified To Profit or Loss	**248**	(930)
- Tax Effect of Other Comprehensive Income Not To Be Classified To Profit or Loss	**1.856**	2.613
- Deferred Tax (Expense) Income	**1.856**	2.613
Items To Be Reclassified To Profit or Loss	**915.036**	2.394.838
- Currency Translation Differences	**951.249**	2.351.089
- Other Comprehensive Income (Loss) on Cash Flow Hedge	**(61.578)**	83.344
- Share Of Other Comprehensive Income of Investments Accounted Through Equity Method To Be Classified to Profit or Loss	**12.793**	(22.926)
- Tax Effect of Other Comprehensive Income To Be Classified To Profit or Loss	**12.572**	(16.669)
- Deferred Tax (Expense)/ Income	**12.572**	(16.669)
OTHER COMPREHENSIVE INCOME (LOSS)	**907.858**	2.383.458
TOTAL COMPREHENSIVE INCOME (LOSS)	**1.013.495**	1.972.454
Attributable to:		
- Non-controlling Interest	**826.348**	1.623.195
- Equity Holders of the Parent	**187.147**	349.259

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY FOR THE YEARS ENDED DECEMBER 31, 2017 AND 2016

(Currency – Thousands of Turkish Lira (TRL) unless otherwise indicated)

						Other Comprehensive Income or Expense Not To Be Reclassified To Profit or Loss	Other Comprehensive Income or Expense To Be Reclassified To Profit or Loss					Retained Earnings				
	Paid-in Capital	**Inflation Adjustments on Capital**	**Share Premium/ Discount**	**Effects of Business Combinations Under Common Control**	**Put Option Revaluation Fund Related With Non-Controlling Interests**	**Profit / Loss on Remeasurements of Defined Benefit Plans**	**Currency Translation Differences**	**Gain / Loss on Hedge**	**Revaluation and Remeasurement Gain / Loss**	**Restricted Reserves Allocated from Net Profit**	**Other Reserves**	**Retained Earnings**	**Net Profit/ Loss**	**Attributable to Equity Holders of the Parent**	**Non-Controlling Interests**	**Equity**
Balances as of January 1, 2016 (Restated (Note 2))	182.000	65.771	1.360.483	-	2.495	(9.035)	14.327	13.943	(2.849)	414.167	(101.487)	3.721.784	(312.270)	5.349.329	9.453.263	14.802.592
Transfers	-	-	-	-	-	-	-	-	-	20.257	-	(332.527)	312.270	-	-	-
Total Comprehensive Income (Expense)	-	-	-	-	-	(4.665)	753.231	11.166	(34.427)	-	-	-	(376.046)	349.259	1.623.195	1.972.454
Net Profit (Loss)	-	-	-	-	-	-	-	-	-	-	-	-	(376.046)	(376.046)	(34.958)	(411.004)
Other Comprehensive Income (Expense)	-	-	-	-	-	(4.665)	753.231	11.166	(34.427)	-	-	-	-	725.305	1.658.153	2.383.458
Capital Increase	-	-	-	-	-	-	-	-	-	-	-	-	-	-	2.065	2.065
Dividends	-	-	-	-	-	-	-	-	-	-	-	(33.531)	-	(33.531)	(116.848)	(150.379)
Increase (Decrease) Due To Other Changes (*)	-	-	-	-	6.082	934	-	-	37.276	-	-	328	-	44.620	22.368	66.988
Balances as of December 31, 2016 (Restated (Note 2))	182.000	65.771	1.360.483	-	8.577	(12.766)	767.558	25.109	-	434.424	(101.487)	3.356.054	(376.046)	5.709.677	10.984.043	16.693.720
Balances as of January 1, 2017	**182.000**	**65.771**	**1.360.483**	**-**	**8.577**	**(12.766)**	**767.558**	**25.109**	**-**	**434.424**	**(101.487)**	**3.356.054**	**(376.046)**	**5.709.677**	**10.984.043**	**16.693.720**
Transfers	-	-	(3.739)	-	-	-	-	-	-	475.087	-	(847.394)	376.046	-	-	-
Total Comprehensive Income (Expense)	-	-	-	-	-	(4.109)	334.030	(12.724)	-	-	-	-	(130.050)	187.147	826.348	1.013.495
Net Profit (Loss)	-	-	-	-	-	-	-	-	-	-	-	-	(130.050)	(130.050)	235.687	105.637
Other Comprehensive Income (Expense)	-	-	-	-	-	(4.109)	334.030	(12.724)	-	-	-	-	-	317.197	590.661	907.858
Capital Increase	4.000	-	-	-	-	-	-	-	-	-	-	(4.000)	-	-	1.179	1.179
Effects of Business Combinations Under Common Control (Note 2)	57.535	-	-	(7.145)	-	-	-	-	-	-	-	(78.704)	-	(28.314)	-	(28.314)
Dividends	-	-	(37.395)	-	-	-	-	-	-	-	-	(79.605)	-	(117.000)	(138.670)	(255.670)
Transactions With Non-Controlling Interests	-	-	-	-	-	-	-	-	-	-	-	(513)	-	(513)	1.604	1.091
Increase (Decrease) Due To Other Changes (*)	-	-	-	-	151	-	-	-	-	-	-	-	-	151	1.410	1.561
Balances as of December 31, 2017	**243.535**	**65.771**	**1.319.349**	**(7.145)**	**8.728**	**(16.875)**	**1.101.588**	**12.385**	**-**	**909.511**	**(101.487)**	**2.345.838**	**(130.050)**	**5.751.148**	**11.675.914**	**17.427.062**

(*) Balances in the increase (decrease) due to other changes line consists of the share of put option revaluation fund related with non-controlling interests of Anadolu Efes, a subsidiary of the Group and the outflows of comprehensive income items due to sale of shares of Ana Gıda which used to be a joint venture of the Group.

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

CONSOLIDATED STATEMENT OF CASH FLOW FOR THE YEARS ENDED DECEMBER 31, 2017 AND 2016

(Currency – Thousands of Turkish Lira (TRL) unless otherwise indicated)

	Notes	Audited January 1- December 31, 2017	Restated (Note 2) January 1- December 31, 2016
CASH FLOWS FROM OPERATING ACTIVITIES		**2.038.926**	1.920.481
Profit / (Loss)		**105.637**	(411.004)
Adjustments to Reconcile Profit (Loss)		**2.624.663**	2.535.124
Adjustments for Depreciation and Amortisation Expense	12,13,14,20,25	**1.087.837**	935.588
Adjustments for Impairment Loss (Reversal of Impairment Loss)		**129.723**	86.551
- Adjustments for Impairment Loss (Reversal) of Receivables	*8.1*	***20.981***	*3.134*
- Adjustments for Impairment Loss (Reversal) of Inventories	*10*	***13.581***	*794*
- Adjustments for Impairment Loss (Reversal of Impairment Loss) of Property, Plant and Equipment	*13,27.1,27.2*	***75.547***	*28.308*
-Adjustments for Impairment Loss (Reversal of Impairment Loss) of Goodwill	*15*	**-**	*54.051*
-Adjustments for Impairment Loss (Reversal of Impairment Loss) of Other Intangible Assets	*14,27.2*	***19.614***	*264*
Adjustments for Provisions		**60.649**	77.294
- Adjustments for (Reversal of) Provisions Related with Employee Benefits		***52.370***	*56.160*
- Adjustments for (Reversal of) Lawsuit and/or Penalty Provisions	*17.3*	***(5.955)***	*10.399*
- Adjustments for (Reversal of) Warranty Provisions	*17.3*	***13.787***	*10.383*
-Adjustments for (Reversal of) Other Provisions	*17.3*	***447***	*352*
Adjustments for Interest (Income) and Expenses		**448.723**	398.202
Adjustments for Unrealised Foreign Exchange Differences		**1.140.770**	1.229.085
Adjustments for Undistributed Profits of Investments Accounted for Using Equity Method	11	**(135.907)**	180.691
Adjustments for Tax (Income) Expense	30.3	**51.216**	52.858
Adjustments for Losses (Gains) Arised From Disposal of Non-Current Assets		**(21.302)**	(17.630)
- Adjustments for Losses (Gains) on Disposal of Tangible Assets	27.1,27.2	***(21.302)***	*(17.630)*
Adjustments for (Income) Expense Caused by Sale or Changes in Share of Associates, Joint Ventures and Financial Investments	27.1,27.2	**(21.239)**	(379.186)
Adjustments for Losses (Gains) on Disposal of Subsidiaries or Joint Operations	27.1	**(19.145)**	-
Other Adjustments to Reconcile Profit (Loss)		**(96.662)**	(28.329)
Adjustments for Working Capital		**(496.898)**	(62.212)
Decrease (Increase) in Financial Investments		**(6.180)**	(3.690)
Adjustments for Decrease (Increase) in Trade Accounts Receivables		**(396.177)**	(306.676)
Adjustments for Decrease (Increase) in Other Operating Receivables		**(159)**	35.946
Adjustments for Decrease (Increase) in Inventories		**(533.937)**	143.762
Adjustments for Increase (Decrease) in Trade Accounts Payables		**448.260**	349.179
Adjustments for Increase (Decrease) in Other Operating Payables		**253.091**	97.634
Increase (Decrease) in Deferred Income		**207.757**	230.013
Other Adjustments for Increase (Decrease) in Working Capital		**(469.553)**	(608.380)
- Decrease (Increase) in Other Assets Related with Operations		***(453.738)***	*(638.867)*
- Increase (Decrease) in Other Liabilities Related with Operations		***(15.815)***	*30.487*
Cash Flows from Operations		**2.233.402**	2.061.908
Payments Related with Provisions for Employee Benefits		**(53.480)**	(43.442)
Payments Related with Other Provisions		**(13.953)**	(10.198)
Income Taxes Refund (Paid)		**(127.043)**	(87.787)
CASH FLOWS FROM INVESTING ACTIVITIES		**(1.418.212)**	37.091
Cash Inflows Caused by Share Sales or Capital Decrease of Associate and/or Joint Ventures		**55.622**	785.847
Cash Outflows Arising From Purchase of Shares or Capital Increase of Associates and/or Joint Ventures		**(528.624)**	(51.575)
Proceeds from Sale of Share or Debt Instruments of Other Business Organizations or Funds		**-**	53.989
Cash Payments to Acquire Equity or Debt Instruments of Other Entities		**-**	(95)
Proceeds from Sales of Property, Plant, Equipment and Intangible Assets		**89.125**	60.480
Purchase of Property, Plant, Equipment and Intangible Assets		**(952.573)**	(831.367)
Other Cash Inflows (Outflows)		**(81.762)**	19.812
CASH FLOWS FROM FINANCING ACTIVITIES		**1.725.109**	(1.243.724)
Proceeds from Issuing Shares or Other Equity Instruments		**1.179**	2.065
Proceeds from Borrowings		**9.413.633**	7.247.956
Repayments of Borrowings		**(6.979.856)**	(8.030.239)
Proceeds (Repayments) from Future Contracts, Forward Contracts, Option Contracts and Swap Contracts		**(60.249)**	71.241
Dividends Paid		**(255.670)**	(150.379)
Interest Paid		**(562.768)**	(491.873)
Interest Received		**168.840**	107.505
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS BEFORE EFFECT OF EXCHANGE RATE CHANGES		**2.345.823**	713.848
Effect of Exchange Rate Changes on Cash and Cash Equivalents		**158.627**	217.054
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS		**2.504.450**	930.902
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR	5	**3.285.070**	2.354.168
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR		**5.789.520**	3.285.070

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

NOTE 1 - ORGANIZATION AND NATURE OF ACTIVITIES OF THE GROUP

AG Anadolu Grubu Holding A.Ş. is a holding company, which is managed by the Özilhan Family and Süleyman Kamil Yazıcı Family in accordance with equal representation and equal management principle and manages its subsidiaries. All of the assets and liabilities of Anadolu Endüstri Holding A.Ş. (AEH) and Özilhan Sınai Yatırım A.Ş. have been taken over by Yazıcılar Holding A.Ş. and Anadolu Endüstri Holding A.Ş. and Özilhan Sınai Yatırım A.Ş. have merged under Yazıcılar Holding A.Ş. on December 27, 2017 and the corporate name of Yazıcılar Holding A.Ş. has been changed as AG Anadolu Grubu Holding A.Ş..

Yazıcılar Holding A.Ş. ("Yazıcılar") is a holding company whose majority shares are owned by three Yazıcı Families and was incorporated in İstanbul in 1976. Three Yazıcı families consist of Süleyman Kamil Yazıcı and his family, Mustafa Naci Yazıcı Family and Osman Nuri Yazıcı Family.

Özilhan Sınai Yatırım A.Ş. ("Özilhan") is a holding company established by members of Özilhan Family to manage its associates and was established in İstanbul in 1976.

14,10% of shares of AG Anadolu Grubu Holding A.Ş. ("Company" or "AGHOL") are traded in Borsa İstanbul A.Ş. ("BİST").

The registered office address of the Company is Fatih Sultan Mehmet Mahallesi Balkan Caddesi No:58, Buyaka E Blok Ümraniye, İstanbul, Turkey.

The consolidated financial statements as of December 31, 2017 are authorized for issue by the Board of Directors on March 12, 2018 and are approved by the Finance President Can Çaka and the Finance Coordinator Volkan Harmandar on behalf of Board of Directors. General Assembly has the right to change the financial statements after the consolidated financial statements are issued.

Activities of the Group

The Company and its subsidiaries will be referred as the "Group" for the purpose of the consolidated financial statements.

The Group is organized and primarily managed in four principal segments: Beverage (beer and soft drinks), automotive (including passenger vehicles, commercial vehicles, generator, spare and component parts, motor vehicle renting), retailing (stationery, chain restaurant management and tourism), and other (production and sale of electricity, information technology, trade and real estate).

The average number of personnel of the Group for the year ended at December 31, 2017 is 21.811 (December 31, 2016: 23.145).

(Currency – Thousands of Turkish Lira (TRL) unless otherwise indicated)

NOTE 1 - ORGANIZATION AND NATURE OF ACTIVITIES OF THE GROUP (cont'd)

List of Shareholders

As of December 31, 2017 the composition of shareholders and their respective percentage of shareholding rates can be summarized as follows:

	December 31, 2017	
	Paid Capital	**(%)**
AG Sınai Yatırım ve Yönetim A.Ş. (*)	**59.237**	**24,32**
AEP Anadolu Etap Penkon Pazarlama Ltd Şti. (*)	**59.237**	**24,32**
Other Yazıcı Family Members (*)	**47.443**	**19,48**
Özilhan Family (*)	**24.293**	**9,98**
Süleyman Kamil Yazıcı and his Family (*) (***)	**18.988**	**7,80**
Publicly traded (**)	**34.332**	**14,10**
Other	**5**	**0,00**
Paid-in share capital - historical	**243.535**	**100,00**
Inflation adjustment on capital	**65.771**	
Total share capital	**309.306**	

(*) As of December 31, 2017, 14,32% of AG Sınai Yatırım ve Yönetim A.Ş. shares amounting TRL 34.883 and 14,32% of Anadolu Etap Penkon Pazarlama Ltd. Şti. shares amounting TRL 34.883, all of the shares of Other Yazıcı Family Members, Özilhan Family, Süleyman Kamil Yazıcı and his Family and other are publicly issued but not traded on the stock exchange.
(**) The shares only consist of the shares traded on the stock exchange which do not belong to family members.
(***) TRL 218 of TRL 18.988 belongs to Anadolu Ecopack Üretim ve Pazarlama A.Ş.. Anadolu Ecopack Üretim ve Pazarlama A.Ş.'s 26,85% shares belong to Kamil Yazıcı Yönetim ve Danışma A.Ş. and 73,15% shares belong to Yazıcı Family Members.

As of December 31, 2016 the composition of shareholders and their respective percentage of shareholding rates of Yazıcılar Holding A.Ş. and Özilhan Sınai Yatırım A.Ş. can be summarized as follows:

	December 31, 2016	
Yazıcılar Holding A.Ş.	Paid-in Share Capital	(%)
Yazıcı Families (*)	66.188	41,37
Kamil Yazıcı Yönetim and Danışma A.Ş.	59.237	37,02
Anadolu Ecopack Üretim and Pazarlama A.Ş. (**)	218	0,14
Publicly traded	34.357	21,47
Paid-in share capital - historical	160.000	100,00

	December 31, 2016	
Özilhan Sınai Yatırım A.Ş.	Paid-in Share Capital	(%)
Tülay Aksoy	11.000	50,00
Tuncay Özilhan	10.813	49,15
Emine Özilhan	187	0,85
Paid-in share capital - historical	22.000	100,00
Inflation adjustment on capital	65.771	
Total share capital	87.771	

(*) As of December 31, 2016, 3,61% of Yazıcı Families shares amounting TRL 5.767 and 3,17% of Kamil Yazıcı Yönetim ve Danışma A.Ş. shares amounting TRL 5.073 are traded on the stock exchange.
(**) 217.990 shares that belong to Yazıcı Family have been purchased by Anadolu Ecopack Üretim ve Pazarlama A.Ş. on March 16, 2016. 26,85% shares of Anadolu Ecopack Üretim ve Pazarlama A.Ş. belong to Kamil Yazıcı Yönetim ve Danışma A.Ş. and 73,15% shares belong to Yazıcı Family.

As of December 31, 2016, historical cost of capital of AEH, which is subject to the merger is TRL 332.200 and its inflation adjustment on capital is TRL 285.467. As of December 31, 2016, Yazıcılar and Özilhan have 68% and 32% shares in AEH, respectively.

(Currency – Thousands of Turkish Lira (TRL) unless otherwise indicated)

NOTE 1 - ORGANIZATION AND NATURE OF ACTIVITIES OF THE GROUP (cont'd)

List of Subsidiaries

	Place of Incorporation	Principal activities	Segment	Effective shareholding and voting rights (%) December 31, 2017	December 31, 2016
Anadolu Isuzu Otomotiv San. ve Tic. A.Ş. (Anadolu Isuzu) (1)	Turkey	Production and sales of Isuzu branded commercial vehicles	Automotive	**55,40**	55,40
Anadolu Efes Biracılık ve Malt San. A.Ş. (Anadolu Efes) (1) (2)	Turkey	Production, bottling, distribution and sales of beer, carbonated and non-carbonated beverages	Beverage	**43,05**	43,05
Çelik Motor Ticaret A.Ş. (Çelik Motor)	Turkey	Import, distribution and marketing of Kia motor vehicles and motor vehicle renting	Automotive	**100,00**	100,00
Anadolu Motor Üretim ve Pazarlama A.Ş. (Anadolu Motor)	Turkey	Production of industrial engines, sale of tractors	Automotive	**100,00**	100,00
Anadolu Otomotiv Dış Ticaret ve Sanayi A.Ş.	Turkey	Inactive	Automotive	**100,00**	100,00
Anadolu Elektronik Aletler Pazarlama ve Ticaret A.Ş. (Anadolu Elektronik)	Turkey	Inactive	Automotive	**51,00**	51,00
Adel Kalemcilik Ticaret ve Sanayi A.Ş. (Adel) (1)	Turkey	Production of writing instruments under Adel, Johann Faber and Faber Castell brand names	Retailing	**56,89**	56,89
Ülkü Kırtasiye Ticaret ve Sanayi A.Ş. (Ülkü)	Turkey	Distribution of the products of Adel and other imported stationery products	Retailing	**73,17**	73,17
Efestur Turizm İşletmeleri A.Ş. (Efestur)	Turkey	Arrangement of travelling and organization facilities	Retailing	**100,00**	100,00
Anadolu Bilişim Hizmetleri A.Ş. (ABH) (3)	Turkey	IT, internet and e-commerce services	Other	**99,38**	98,65
Oyex Handels GmbH (Oyex)	Germany	Trading of various materials used in the Group	Other	**100,00**	100,00
Oyex Handels GmbH (formerly Anadolu Endüstri Holding Handels GmbH) (Oyex) (4)	Germany	Providing necessary market research of products abroad	Other	**-**	100,00
Anadolu Restoran İşletmeleri Limited Şirketi (McDonald's)	Turkey	Restaurant chain management	Retailing	**100,00**	100,00
Hamburger Restoran İşletmeleri A.Ş. (Hamburger)	Turkey	Restaurant chain management	Retailing	**100,00**	100,00
Artı Anadolu Danışmanlık A.Ş. (Artı Anadolu)	Turkey	Inactive	Other	**100,00**	100,00
Anadolu Taşıt Ticaret A.Ş. (Anadolu Taşıt) (5)	Turkey	Industrial and commercial operations	Other	**-**	100,00
Anadolu Araçlar Ticaret A.Ş. (Anadolu Araçlar)	Turkey	Import, distribution and marketing of motor vehicles	Automotive	**100,00**	100,00
Anadolu Termik Santralleri Elektrik Üretim A.Ş. (Anadolu Termik)	Turkey	Production of electricity (Investment in progress)	Other	**100,00**	100,00
AES Elektrik Enerjisi Toptan Satış A.Ş. (AES Elektrik)	Turkey	Whole sale and retail sale of electricity and/or its capacity	Other	**100,00**	100,00
AEH Sigorta Acenteliği A.Ş. (AEH Sigorta)	Turkey	Insurance agency	Other	**100,00**	100,00
Anadolu Kafkasya Enerji Yatırımları A.Ş. (Anadolu Kafkasya)	Turkey	Production and transmission of electricity, and establishment and operation of distribution facilities	Other	**89,19**	89,19
Georgia Urban Enerji Ltd. (GUE)	Georgia	Production and sale of electricity	Other	**80,27**	80,27
AND Anadolu Gayrimenkul Yatırımları A.Ş. (AND Anadolu Gayrimenkul)	Turkey	Purchase, sale, rental and management of real estate	Other	**100,00**	100,00
AND Ankara Gayrimenkul Yatırımları A.Ş. (AND Ankara Gayrimenkul)	Turkey	Purchase, sale and rental of real estate	Other	**100,00**	100,00
AND Kartal Gayrimenkul Yatırımları A.Ş. (AND Kartal Gayrimenkul)	Turkey	Purchase, sale and rental of real estate	Other	**100,00**	100,00
Keyif Yiyecek Eğlence Hizmetleri A.Ş. (6)	Turkey	Inactive	Other	**-**	100,00
Kheledula Enerji Ltd. (Kheledula) (5)	Georgia	Production and sale of electricity (Investment in progress)	Other	**89,19**	100,00
MH Perakendecilik ve Ticaret A.Ş. (MH Perakendecilik) (7)	Turkey	Retailing	Other	**100,00**	100,00

The subsidiaries included in consolidation and their shareholding percentages at December 31, 2017 and 2016 are as follows:

(1) Shares of Anadolu Isuzu, Anadolu Efes and Adel are quoted in BİST.
(2) The Company has control over Anadolu Efes although the Company holds less than 50 percent of its shares. In concluding to have control over Anadolu Efes, the Company management considers the number of Board members representing AGHOL in the Board of Directors of Anadolu Efes, the Company's participation in policy-making processes, including participation in decisions about dividends or other distributions, the transactions between AGHOL and Anadolu Efes. The managerial personnel of AGHOL provide internal audit services and high level finance, tax, legal and human resources support to Anadolu Efes.
(3) The capital of ABH has been increased on March 15, 2017 and only AEH, which is subject to the merger, participated in the capital increase, as a result, the Company's shareholding rate in ABH has increased to 99,38% from 98,65%.
(4) Oyex Handels GmbH was merged with Anadolu Endüstri Holding Handels GmbH on July 25, 2017 and the legal entity of Oyex Handels GmbH has ended. On July 25, 2017 Anadolu Endüstri Holding Handels GmbH was renamed as Oyex Handels GmbH.
(5) On February 28, 2017, AEH, which is subject to the merger, sold 1.513.400 shares of Anadolu Taşıt, representing 10,81% of Anadolu Taşıt's capital to Paravani Energy B.V.. As a result, the Company's shareholding rate in Kheledula has decreased to 89,19% from 100,00%. Merger of Anadolu Taşıt with Anadolu Kafkasya has been registered on May 11, 2017.
(6) The merger of of Keyif Yiyecek Eğlence Hizmetleri A.Ş. with AEH, which is subject of the merger, was registered on May 29, 2017.
(7) The share transfer transactions regarding the use of the right to purchase/sell option of AEH, which is subject to merger, for 19,5% shares in MH Perakendecilik were completed as of May 17, 2017. As a result of the transaction, the direct share of AEH which is subject to merger in MH Perakendecilik has increased to 100%. The final rate of AGHOL in MH Perakendecilik remained unchanged since put option liability of AEH, which is subject to merger, was recognized prior to this date.

(Currency – Thousands of Turkish Lira (TRL) unless otherwise indicated)

NOTE 1 - ORGANIZATION AND NATURE OF ACTIVITIES OF THE GROUP (cont'd)

List of Subsidiaries (cont'd)

	Place of Incorporation	Principal activities	Segment	Effective shareholding and voting rights (%) December 31, 2017	December 31, 2016
Ant Sınai ve Tic. Ürünleri Paz. A.Ş. (11)	Turkey	Purchase and sale of spare parts	Automotive	**55,40**	55,40
Efes Breweries International N.V. (EBI) (12)	The Netherlands	Holding company that facilitates Anadolu Efes' foreign investments in breweries	Beverage-Beer	**43,05**	43,05
JSC Moscow-Efes Brewery (Efes Moscow) (12)	Russia	Production and marketing beer	Beverage-Beer	**43,05**	43,05
LLC Vostok Solod (12)	Russia	Production of malt	Beverage-Beer	**43,05**	43,05
JSC FE Efes Kazakhstan Brewery (Efes Kazakhstan) (12)	Kazakhstan	Production and marketing beer	Beverage-Beer	**43,05**	43,05
International Beers Trading LLP (IBT) (12)	Kazakhstan	Marketing of beer	Beverage-Beer	**43,05**	43,05
Efes Vitanta Moldova Brewery S.A. (Efes Moldova) (12)	Moldova	Production of beer and low alcoholic drinks	Beverage-Beer	**41,69**	41,69
Euro-Asien Brauerein Holding GmbH (Euro-Asien) (12)	Germany	Investment company of EBI	Beverage-Beer	**43,05**	43,05
JSC Lomisi (Efes Georgia) (12)	Georgia	Production and marketing and of beer and carbonated soft drinks	Beverage-Beer	**43,05**	43,05
PJSC Efes Ukraine (Efes Ukraine) (12)	Ukraine	Production and marketing of beer	Beverage-Beer	**43,02**	43,02
Efes Trade BY FLLC (Efes Belarus) (12)	Belarus	Market development	Beverage-Beer	**43,05**	43,05
LLC Efes Solod (12)	Russia	Production of malt	Beverage-Beer	**43,05**	43,05
Efes Holland Technical Management Consultancy B.V. (EHTMC) (12)	The Netherlands	Leasing of intellectual property and similar products	Beverage-Beer	**43,05**	43,05
LLC Efes Ukraine (12)	Ukraine	Selling and distribution of beer	Beverage-Beer	**43,05**	43,05
AB InBev Efes B.V. (10) (12)	The Netherlands	Facilitating foreign investments in breweries	Beverage-Beer	**43,05**	-
Efes Pazarlama ve Dağıtım Ticaret A.Ş. (Ef-Pa) (12)	Turkey	Marketing and distribution company of Anadolu Efes	Beverage-Beer	**43,05**	43,05
Cypex Co. Ltd. (Cypex) (12)	Northern Cyprus	Marketing and distribution of beer	Beverage-Beer	**43,05**	43,05
Anadolu Efes Technical and Management Consultancy N.V. (AETMC) (9) (12)	The Netherlands Antilles	Providing technical assistance	Beverage-Beer	**-**	43,05
Efes Deutschland GmbH (Efes Germany) (12)	Germany	Marketing and distribution of beer	Beverage-Beer	**43,05**	43,05
Coca-Cola İçecek A.Ş. (CCİ) (8) (12)	Turkey	Production of Coca-Cola products	Beverage-Soft Drink	**21,64**	21,64
Coca-Cola Satış ve Dağıtım A.Ş. (CCSD) (12)	Turkey	Distribution and selling of Coca-Cola, Doğadan and Mahmudiye products	Beverage-Soft Drink	**21,63**	21,63
Mahmudiye Kaynak Suyu Ltd. Şti. (Mahmudiye) (12)	Turkey	Filling and selling of natural spring water	Beverage-Soft Drink	**21,64**	21,64
J.V. Coca-Cola Almaty Bottlers LLP (Almaty CC) (12)	Kazakhstan	Production, distribution and selling of and distribution of Coca Cola products	Beverage-Soft Drink	**21,64**	21,64
Tonus Turkish-Kazakh Joint Venture LLP (Tonus) (12)	Kazakhstan	Investment company of CCİ	Beverage-Soft Drink	**21,64**	21,64
Azerbaijan Coca-Cola Bottlers LLC (Azerbaijan CC) (12)	Azerbaijan	Production, distribution and selling of Coca Cola products	Beverage-Soft Drink	**21,61**	21,61
Coca-Cola Bishkek Bottlers CJSC (Bishkek CC) (12)	Kyrgyzstan	Production, distribution and selling of Coca Cola products	Beverage-Soft Drink	**21,64**	21,64
CCI International Holland B.V. (CCI Holland) (12)	The Netherlands	Investment company of CCİ	Beverage-Soft Drink	**21,64**	21,64
CC for Beverage Industry Limited (CCBL) (12)	Iraq	Production, distribution and selling of Coca Cola products	Beverage-Soft Drink	**21,64**	21,64
The Coca-Cola Bottling Company of Jordan Ltd. (Jordan CC) (12)	Jordan	Production, distribution and selling of Coca Cola products	Beverage-Soft Drink	**19,47**	19,47
Coca-Cola Beverages Pakistan Ltd (CCBPL) (12)	Pakistan	Production, distribution and selling of Coca Cola products	Beverage-Soft Drink	**10,75**	10,75
Turkmenistan Coca-Cola Bottlers Ltd. (Turkmenistan CC) (12)	Turkmenistan	Production, distribution and selling of Coca Cola products	Beverage-Soft Drink	**12,87**	12,87
Waha Beverages B.V. (12)	The Netherlands	Investment company of CCİ	Beverage-Soft Drink	**17,32**	17,32
Al Waha for Soft Drinks, Juices, Mineral Water, Plastics, and Plastic Caps Production LLC (Al Waha) (12)	Iraq	Production, distribution and selling of Coca Cola products	Beverage-Soft Drink	**17,32**	17,32
Coca-Cola Beverages Tajikistan LLC (Coca Cola Tajikistan) (12)	Tajikistan	Production, distribution and selling of Coca Cola products	Beverage-Soft Drink	**21,64**	21,64

(8) CCI shares are quoted in BIST.
(9) AETMC has been liquidated in August 2017. Gain from liquidation of subsidiary has been presented under "Income from Investing Activities" in the consolidated statement of profit or loss (Note 27).
(10) AB InBev Efes B.V. has been established in Netherlands in August 2017.
(11) Subsidiary of Anadolu Isuzu.
(12) Subsidiary of Anadolu Efes.

(Currency – Thousands of Turkish Lira (TRL) unless otherwise indicated)

NOTE 1 - ORGANIZATION AND NATURE OF ACTIVITIES OF THE GROUP (cont'd)

Joint Ventures

The joint ventures included in consolidation by equity method and its shareholding percentages at December 31, 2017 and 2016 are as follows:

	Country	Main activities	Effective shareholding and voting rights (%)	
			December 31, 2017	December 31, 2016
Migros Ticaret A.Ş. (Migros) (*)	Turkey	Sales of food and beverage and durable goods	**50,00**	50,00
Anadolu Landini Traktör Üretim ve Pazarlama A.Ş. (Anadolu Landini) (**)	Turkey	Tractor production	**50,00**	-
Aslancık Elektrik Üretim A.Ş. (Aslancık)	Turkey	Electricity production	**33,33**	33,33
LLC Faber-Castell Anadolu	Russia	Trading of all kinds of stationery	**28,44**	28,44
Anadolu Etap Penkon Gıda ve Tarım Ürünleri San. ve Tic. A.Ş. (Anadolu Etap)	Turkey	Production and sale of fruit juice concentrate and puree and sales of fresh fruit	**14,35**	14,35
Syrian Soft Drink Sales & Dist. LLC (SSDSD)	Syria	Distribution and sales of Coca-Cola products	**10,82**	10,82
Ana Gıda İhtiyaç Maddeleri Sanayi ve Ticaret A.Ş. (Ana Gıda) (***)	Turkey	Production and marketing of olive oil, sunflower and corn oil under Kırlangıç, Komili and Madra Brands	**-**	55,25

(*) Shares of Migros are currently quoted in BİST.

(**) A new company named "Anadolu Landini Traktör Üretim ve Pazarlama A.Ş." was established on November 16, 2017 in order to produce Landini branded domestic tractor. 50% share of Anadolu Landini belongs to Anadolu Motor and 50% share belongs to Argo Tractors S.P.A..

(***) The sale of the Group's 55,25% shares in Ana Gıda to Koninklijke Bunge B.V. has been completed on February 21, 2017 and the share sale proceeds of TRL 55.622 was received in cash and gain on sales of joint venture amounting to TRL 21.280 was realized. Currently, the Group does not hold any shares in Ana Gıda .

NOTE 2 - BASIS OF PRESENTATION OF CONSOLIDATED FINANCIAL STATEMENTS

Basis of Preparation of Financial Statements

The accompanying financial statements are prepared in accordance with the requirements of Capital Markets Board ("CMB") Communiqué Serial II, No: 14.1 "Basis of Financial Reporting in Capital Markets", which was published in the Official Gazette No:28676 on 13 June 2013. The accompanying financial statements are prepared based on the Turkish Accounting Standards and interpretations ("TAS") issued by the Public Oversight Accounting and Auditing Standards Authority ("POA") under Article 5 of the Communiqué.

The financial statements and disclosures have been prepared in accordance with the resolution of CMB dated 7 June 2013 relating to financial statements presentations.

The Group companies, which operate in Turkey, keep their accounting books and their statutory financial statements in Turkish Lira in accordance with the Generally Accepted Accounting Principles in Turkey accepted by the Capital Markets Board (CMB), Turkish Commercial Code, Tax Legislation and the Uniform Chart of Accounts issued by the Ministry of Finance. The foreign subsidiaries and joint ventures keep their accounting books and statutory financial statements in their local currencies and in accordance with the rules and regulations of the countries in which they operate.

The consolidated financial statements are based on the statutory financial statements of the Group's subsidiaries and joint ventures and presented in TRL in accordance with the principles CMB Financial Reporting Standards with certain adjustments and reclassifications for the purpose of fair presentation. Such adjustments are primarily related to application of consolidation accounting, accounting of deferred taxes, accounting of employment termination benefits on an actuarial basis and accruals for various expenses. These consolidated financial statements have been prepared on the historical cost basis except for certain financial assets and liabilities. Historical cost is generally based on the fair value of the consideration given in exchange for assets.

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

Basis of Preparation of Financial Statements (cont'd)

The merger within AGHOL that is detailed in Note 1, is a merger covering entities under common control and therefore it is not subject to "TFRS 3 Business Combinations". The Group, in the absence of specific guidance under TFRS, applied the guidance in paragraph 10-12 of TAS 8 - Accounting Policies, Changes in Accounting Estimates and Errors. The below accounting principles which are in accordance with the decree dated on July 21, 2013, published by POA in order to eliminate the differences which may occur in the implementation of the accounting policies, are applied;

(i) Combination of entities under common control should be recognized using pooling of interest method, therefore goodwill should not be included in the financial statements.

(ii) While using the pooling of interest method, the financial statements has been prepared as if the combination has taken place as of the beginning of the reporting period in which the common control occurs and be presented comparatively from the begining of the reporting period in which the common control occured.

(iii) Since it would be appropriate to consider from equity holders of the parent's perspective to present the effects of business combinations under common control in the financial statements, the financial statements have been restated per TAS as of and after the date when the Company, which has control over the Group, took control of the entities under common control.

To eliminate the possible inconsistency between assets and liabilities due to the merger of entities under common control, "Effects of Business Combinations Under Common Control" account under equity is used.

Financial Reporting in Hyperinflationary Economies

In accordance with the communique issued by CMB, for companies that operate in Turkey and prepare their financial statements applying Turkish Accounting Standards, it is decided not to apply inflation accounting from 1 January 2005 which is published on 17 March 2005 numbered 11/367. Accordingly, as of 1 January 2005 No:29 " Financial reporting in Hyperinflationary Economies" ("TAS 29") was not applied.

Functional and Presentation Currency

(a) Functional and presentation currency

The individual financial statements of each Group entity are presented in the currency of the primary economic environment in which the entity operates (its functional currency). The results and financial position of each entity are expressed in TRL, which is the functional currency of the Company, and the presentation currency for the consolidated financial statements.

(b) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognized in the statement of profit or loss, except when recognized in statement of other comprehensive income as qualifying cash flow hedges and qualifying net investment hedges. Foreign exchange gains and losses that relate to borrowings and cash and cash equivalents are presented in the statement of profit or loss within 'finance income and expenses'. All other foreign exchange gains and losses are presented in the statement of profit or loss within 'Other operating income and expense'.

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

Basis of Preparation of Financial Statements (cont'd)

Functional and Presentation Currency (cont'd)

(c) Group companies

The results and financial position of all the group entities (none of which has the currency of a hyper-inflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

(i) assets and liabilities presented in the statement of financial position are translated at the closing rate at the date of that statement of financial position;
(ii) income and expenses presented in the statements of profit or loss are translated at average exchange rates (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the rates prevailing on the dates of the transactions); and
(iii) all resulting exchange differences are recognized in the statement of other comprehensive income.

Functional currency of significant subsidiaries and joint ventures located in foreign countries are as follows:

		December 31, 2017	December 31, 2016
	Local Currency	**Functional Currency**	Functional Currency
Oyex	Europian Currency (EUR)	**EUR**	EUR
GUE	Georgian Lari (GEL)	**GEL**	GEL
Kheledula	Georgian Lari (GEL)	**GEL**	GEL
EBI	Europian Currency (EUR)	**USD**	USD
Efes Moscow	Russian Ruble (RUR)	**RUR**	RUR
Efes Kazakhstan	Kazakh Tenge (KZT)	**KZT**	KZT
Efes Moldova	Moldovan Leu (MDL)	**MDL**	MDL
Efes Georgia	Georgian Lari (GEL)	**GEL**	GEL
Efes Ukraine	Ukraine Hryvnya (UAH)	**UAH**	UAH
EHTMC	Europian Currency (EUR)	**EUR**	EUR
Efes Germany	Europian Currency (EUR)	**EUR**	EUR
Almaty CC	Kazakh Tenge (KZT)	**KZT**	USD
Tonus	Kazakh Tenge (KZT)	**KZT**	USD
Azerbaijan CC	Azerbaijani Manat (AZN)	**AZN**	USD
Turkmenistan CC	Turkmenistan Manat (TMT)	**TMT**	USD
Bishkek CC	Kyrgyz Som (KGS)	**KGS**	USD
TCCBCJ	Jordan Dinar (JOD)	**JOD**	USD
CCBIL	Iraqi Dinar (IQD)	**IQD**	USD
SSDSD	Syrian Pound (SYP)	**SYP**	USD
CCBPL	Pakistan Rupee (PKR)	**PKR**	PKR
CCI Holland	Europian Currency (EUR)	**USD**	USD
Waha B.V.	Europian Currency (EUR)	**USD**	USD
Al Waha	Iraqi Dinar (IQD)	**IQD**	USD
Tajikistan CC	Tajikistani Somoni (TJS)	**TJS**	USD

In accordance with TAS 21 "The Effects of Changes in Foreign Exchange Rates", CCİ, the subsidiary of the Group changed the functional currency of the foreign subsidiaries and joint venture of soft drink operations from US Dollars ("USD") to the foreign subsidiaries' and joint ventures' local currencies effective from January 1, 2017; by considering the multinational structure of foreign operations and realization of most of their operations and by assessing the currency of the primary economic environment of foreign operations, currency that influences sales prices for goods and services, currency in which receipts from operating activities are usually retained, currency that mainly influences costs and other expenses for providing goods and services.

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

Basis of Preparation of Financial Statements (cont'd)

Functional and Presentation Currency (cont'd)

The Group has been applied the change in functional currency prospectively effective from January 1, 2017, in accordance with the requirements of TFRS and the relevant Accounting Standards. All assets and liabilities are converted into the new functional currency using the exchange rate at the date of the change. Non-monetary assets and liabilities are accounted with their book values.

In the consolidated financial statements, foreign currency translation differences arises from Migros, a joint venture of the Group, as a result of their operations abroad.

Comparative Information and Restatement of Prior Period Financial Statements

The consolidated financial statements of the Group include comparative financial information to enable the determination of the trends in the financial position and performance. Comparative figures are reclassified, where necessary, to conform to changes in presentation in the current period consolidated financial statements and significant changes are explained.

As explained in Note 1, all of the assets and liabilities of Anadolu Endüstri Holding A.Ş. and Özilhan Sınai Yatırım A.Ş. are taken over by Yazıcılar Holding A.Ş. as a whole and Anadolu Endüstri Holding A.Ş. and Özilhan Sınai Yatırım A.Ş. have merged under Yazıcılar Holding A.Ş. on December 27, 2017. The merger transaction has been evaluated as "Business Combination under Common Control" and accounted through "Pooling of Interest" method. While pooling of interest method is applied, the financial statements have been adjusted as if the merger occurred at the beginning of the reporting period and comparative presentation has been made since the beginning of the reporting period in which the business combination of entities under common control occurred.

Therefore, the consolidated statement of financial position as at January 1, 2016 and December 31, 2016 and the consolidated statement of profit or loss for the year ended December 31, 2016 have been restated. Anadolu Isuzu and Anadolu Efes, which were accounted through equity method in formerly Yazıcılar Holding A.Ş., with its corporate name AGHOL, have been started to be consolidated according to the full consolidation method after the merger. TFRS adjustments and classifications that are provided in the following pages consist of adjustments related with the merger, reclassification of inventories, vat and advances of real estate companies, reclassifications of payables related to employee benefits and reclassification of Oden İnşaat Turizm Ticaret A.Ş. (Oden) from investments accounted by using equity method to financial investments.

(Currency – Thousands of Turkish Lira (TRL) unless otherwise indicated)

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

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

January 1, 2016	Yazıcılar (A)	Anadolu Efes (B)	Anadolu Isuzu (C)	Özilhan (D)	Combined (E)	TFRS adjustments and reclassifications	Consolidated	Note
ASSETS								
Cash and Cash Equivalents	373.184	1.891.459	78.558	15.506	2.358.707	-	2.358.707	
Financial Investments	44.306	151	-	-	44.457	1	44.458	
Trade Receivables	224.714	1.139.463	285.772	73	1.650.022	(13.390)	1.636.632	1
- Due from Related Parties	*19.616*	*106.089*	*6.552*	*5*	*132.262*	*(14.525)*	*117.737*	1
- Trade Receivables, Third Parties	*205.098*	*1.033.374*	*279.220*	*68*	*1.517.760*	*1.135*	*1.518.895*	1
Other Receivables	85.080	57.557	1.298	1.026	144.961	-	144.961	
- Due from Related Parties	-	-	-	*1.026*	*1.026*	-	1.026	
- Other Receivables, Third Parties	*85.080*	*57.557*	*1.298*	-	*143.935*	-	*143.935*	
Derivative Financial Instruments	15.852	260	-	-	16.112	-	16.112	
Inventories	283.000	1.102.915	320.664	-	1.706.579	21.708	1.728.287	2
Prepaid Expenses	49.154	406.064	12.893	11	468.122	(206)	467.916	
Current Income Tax Assets	41.111	80.301	2.132	143	123.687	-	123.687	
Other Current Assets	370.735	264.372	32.417	151	667.675	(13)	667.662	
TOTAL CURRENT ASSETS	1.487.136	4.942.542	733.734	16.910	7.180.322	8.100	7.188.422	
Financial Investments	6.659	767	-	4.744	12.170	25.425	37.595	3
Trade Receivables	3.215	1.038	-	-	4.253	-	4.253	
- Trade Receivables, Third Parties	*3.215*	*1.038*	-	-	*4.253*	-	*4.253*	
Other Receivables	3.454	21.007	-	-	24.461	1	24.462	
- Other Receivables, Third Parties	*3.454*	*21.007*	-	-	*24.461*	*1*	*24.462*	
Derivative Financial Instruments	6.522	-	-	-	6.522	-	6.522	
Inventories	21.708	-	-	-	21.708	(21.708)	-	2
Investments Accounted Through Equity Method	5.121.625	66.685	-	1.837.896	7.026.206	(4.273.032)	2.753.174	4
Investment Property	257.254	72.298	-	-	329.552	(23.336)	306.216	5
Property, Plant and Equipment	757.196	6.315.908	103.340	155	7.176.599	(71)	7.176.528	
Intangible Assets	24.206	10.175.787	44.107	-	10.244.100	(8.256)	10.235.844	6
- Goodwill	-	*1.334.738*	*2.341*	-	*1.337.079*	*(8.252)*	*1.328.827*	6
- Other Intangible Assets	*24.206*	*8.841.049*	*41.766*	-	*8.907.021*	*(4)*	*8.907.017*	
Prepaid Expenses	16.374	192.915	22	-	209.311	(127)	209.184	
Deferred Tax Assets	77.068	228.863	-	3	305.934	8.465	314.399	5
Other Non-Current Assets	1.058.254	26.280	-	-	1.084.534	6	1.084.540	
TOTAL NON-CURRENT ASSETS	7.353.535	17.101.548	147.469	1.842.798	26.445.350	(4.292.633)	22.152.717	
TOTAL ASSETS	8.840.671	22.044.090	881.203	1.859.708	33.625.672	(4.284.533)	29.341.139	

(A) Represents the consolidated financial statements prepared by Yazıcılar as of December 31, 2016 and published on Public Disclosure Platform ("PDP") on March 13, 2017.
(B) Represents the consolidated financial statements prepared by Anadolu Efes as of December 31, 2016 and published on Public Disclosure Platform ("PDP") on March 2, 2017.
(C) Represents the consolidated financial statements prepared by Anadolu Isuzu as of December 31, 2016 and published on Public Disclosure Platform ("PDP") on February 28, 2017.
(D) Represents audited financial statements of Özilhan Sınai Yatırım A.Ş. as of December 31, 2016 prepared in accordance with the Turkish Accounting Standards.
(E) Consists of Yazıcılar, Anadolu Efes, Anadolu Isuzu and Özilhan financial statements.

(Currency – Thousands of Turkish Lira (TRL) unless otherwise indicated)

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

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

January 1, 2016	Yazıcılar (A)	Anadolu Efes (B)	Anadolu Isuzu (C)	Özilhan (D)	Combined (E)	TFRS adjustments and classifications	Consolidated	Note
LIABILITIES								
Short-Term Borrowings	755.190	265.812	138.477	-	1.159.479	-	1.159.479	
Current Portion of Long-Term Borrowings	746.018	478.781	-	-	1.224.799	-	1.224.799	
Trade Payables	194.446	1.022.339	244.939	12	1.461.736	(13.377)	1.448.359	1
- Due to Related Parties	*5.737*	*22.296*	*143.548*	*12*	*171.593*	*(171.069)*	*524*	1
- Trade Payables, Third Parties	*188.709*	*1.000.043*	*101.391*	-	*1.290.143*	*157.692*	*1.447.835*	1
Employee Benefit Obligations	-	47.697	1.357	-	49.054	10.379	59.433	7
Other Payables	32.690	646.778	7.575	2	687.045	(11.945)	675.100	
- Due to Related Parties	-	-	*9*	-	*9*	*(9)*	-	
- Other Payables, Third Parties	*32.690*	*646.778*	*7.566*	*2*	*687.036*	*(11.936)*	*675.100*	7
Derivative Financial Instruments	-	11.279	-	-	11.279	-	11.279	
Deferred Income	28.528	31.865	875	-	61.268	1.556	62.824	7
Income Tax Payable	444	8.174	-	-	8.618	-	8.618	
Short-Term Provisions	16.591	91.977	13.592	-	122.160	-	122.160	
- Short-Term Provisions for the Employee Benefits	*11.764*	*91.770*	-	-	*103.534*	-	*103.534*	
- Other Short-Term Provisions	*4.827*	*207*	*13.592*	-	*18.626*	-	*18.626*	
Other Current Liabilities	87	20.461	-	-	20.548	19	20.567	
TOTAL CURRENT LIABILITIES	1.773.994	2.625.163	406.815	14	4.805.986	(13.368)	4.792.618	
Long-Term Borrowings	2.203.834	4.638.623	134.019	-	6.976.476	-	6.976.476	
Trade Payables	-	21.305	-	-	21.305	-	21.305	
- Trade Payables to Third Parties	-	*21.305*	-	-	*21.305*	-	*21.305*	
Other Payables	436	264.564	-	-	265.000	-	265.000	
- Other Payables to Third Parties	*436*	*264.564*	-	-	*265.000*	-	*265.000*	
Derivative Financial Instruments	-	*98*	-	-	*98*	-	*98*	
Deferred Income	3.736	1.581	1.208	-	6.525	-	6.525	
Long Term Provision	22.778	99.102	13.547	14	135.441	-	135.441	
- Long Term Provision for Employee Benefits	*22.778*	*99.102*	*13.547*	*14*	*135.441*	-	*135.441*	
Deferred Tax Liabilities	44.168	1.678.997	2.252	-	1.725.417	-	1.725.417	
Other Non-Current Liabilities	474.515	141.152	-	-	615.667	-	615.667	
TOTAL NON-CURRENT LIABILITIES	2.749.467	6.845.422	151.026	14	9.745.929	-	9.745.929	
Paid-in Share Capital	160.000	592.105	25.420	22.000	799.525	(617.525)	182.000	8
Capital Adjustment Differences	-	63.583	86.902	65.771	216.256	(150.485)	65.771	8
Share Premium (Discounts)	9.474	3.137.684	-	-	3.147.158	(1.786.675)	1.360.483	9
Put Option Revaluation Fund Related with Non-controlling Interests	1.604	5.795	-	891	8.290	(5.795)	2.495	9
Other Accumulated Comprehensive Income (Loss) that will not be Reclassified in Profit or Loss	(5.948)	(15.128)	(115)	(3.159)	(24.350)	15.315	(9.035)	9
- Revaluation and Remeasurement Gain/ Loss	*(5.948)*	*(15.128)*	*(115)*	*(3.159)*	*(24.350)*	*15.315*	*(9.035)*	9
- Income (Loss) on Remeasurements of Defined Benefit Plans	*(5.948)*	*(15.128)*	*(115)*	*(3.159)*	*(24.350)*	*15.315*	*(9.035)*	9
Other Comprehensive Income (Expense) To Be Reclassified to Profit or Loss	16.016	80.543	-	9.391	105.950	(80.529)	25.421	9
- Currency Translation Differences	*8.970*	*48.156*	-	*5.362*	*62.488*	*(48.161)*	*14.327*	9
- Gain (Loss) on Hedge	*8.959*	*32.387*	-	*4.984*	*46.330*	*(32.387)*	*13.943*	9
- Revaluation and Classification Gain/ Loss	*(1.913)*	-	-	*(955)*	*(2.868)*	*19*	*(2.849)*	9
Restricted Reserves Allocated from Net Profit	30.090	282.836	162.364	4.440	479.730	(65.563)	414.167	10
Other Reserves	(65.213)	(235.742)	-	(36.274)	(337.229)	235.742	(101.487)	10
Retained Earnings	3.590.502	3.994.139	31.048	1.899.752	9.515.441	(5.793.657)	3.721.784	
Net Income or Loss	(210.587)	(197.759)	17.744	(103.132)	(493.734)	181.464	(312.270)	
Non-Controlling Interests	791.272	4.865.449	-	-	5.656.721	3.796.542	9.453.263	9
TOTAL EQUITY	4.317.210	12.573.505	323.363	1.859.680	19.073.758	(4.271.166)	14.802.592	
TOTAL LIABILITY	8.840.671	22.044.090	881.203	1.859.708	33.625.672	(4.284.533)	29.341.139	

(A) Represents the consolidated financial statements prepared by Yazıcılar as of December 31, 2016 and published on Public Disclosure Platform ("PDP") on March 13, 2017.

(B) Represents the consolidated financial statements prepared by Anadolu Efes as of December 31, 2016 and published on Public Disclosure Platform ("PDP") on March 2, 2017.

(C) Represents the consolidated financial statements prepared by Anadolu Isuzu as of December 31, 2016 and published on Public Disclosure Platform ("PDP") on February 28, 2017.

(D) Represents audited financial statements of Özilhan Sınai Yatırım A.Ş. as of December 31, 2016 prepared in accordance with the Turkish Accounting Standards.

(E) Consists of Yazıcılar, Anadolu Efes, Anadolu Isuzu and Özilhan financial statements.

(Currency – Thousands of Turkish Lira (TRL) unless otherwise indicated)

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

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

December 31, 2016	Yazıcılar (A)	Anadolu Efes (B)	Anadolu Isuzu (C)	Özilhan (D)	Combined (E)	TFRS adjustments and classifications	Consolidated	Note
ASSETS								
Cash and Cash Equivalents	413.363	2.745.264	119.879	12.788	3.291.294	-	3.291.294	
Financial Investments	9.451	11.036	-	-	20.487	-	20.487	
Trade Receivables	338.933	1.319.634	289.113	8	1.947.688	(19.065)	1.928.623	1
- Due from Related Parties	*28.772*	*131.499*	*254*	-	*160.525*	*(15.302)*	*145.223*	1
- Trade Receivables, Third Parties	*310.161*	*1.188.135*	*288.859*	*8*	*1.787.163*	*(3.763)*	*1.783.400*	1
Other Receivables	14.879	99.093	1.023	1.040	116.035	-	116.035	
- Due from Related Parties	-	-	-	*1.040*	*1.040*	-	*1.040*	
- Other Receivables, Third Parties	*14.879*	*99.093*	*1.023*	-	*114.995*	-	*114.995*	
Derivative Financial Instruments	40.747	1.472	-	-	42.219	-	42.219	
Inventories	221.130	1.030.992	275.116	-	1.527.238	62.025	1.589.263	2
Prepaid Expenses	34.646	425.477	5.647	9	465.779	(6)	465.773	
Current Income Tax Assets	12.777	124.324	984	-	138.085	-	138.085	
Other Current Assets	511.831	251.383	26.372	153	789.739	9.313	799.052	
TOTAL CURRENT ASSETS	1.597.757	6.008.675	718.133	13.998	8.338.563	52.268	8.390.831	
Financial Investments	327	767	-	-	1.094	25.483	26.577	3
Trade Receivables	9.957	1.278	-	-	11.235	-	11.235	
- Trade Receivables, Third Parties	*9.957*	*1.278*	-	-	*11.235*	-	*11.235*	
Other Receivables	2.937	14.505	-	-	17.442	-	17.442	
- Other Receivables, Third Parties	*2.937*	*14.505*	-	-	*17.442*	-	*17.442*	
Derivative Financial Instruments	20.567	-	-	-	20.567	-	20.567	
Inventories	62.025	-	-	-	62.025	(62.025)	-	2
Investments Accounted Through Equity Method	5.011.551	58.406	-	1.976.797	7.046.754	(4.848.828)	2.197.926	4
Investment Property	251.934	93.897	-	-	345.831	(23.337)	322.494	5
Property, Plant and Equipment	752.513	7.302.670	99.664	151	8.154.998	(71)	8.154.927	
Intangible Assets	27.231	11.639.357	53.030	-	11.719.618	(8.255)	11.711.363	6
- Goodwill	-	*1.675.218*	*2.341*	-	*1.677.559*	*(8.252)*	*1.669.307*	6
- Other Intangible Assets	*27.231*	*9.964.139*	*50.689*	-	*10.042.059*	*(3)*	*10.042.056*	
Prepaid Expenses	17.985	177.667	75	-	195.727	(59)	195.668	
Deferred Tax Assets	100.688	274.330	14.164	3	389.185	8.464	397.649	5
Other Non-Current Assets	1.492.594	57.007	-	-	1.549.601	(9.320)	1.540.281	
TOTAL NON-CURRENT ASSETS	7.750.309	19.619.884	166.934	1.976.951	29.514.078	(4.917.949)	24.596.129	
TOTAL ASSETS	9.348.066	25.628.559	885.067	1.990.949	37.852.641	(4.865.681)	32.986.960	

(A) Represents the consolidated financial statements prepared by Yazıcılar as of December 31, 2016 and published on Public Disclosure Platform ("PDP") on March 13, 2017.
(B) Represents the consolidated financial statements prepared by Anadolu Efes as of December 31, 2016 and published on Public Disclosure Platform ("PDP") on March 2, 2017.
(C) Represents the consolidated financial statements prepared by Anadolu Isuzu as of December 31, 2016 and published on Public Disclosure Platform ("PDP") on March 2, 2018.
(F) Represents audited financial statements of Özilhan Sınai Yatırım A.Ş. as of December 31, 2016 prepared in accordance with the Turkish Accounting Standards.
(D) Consists of Yazıcılar, Anadolu Efes, Anadolu Isuzu and Özilhan financial statements.

(Currency – Thousands of Turkish Lira (TRL) unless otherwise indicated)

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

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

December 31, 2016	Yazıcılar (A)	Anadolu Efes (B)	Anadolu Isuzu (C)	Özilhan (D)	Combined (E)	TFRS adjustments and classifications	Consolidated	Note
LIABILITIES								
Short-Term Borrowings	610.678	117.754	149.750	-	878.182	-	878.182	
Current Portion of Long-Term Borrowings	922.746	383.116	-	-	1.305.862	-	1.305.862	
Trade Payables	307.119	1.284.222	211.966	99	1.803.406	(14.499)	1.788.907	1
- Due to Related Parties	*393*	*25.888*	*151.329*	*99*	*177.709*	*(177.052)*	*657*	1
- Trade Payables, Third Parties	*306.726*	*1.258.334*	*60.637*	-	*1.625.697*	*162.553*	*1.788.250*	1
Employee Benefit Obligations	-	54.076	3.888	-	57.964	17.170	75.134	7
Other Payables	40.645	661.646	7.157	1	709.449	(23.497)	685.952	
- Due to Related Parties	-	-	*9*	-	*9*	*(9)*	-	
- Other Payables, Third Parties	*40.645*	*661.646*	*7.148*	*1*	*709.440*	*(23.488)*	*685.952*	7
Derivative Financial Instruments	-	65	-	-	65	-	65	
Deferred Income	42.035	33.453	667	-	76.155	212.975	289.130	7
Income Tax Payable	2.648	1.441	-	391	4.480	-	4.480	
Short-Term Provisions	26.964	129.641	14.049	-	170.654	(1)	170.653	
- Short-Term Provisions for the Employee Benefits	*12.010*	*129.081*	-	-	*141.091*	-	*141.091*	
- Other Short-Term Provisions	*14.954*	*560*	*14.049*	-	*29.563*	*(1)*	*29.562*	
Other Current Liabilities	512.111	21.043	-	-	533.154	146	533.300	
TOTAL CURRENT LIABILITIES	2.464.946	2.686.457	387.477	491	5.539.371	192.294	5.731.665	
Long-term Borrowings	2.147.252	5.682.403	220.495	-	8.050.150	-	8.050.150	
Trade Payables	-	26.425	-	-	26.425	-	26.425	
- Trade Payables to Third Parties	-	*26.425*	-	-	*26.425*	-	*26.425*	
Other Payables	1.463	301.549	-	-	303.012	-	303.012	
- Other Payables to Third Parties	*1.463*	*301.549*	-	-	*303.012*	-	*303.012*	
Deferred Income	215.638	544	699	-	216.881	(211.218)	5.663	
Long Term Provision	25.199	116.267	13.931	-	155.397	-	155.397	
- Long Term Provision for Employee Benefits	*25.199*	*116.267*	*13.931*	-	*155.397*	-	*155.397*	
Deferred Tax Liabilities	23.036	1.831.472	-	-	1.854.508	-	1.854.508	
Other Non-Current Liabilities	-	166.420	-	-	166.420	-	166.420	
TOTAL NON-CURRENT LIABILITIES	2.412.588	8.125.080	235.125	-	10.772.793	(211.218)	10.561.575	
Paid-in Share Capital	160.000	592.105	25.420	22.000	799.525	(617.525)	182.000	8
Capital Adjustment Differences	-	63.583	86.902	65.771	216.256	(150.485)	65.771	8
Share Premium (Discounts)	9.474	3.137.684	-	-	3.147.158	(1.786.675)	1.360.483	9
Put Option Revaluation Fund Related with Non-controlling Interests	5.512	19.923	-	3.064	28.499	(19.922)	8.577	9
Other Accumulated Comprehensive Income (Loss) that will not be Reclassified in Profit or Loss	(8.407)	(20.249)	(1.963)	(4.446)	(35.065)	22.299	(12.766)	9
- Revaluation and Remeasurement Gain/ Loss	*(8.407)*	*(20.249)*	*(1.963)*	*(4.446)*	*(35.065)*	*22.299*	*(12.766)*	9
- Income (Loss) on Remeasurements of Defined Benefit Plans	*(8.407)*	*(20.249)*	*(1.963)*	*(4.446)*	*(35.065)*	*22.299*	*(12.766)*	9
Other Comprehensive Income (Expense) To Be Reclassified to Profit or Loss	509.341	1.841.842	-	283.329	2.634.512	(1.841.845)	792.667	9
- Currency Translation Differences	*493.207*	*1.783.517*	-	*274.354*	*2.551.078*	*(1.783.520)*	*767.558*	9
- Gain (Loss) on Hedge	*16.134*	*58.325*	-	*8.975*	*83.434*	*(58.325)*	*25.109*	9
Restricted Reserves Allocated from Net Profit	32.000	303.414	163.580	4.440	503.434	(69.010)	434.424	10
Other Reserves	(65.213)	(235.742)	-	(36.274)	(337.229)	235.742	(101.487)	10
Retained Earnings	3.368.005	3.630.736	34.863	1.772.834	8.806.438	(5.450.384)	3.356.054	
Net Income or Loss	(255.541)	(70.795)	(46.337)	(120.260)	(492.933)	116.887	(376.046)	
Non-Controlling Interests	715.361	5.554.521	-	-	6.269.882	4.714.161	10.984.043	9
TOTAL EQUITY	4.470.532	14.817.022	262.465	1.990.458	21.540.477	(4.846.757)	16.693.720	
TOTAL LIABILITY	9.348.066	25.628.559	885.067	1.990.949	37.852.641	(4.865.681)	32.986.960	

(A) Represents the consolidated financial statements prepared by Yazıcılar as of December 31, 2016 and published on Public Disclosure Platform ("PDP") on March 13, 2017.
(B) Represents the consolidated financial statements prepared by Anadolu Efes as of December 31, 2016 and published on Public Disclosure Platform ("PDP") on March 2, 2017.
(C) Represents the consolidated financial statements prepared by Anadolu Isuzu as of December 31, 2016 and published on Public Disclosure Platform ("PDP") on March 2, 2018.
(D) Represents audited financial statements of Özilhan Sınai Yatırım A.Ş. as of December 31, 2016 prepared in accordance with the Turkish Accounting Standards.
(E) Consists of Yazıcılar, Anadolu Efes, Anadolu Isuzu and Özilhan financial statements.

(Currency – Thousands of Turkish Lira (TRL) unless otherwise indicated)

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

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

Details of major adjustments and reclassifications related to financial statements as of December 31, 2016 and January 1, 2016 are provided below:

1) Adjustments related to trade receivables and trade payables arise from the elimination of related party balances for consolidation.
2) Reclassifications related to inventories arise from classifiying inventories pertaining to real estate projects from long-term to short-term.
3) Adjustments about financial investments mostly arise from classifying Oden which was accounted through equity method, to the financial investments and eliminating the intra-group financial investments.
4) Adjustments about investments accounted through equity method arise from cancellation of the equity pick up adjustments of investments accounted through equity method previously in Yazıcılar and Özilhan financial statements which are fully consolidated in AGHOL's consolidated financial statements.
5) Adjustments related with investment properties arise from eliminating the profit margin of AND Ankara Gayrimenkul's land which is acquired from Anadolu Efes. Adjustments related with the deferred tax asset arise from deferred tax effect of the eliminated intra-group profit margin.
6) Adjustments related with goodwill arise from classifying goodwill which used to be in Anadolu Efes's carrying value when Aadolu Efes was accounted through equity method, as goodwill as a result of consolidating Anadolu Efes based on full consolidation method and also eliminating goodwill occured due to intra-group transactions.
7) Reclassifications related with employee benefits obligations arise from classifying social security and withholding tax liabilities in Yazıcılar's financials from other payables to employee benefit obligations. Reclassifications related with deferred income arise from classifying advances received in Anadolu Isuzu financials from other payables to deferred income.
8) Adjustments related with the paid-in capital and inflation adjustment on capital includes elimination of the participation and share capital within the scope of consolidation.
9) Adjustments related with put option revaluation fund related with non-controlling interests, share premium (discounts), other comprehensive income items and non-controlling interests mostly include the effects of the consolidation of Anadolu Efes and Anadolu Isuzu with full consolidation method that were previously accounted through equity method.
10) Adjustments related with restricted reserves allocated from the profit and other reserves arise from the transfer of the restricted reserves and other reserves allocated from the profits due to merger of Özilhan and AEH under Yazıcılar.

The reconciliation of the net loss for the year ended December 31, 2016 is as follows;

	January 1 - December 31, 2016
Consolidated net loss of Yazıcılar (1)	(378.232)
Net loss of the companies included in the merger (2)	(206.652)
Changes in share of gain/loss from investments accounted through the equity method (3)	174.338
Other	(458)
AGHOL restated net loss for the period	(411.004)

(1) Represents the consolidated financial statements prepared by Yazıcılar as of December 31, 2016 and published on Public Disclosure Platform ("PDP") on March 13, 2017.
(2) The balance consists of net losses of Anadolu Efes amounting TRL 40.055, Anadolu Isuzu amounting TRL 46.337 and Özilhan amounting TRL 120.260 for the year ended December 31, 2016.
(3) Refers to the sum of shares of profits/losses of entities that are fully consolidated in AGHOL but have been previously accounted through the equity method in Yazıcılar and Özilhan.

(Currency – Thousands of Turkish Lira (TRL) unless otherwise indicated)

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

New standards and interpretations

The accounting policies adopted in the preparation of the consolidated financial statements as of January - December 31, 2017 are consistent with those followed in the preparation of the consolidated financial statements for the year ended December 31, 2016, except for the adoption of new standards and IFRIC interpretations summarized below.

a) Amendments and interpretations that are mandatorily effective for the current year

Amendments to TAS 12	*Recognition of Deferred Tax Assets for Unrealized Losses* [1]
Amendments to TAS 7	*Disclosure Initiative* [1]
Annual Improvements to TFRS Standards 2014–2016 Cycle	*TFRS 12* [1]

[1] Effective for annual periods beginning on or after 1 January 2017.

Amendments to TAS 12 *Recognition of Deferred Tax Assets for Unrealized Losses*

This amendment clarifies the following aspects:

- Unrealized losses on debt instruments measured at fair value and measured at cost for tax purposes give rise to a deductible temporary difference regardless of whether the debt instrument's holder expects to recover the carrying amount of the debt instrument by sale or by use.
- The carrying amount of an asset does not limit the estimation of probable future taxable profits.
- Estimates for future taxable profits exclude tax deductions resulting from the reversal of deductible temporary differences.
- An entity assesses a deferred tax asset in combination with other deferred tax assets. Where tax law restricts the utilization of tax losses, an entity would assess a deferred tax asset in combination with other deferred tax assets of the same type.

The Group assessed the adequacy of taxable income consistent with these changes and the adoption of this amendment does not have any effect on the Group's consolidated financial statements.

Amendments to TAS 7 *Disclosure Inıtiative*

This amendments require an entity to provide disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities, including both cash and non-cash changes.

The Group's liabilities arising from financing activities consist of borrowings and certain other financial liabilities. A reconciliation between the opening and closing balances of these items is provided in Note 7. Consistent with the transition provisions of the amendments, the Group has not disclosed comparative information for the prior period. Apart from the additional disclosure in Note 7, the application of these amendments has had no impact on the Group's consolidated financial statements.

Annual Improvements to TFRS Standards 2014–2016 Cycle

TFRS 12: Clarifies the scope of the standard by specifying that the disclosure requirements in the standard, except for those in paragraphs B10–B16, apply to an entity's interests listed in paragraph 5 that are classified as held for sale, as held for distribution or as discontinued operations in accordance with TFRS 5 *Non-current Assets Held for Sale and Discontinued Operations*. Since none of the Group's shares in these assets are classified as held for sale, the adoption of this improvement does not have any effect on the Group's consolidated financial statements.

(Currency – Thousands of Turkish Lira (TRL) unless otherwise indicated)

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

New standards and interpretations (cont'd)

b) New and revised TFRSs in issue but not yet effective

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

TFRS 9	*Financial Instruments* [1]
TFRS 15	*Revenue from Contracts with Customers* [1]
Amendments to TFRS 10 and TAS 28	*Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*
Amendments to TFRS 2	*Classification and Measurement of Share-Based Payment Transactions* [1]
TFRS Interpretation 22	*Foreign Currency Transactions and Advance Consideration* [1]
Amendments to TAS 40	*Transfers of Investment Property* [1]
Annual Improvements to TFRS Standards 2014–2016 Cycle	*TFRS 1* [1], *TAS 28* [1]
Amendments to TAS 28	*Long-term Interests in Associates and Joint Ventures* [2]

[1] Effective for annual periods beginning on or after 1 January 2018.
[2] Effective for annual periods beginning on or after 1 January 2019.

TFRS 9 *Financial Instruments*

TFRS 9 issued in November 2009 introduced new requirements for the classification and measurement of financial assets / liabilities and for derecognition and for general hedge accounting.

Key requirements of TFRS 9:

- All recognized financial assets that are within the scope of TFRS 9 are required 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. Debt instruments that are held within a business model whose objective is achieved both by collecting contractual cash flows and selling financial assets, and that have contractual terms that give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding, are generally measured at FVTOCI. All other debt investments and equity investments are measured at their fair value at the end of subsequent accounting periods. In addition, under TFRS 9, entities may make an irrevocable election to present subsequent changes in the fair value of an equity investment (that is not held for trading nor contingent consideration recognized by an acquirer in a business combination) in other comprehensive income, with only dividend income generally recognized in profit or loss.

- With regard to the measurement of financial liabilities designated as at fair value through profit or loss, TFRS 9 requires that the amount of change in the fair value of a financial liability that is attributable to changes in the credit risk of that liability is presented in other comprehensive income, unless the recognition of such changes 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. Under TAS 39, the entire amount of the change in the fair value of the financial liability designated as fair value through profit or loss is presented in profit or loss.

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

New standards and interpretations (cont'd)

b) New and revised TFRSs in issue but not yet effective (cont'd)

TFRS 9 *Financial Instruments* (cont'd)

- In relation to the impairment of financial assets, TFRS 9 requires an expected credit loss model, as opposed to an incurred credit loss model under TAS 39. The expected credit loss model requires an entity to account for expected credit losses and changes in those expected credit losses at each reporting date to reflect changes in credit risk since initial recognition. In other words, it is no longer necessary for a credit event to have occurred before credit losses are recognized.

  The new general hedge accounting requirements retain the three types of hedge accounting mechanisms currently available in TAS 39. Under TFRS 9, greater flexibility has been introduced to the types of transactions eligible for hedge accounting, specifically broadening the types of instruments that qualify for hedging instruments and the types of risk components of non-financial items that are eligible for hedge accounting. In addition, the effectiveness test has been overhauled and replaced with the principle of an 'economic relationship'. Retrospective assessment of hedge effectiveness is also no longer required. Enhanced disclosure requirements about an entity's risk management activities have also been introduced.

TFRS 15 *Revenue from Contracts with Customers*

TFRS 15 establishes a single comprehensive model for entities to use in accounting for revenue arising from contracts with customers. TFRS 15 will supersede the current revenue recognition guidance including TAS 18 *Revenue*, TAS 11 *Construction Contracts* and the related Interpretations when it becomes effective.

The core principle of TFRS 15 is that an entity should recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. Specifically, the Standard introduces a 5-step approach to revenue recognition:

- Step 1: Identify the contract(s) with a customer
- Step 2: Identify the performance obligations in the contract
- Step 3: Determine the transaction price
- Step 4: Allocate the transaction price to the performance obligations in the contract
- Step 5: Recognize revenue when (or as) the entity satisfies a performance obligation

Under TFRS 15, an entity recognizes revenue when (or as) a performance obligation is satisfied, i.e. when 'control' of the goods or services underlying the particular performance obligation is transferred to the customer.

Far more prescriptive guidance has been added in TFRS 15 to deal with specific scenarios. Furthermore, extensive disclosures are required by TFRS 15.

Later on *Clarifications to TFRS 15* in relation to the identification of performance obligations, principal versus agent considerations were issued, as well as licensing application guidance.

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

New standards and interpretations (cont'd)

b) New and revised TFRSs in issue but not yet effective (cont'd)

Amendments to TFRS 10 and TAS 28 *Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*

This amendment clarifies the treatment of the sale or contribution of assets from an investor to its associate or joint venture.

Amendments to TFRS 2 *Classification and Measurement of Share-Based Payment Transactions*

The amendments clarify the standard in respect of the share-based payment arrangement has a 'net settlement feature', such an arrangement should be classified as equity-settled in its entirety, provided that the share-based payment would have been classified as equity-settled had it not included the net settlement feature.

TFRS Interpretation 22 *Foreign Currency Transactions and Advance Consideration*

The interpretation addresses foreign currency transactions or parts of transactions where:

- there is consideration that is denominated or priced in a foreign currency;
- the entity recognizes a prepayment asset or a deferred income liability in respect of that consideration, in advance of the recognition of the related asset, expense or income; and
- the prepayment asset or deferred income liability is non-monetary.

The Interpretations Committee came to the following conclusion:

- The date of the transaction, for the purpose of determining the exchange rate, is the date of initial recognition of the non-monetary prepayment asset or deferred income liability.
- If there are multiple payments or receipts in advance, a date of transaction is established for each payment or receipt.

Amendments to TAS 40 *Transfers of Investment Property*

The amendments to TAS 40:

- Amends paragraph 57 to state that an entity shall transfer a property to, or from, investment property when, and only when, there is evidence of a change in use. A change of use occurs if property meets, or ceases to meet, the definition of investment property. A change in management's intentions for the use of a property by itself does not constitute evidence of a change in use.

- The list of examples of evidence in paragraph 57(a) – (d) is now presented as a non-exhaustive list of examples instead of the previous exhaustive list.

Annual Improvements to TFRS Standards 2014–2016 Cycle

- **TFRS 1:** Deletes the short-term exemptions in paragraphs E3–E7 of TFRS 1, because they have now served their intended purpose.

- **TAS 28:** Clarifies that the election to measure at fair value through profit or loss an investment in an associate or a joint venture that is held by an entity that is a venture capital organisation, or other qualifying entity, is available for each investment in an associate or joint venture on an investment-by-investment basis, upon initial recognition.

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

New standards and interpretations (cont'd)

b) New and revised TFRSs in issue but not yet effective (cont'd)

Amendments to TAS 28 *Long-term Interests in Associates and Joint Ventures*

This amendment clarifies that an entity applies TFRS 9 Financial Instruments to long-term interests in an associate or joint venture that form part of the net investment in the associate or joint venture but to which the equity method is not applied.

The Group evaluates effects of these standards, amendments and improvements on the consolidated financial statements.

Changes in Accounting Policies, Accounting Estimates and Errors

Changes in accounting policies or accounting errors are applied retrospectively and the consolidated financial statements of the comparative period are restated. If estimated changes in accounting policies are for only one period, changes are applied on the current year but if the estimated changes are for the following periods, changes are applied both on the current and following years prospectively. The Group has not identified any significant accounting error or estimated changes in accounting policies (except the effects of changes in foreign exchange rates of CCİ mentioned in Note 2) in the current year.

Basis of Consolidation

The principal accounting policies adopted in preparing the consolidated financial statements of the Group are as follows:

Subsidiaries

Subsidiaries are all entities (including structured entities) over which the group has control. The group controls an entity when the group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the group. The consolidation of subsidiary ceases when the Company loses control of the subsidiary.

The consolidated financial statements of the Group include AG Anadolu Grubu Holding A.Ş. and subsidiaries under its control. This control is normally evidenced when the Group owns, either directly or indirectly, more than 50% of the voting rights of a company's share capital and is able to manage the financial and operating policies to benefit from its operations. Control is achieved when the Company:

- has power over the investee;
- is exposed, or has rights, to variable returns from its involvement with the investee; and
- has the ability to use its power to affect its returns.

The Company reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control listed above.

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

Basis of Consolidation (cont'd)

Subsidiaries (cont'd)

When the Company has less than a majority of the voting rights of an investee, it has power over the investee when the voting rights are sufficient to give it the practical ability to direct the relevant activities of the investee unilaterally. The Company considers all relevant facts and circumstances in assessing whether or not the Company's voting rights in an investee are sufficient to give it power, including:

- the size of the Company's holding of voting rights relative to the size and dispersion of holdings of the other vote holders;
- potential voting rights held by the Company, other vote holders or other parties;
- rights arising from other contractual arrangements; and
- any additional facts and circumstances that indicate that the Company has, or does not have, the current ability to direct the relevant activities at the time that decisions need to be made, including voting patterns at previous shareholders' meetings.

The Company holds 43.05% of the shares in Anadolu Efes that is described as a subsidiary. The remaining 24% shares of Anadolu Efes are held by AB Inbev Harmony Ltd ("AB Inbev" – SAB Miller Harmony Ltd on the date the partnership was established), and 32,95% of the shares are publicly held. Yazıcılar Holding, Özilhan Sınai Yatırım A.Ş. and Anadolu Endüstri Holding A.Ş. (3 holding companies before the merger) are described as Anadolu Efes Control Group ("AECG"). Pursuant to the agreement between AECG and AB Inbev, AECG is granted right to exercise voting rights pertaining to 24% of the shares held by AB Inbev; thus AG Anadolu Grubu Holding A.Ş., as a reflection of this clause to the practice, such voting rights are granted to the Chairman of the Board of Directors of AGHOL that is under joint control of Yazıcı and Özilhan families by proxy in the general assembly of Anadolu Efes. Pursuant to terms and conditions of the agreement, this situation applies as long as the shareholding ratio (of AECG) in Efes is above 35%. From this perspective, AGHOL is able to exercise controlling power on Anadolu Efes together with the shares held by AB Inbev. Likewise, Shareholders Agreement executed with AB Inbev shall be terminated in case AGHOL sells Anadolu Efes shares and its shareholding ratio on Anadolu Efes declines below 35%, and this voting right and right to represent in the general assembly AB Inbev granted to AECG shall no longer exist.

On the other hand;

- The number of Board members representing The Company in the Board of Directors of Anadolu Efes,
- The Company's participation in policy-making processes, including participation in decisions about dividends or other distributions,
- The transactions between The Company and Anadolu Efes and providing internal audit services and high level finance, tax, legal and human resources support to Anadolu Efes by the managerial personnel of The Company are indicators of the Company's control power.

The Group management assessed whether or not the Group has control over Anadolu Efes based on whether the Group has the practical ability to direct the relevant activities of Anadolu Efes unilaterally. In making their judgement, the Group management considered the Group's absolute size of holding in Anadolu Efes and the relative size of and dispersion of the shareholdings owned by the other shareholders. After this assessment, it is concluded that the Group has control over Anadolu Efes.

Anadolu Efes and The Coca Cola Export Corporation (TCCEC) which owns 20,09% shares of CCİ, decided to change some of the provisions defined as the "important decisions" in the Association Agreement which is effective from January 1, 2013. As a result of this change, in accordance with the Shareholders' Agreement, TCCEC will have certain protective rights on major decisions. As a result, with effect from January 1, 2013, Anadolu Efes gained control over CCİ and started to include CCİ and its subsidiaries in consolidation scope.

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

Basis of Consolidation (cont'd)

Subsidiaries (cont'd)

Non-controlling interests in the net assets of the subsidiaries included in consolidation, appears as a separate item in Group's equity. Non-controlling interest consists of non-controlling amount that already exists as of the first acquisition date and the amounts take place during the changes in the parent company's equity related to non-controlling interest after the first acquisition date. Losses exceeding the shares belonging to non-controlling interest are distributed to the shares of the Group, unless there is a mandatory obligation to compensate the recognized losses and an opportunity to make additional investments to cover the stated losses of the non-controlling interest. The equity and net income attributable to non-controlling shareholders' interests are shown separately in the consolidated balance sheet and statement of profit or loss, respectively.

The 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 recognized directly in equity and attributed to owners of the Company.

When the Group loses control, any retained interest in the entity is remeasured to its fair value at the date when the control is lost, with the change in carrying amount recognized in profit or loss. The fair value is the initial carrying amount for the purposes of subsequently accounting for the retained interest as an associate, joint venture or financial asset. In addition, any amounts previously recognized in other comprehensive income in respect of that entity are accounted for as if the group had directly disposed of the related assets or liabilities. This may mean that amounts previously recognized in other comprehensive income are reclassified to profit or loss.

All intragroup assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation. When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with the Group's accounting policies.

Investments in Associates

The Group's investments in associates are accounted under the equity method of accounting. Investments in associates are undertakings over which the Group generally has between 20% and 50% of the voting rights and the Group has significant influence and which are not subsidiaries or joint ventures of the Group. The investments in associates are carried in the consolidated balance sheet at cost plus post-acquisition changes in the Group's share of net assets of the associates, less any impairment in value. The statement of profit or loss reflects the Group's share of the results of operations of the associates. The group's investment in associates includes goodwill identified on acquisition.

The Group's investments in associates which the Group has direct interest or indirect interest by its subsidiaries are accounted under the equity method of accounting considering direct or indirect shareholding rate in total. Non-controlling interest is calculated regarding the effective shareholding rate through its subsidiaries.

The investments valued accounted through equity method are carried in the consolidated statement of financial position at cost plus post-acquisition changes in the Group's share of net assets of the associates, less any impairment in value. The consolidated statement of profit or loss reflects the Group's share of the results of operations of the associates. The effect of the amounts that has not reflected to the profit or loss of the associate on the equity of the associate may require an adjustment on the book value of the associate. Group's share in these changes is directly being recorded in Group's equity.

Unrealized gains on transactions between the Group and its associates have been adjusted to the extent of the Group's interest in the associate and unrealized losses have been restated if the transaction does not imply impairment of the transferred asset.

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

Basis of Consolidation (cont'd)

Investments in the Joint Ventures

Joint ventures are companies in respect of which there are contractual arrangements through which an economic activity is undertaken subject to joint control by the Group and its subsidiaries together with one or more other parties. The Group's interest in joint ventures is accounted for under the equity method of accounting.

Under the equity method of accounting, interests in joint ventures are initially recognised at cost and adjusted thereafter to recognise the group's share of the post-acquisition profits or losses and movements in other comprehensive income. When the group's share of losses in a joint venture equals or exceeds its interests in the joint ventures (which includes any long-term interests that, in substance, form part of the group's net investment in the joint ventures), the Group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the joint ventures.

Unrealised gains on transactions between the Group and its joint ventures are eliminated to the extent of the group's interest in the joint ventures. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of the joint ventures have been changed where necessary to ensure consistency with the policies adopted by the Group.

The potential cash payments related to put options issued by the Group over the equity of subsidiary companies are accounted for as financial liabilities when such options may only be settled other than by exchange of a fixed amount of cash or another financial asset for a fixed number of shares in the subsidiary. The amount that may become payable under the option on exercise is initially recognized at fair value within borrowings with a corresponding charge directly to equity. The charge to equity is recognized separately as written put options over non-controlling interests, adjacent to non-controlling interests in the net assets of consolidated subsidiaries.

The Group recognizes the cost of writing such put options, determined as the excess of the fair value of the option over any consideration received, as a financial expense. Such options are subsequently measured at amortized cost, using the effective interest rate method, in order to accrete the liability up to the amount payable under the option at the date at which it first becomes exercisable. The charge arising is recorded as a financial expense. In the event that the option expires unexercised, the liability is derecognized with a corresponding adjustment to equity.

Offsetting

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

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

Summary of Significant Accounting Policies (cont'd)

2.1 Revenue Recognition

Revenue is measured at the fair value of the consideration received or receivable. Net sales is reduced for estimated and realized customer returns, rebates, commissions and taxes related with sales.

Revenue from sale of goods is recognized when all the following conditions are satisfied:

- The Group transfers the significant risks and rewards of ownership of the goods to the buyer,
- 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,
- The costs incurred or to be incurred in respect of the transaction can be measured reliably.

Service income: Service income is recorded as revenue according to its percentage of completion when it is calculated reliably. In the case that it cannot be calculated reliably, the revenue is recognized only to the extent of the associated expenses that are recoverable.

Dividend income: Dividend income is recognized when the right to receive payment has been established (provided that it is probable that the economic benefit will flow to the Group and the amount of income can be measured reliably).

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

2.2 Inventories

Inventories are valued at the lower of cost and net realizable value after provision for obsolete and slow moving. Overheads that have been incurred in bringing the inventories to their present location and condition are accounted as stated below:

Costs are accounted for weighted average method. Finished goods and semi-finished goods include cost of direct materials, labor and a proportion of manufacturing overheads based on normal operating capacity.

Net realizable value is the estimated selling price in the ordinary course of business, less estimated costs of completion and estimated costs incurred in order to realize sale.

Inventories related to the real estate operations comprise of construction costs of housing units (completed and in-progress) and the cost of land used for to these housing projects. Land held for future development of housing projects are also classified as inventory. Borrowing costs attributable to qualifying projects are capitalized. Housing units which are completed and ready for delivery to customers together with work-in progress costs for housing units which will be completed within a year, are classified as short and long term inventories in the consolidated financial statements.

(Currency – Thousands of Turkish Lira (TRL) unless otherwise indicated)

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

Summary of Significant Accounting Policies (cont'd)

2.3 Property, Plant and Equipment

Property, plant and equipment are carried with their cost after subtracting accumulated depreciation and impairment. Property, plant and equipment are depreciated principally on a straight-line basis. Land is not depreciated as it is deemed to have an indefinite life. The estimated useful lives of assets are as follows:

Land improvements	5-50 years
Buildings	20-50 years
Machinery and equipment	2-20 years
Motor vehicles	3-10 years
Furniture and fixtures	3-15 years
Returnable bottles and cases	5-10 years
Other tangible assets	2-12 years
Leasehold improvements	Lower of lease period or useful life

The estimated useful lives, residual values and depreciation method are reviewed at each year end, with the effect of any changes in estimate accounted for on a prospective basis.

The carrying values of property, plant and equipment are reviewed for impairment when events or changes in circumstances indicate the carrying value may not be recoverable. If any such indication exists and where the carrying values exceed the estimated recoverable amount, the assets or cash-generating units are written down to their recoverable amounts. The recoverable amount of property, plant and equipment is the greater of net selling price and value in use. In assessing the value in use, the estimated future cash flows are discounted to their present values using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For an asset that does not generate largely independent cash inflows, the recoverable amount is determined for the cash-generating unit to which the asset belongs. The increase in the carrying amount of an asset attributable to a reversal of an impairment loss shall not exceed the carrying amount that would have been determined (net of amortization or depreciation) had no impairment loss been recognized for the asset in prior years. The increase is recognized in the consolidated statement of profit or loss (Note 27).

The Group management accounts returnable bottles under property, plant and equipment. Deposit obligations relating to such returnable bottles are reflected in other payables. The Group carries the liabilities related to returnable packages of Turkey Beer operation in the consolidated balance sheet, until the return of these packages from points of sales. The Group sells its products also in non-returnable bottles. For such sales, there is no deposit obligation of the Group.

Expenses for repair and maintenance of property, plant and equipment are normally charged to the statement of profit or loss. They are, however, capitalized and depreciated through the estimated useful life of the property, plant and equipment in exceptional cases if they result in an enlargement or substantial improvement of the respective assets.

Assets held under finance leases are depreciated over their expected useful lives on the same basis as owned assets. However, when there is no reasonable certainty that ownership will be obtained by the end of the lease term, assets are depreciated over the shorter of the lease term and their useful lives.

An item of property, plant and equipment is derecognized upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognized in profit or loss.

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

Summary of Significant Accounting Policies (cont'd)

2.4 Assets Used in Renting Activities

In the renting business, the ownership of the object which is subject to rent in the economic sense belongs to the renter. Assets used in renting covering motor vehicles are accounted with cost less depreciation calculated principally on a straight-line basis. Depreciation is calculated after reducing the residual value of the assets in accordance with their estimated useful lives (Note 20). The depreciable balance of assets used in renting is calculated by reducing the residual value calculated with expected market value at the end of the renting period from the cost. The residual value is the amount that is left after deducting the cost of sales at the end of the useful life of the Group. Residual values are accounted based on assumptions at the beginning. The residual values depend on the Group's extensive market conditions in the future market conditions.

Management periodically reviews if the residual values are appropriate, and in case there is a change in the value estimation, the change is recorded as a change in accounting estimate. Also vehicles used in renting which are in legal process with their lessees are subject to impairment testing.

2.5 Investment Properties

Investment properties are stated at cost less accumulated depreciation and any impairment in value. Investment properties are depreciated on a straight-line basis over the estimated useful live which is 50 years.

Investment properties are derecognized when either they have been disposed of or when the investment property is permanently withdrawn from use and no future economic benefit is expected from its disposal. Any gains or losses on the retirement or disposal of an investment property are recognized in the statement of profit or loss in the period of retirement or disposal.

Transfers are made to or from investment property only when, there is a change in use, evidenced by ending of owner-occupation, commencement of an operating lease to another party or ending of construction or development. Transfers are made from investment property when, and only when, there is a change in use, evidenced by the commencement of owner-occupation or commencement of development to sell.

2.6 Intangible Assets

(i) Goodwill and impairment of 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 an 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 recognized directly in profit or loss in the consolidated statement of profit or loss. An impairment loss recognized 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.

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

Summary of Significant Accounting Policies (cont'd)

2.6 Intangible Assets (cont'd)

(ii) Other intangible assets

Intangible assets acquired separately from a business are capitalized at cost. Intangible assets, excluding development costs, created within the business are not capitalized and expenditure is charged against profits in the period in which it is incurred.

Useful lives of intangible assets are determined as either finite or infinite.

Intangible assets are amortized on a straight line basis over the estimated useful lives. The carrying values of intangible assets are reviewed for impairment when events or changes in circumstances indicate that the carrying value may not be recoverable.

Intangible assets with indefinite useful life formed in the financial statements in accordance with purchase method, are not subject to amortization and the carrying amounts of such intangibles are reviewed for impairment at least annually and whenever there is an indication of possible impairment.

a) Brands

The brands, which belong to International Beer Operations and which are acquired as part of a business combination, are carried at their fair value and brands are separately carried at cost in the financial statements. The Group expects that the brands will generate cash inflow indefinitely and therefore are not amortized.

b) Bottlers and Distribution Agreements

Bottlers and distribution agreements include
i) Bottlers and distribution agreements that are signed with the Coca Cola Company identified in the financial statements of the subsidiaries acquired through change in scope of consolidation in 2013.
ii) "Distribution Agreements" that are signed related with various brands identified in the fair value financial statements of the subsidiaries acquired by EBI in 2012.

Since the Group management expects to renew these agreements without any additional costs after expiration, it is decided that there are no definite useful lives of such assets. The intangible assets relating to the bottlers and distribution agreements are therefore not amortized. Bottlers and distribution agreements are tested for impairment annually.

c) License Agreements

License and distribution agreements includes, the agreements that are signed related with various brands identified in the fair value financial statements of subsidiaries acquired in 2012 by EBI in the scope of consolidation. Since the Group management expects to renew these agreements without any additional costs after expiration, it is decided that there are no definite useful lives of such assets. The intangible assets relating to the bottlers and distribution agreements are therefore not amortized. License and distribution agreements are tested for impairment annually.

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

Summary of Significant Accounting Policies (cont'd)

2.6 Intangible Assets (cont'd)

(ii) Other intangible assets

d) Rights

The rights acquired as part of a business combination is carried at their fair value and if they are acquired separately, then they are carried at cost in the financial statements. Rights in the consolidated financial statements comprise mainly water sources usage rights and are amortized on a straight-line basis over 9 to 40 years.

e) Software

The cost of acquisition of new software is capitalized and treated as an intangible asset if these costs are not an integral part of the related hardware. Software is amortized on a straight-line basis over 1 to 5 years.

Derecognition of intangible assets

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

2.7 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, except that:

- Deferred tax assets or liabilities and assets or liabilities related to employee benefit arrangements are recognized and measured in accordance with TAS 12 Income Taxes and TAS 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 TFRS 2 Share-Based Payment at the acquisition date; and

- Assets (or disposal groups) that are classified as held for sale in accordance with TFRS 5 Non-Current Assets Held for Sale and Discontinued Operations are measured in accordance with that Standard.

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

Summary of Significant Accounting Policies (cont'd)

2.7 Business Combinations (cont'd)

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

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

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 remeasured 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 remeasured at subsequent reporting dates in accordance with TAS 39, or TAS 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 remeasured 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, 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.

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

Summary of Significant Accounting Policies (cont'd)

2.8 Impairment of Assets

All assets other than goodwill are tested whether there is an indication of impairment of asset or not for each periods of the balance sheet. If such an indication exists, recoverable amount of that asset is estimated. Where it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs. Where a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual cash-generating units, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

Intangible assets not yet available for use are tested for impairment annually, and whenever there is an indication that the asset may be impaired.

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognized immediately in profit or loss.

Where an impairment loss subsequently reverses, the carrying amount of the asset (cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognized for the asset (cash-generating unit) in prior years. A reversal of an impairment loss is recognized immediately in profit or loss.

2.9 Borrowing Costs

General and specific borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale. All other borrowing costs shall be recognized as an expense when incurred.

Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalization.

All other borrowing costs are recognized in profit or loss in the period in which they are incurred.

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

Summary of Significant Accounting Policies (cont'd)

2.10 Financial Instruments

The group classifies its financial assets in the following categories: at fair value through profit or loss, loans and receivables, and available for sale. The classification depends on the purpose for which the financial assets were acquired. Management determines the classification of its financial assets at initial recognition.

(a) Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss are financial assets held for trading. A financial asset is classified in this category if acquired principally for the purpose of selling in the short term. Derivatives are also categorised as held for trading unless they are designated as hedges. Assets in this category are classified as current assets if expected to be settled within 12 months, otherwise they are classified as non-current.

(b) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for maturities greater than 12 months after the end of the reporting period. These are classified as non-current assets. The group's loans and receivables comprise 'trade and other receivables' and 'cash and cash equivalents' in the balance sheet.

(c) Available-for-sale financial assets

Available-for-sale financial assets are non-derivatives that are either designated in this category or not classified in any of the other categories. They are included in non-current assets unless the investment matures or management intends to dispose of it within 12 months of the end of the reporting period.

Recognition and measurement

Regular purchases and sales of financial assets are recognised on the trade-date – the date on which the group commits to purchase or sell the asset. Investments are initially recognised at fair value plus transaction costs for all financial assets not carried at fair value through profit or loss. Financial assets carried at fair value through profit or loss are initially recognised at fair value, and transaction costs are expensed in the statement of profit or loss. Financial assets are derecognised when the rights to receive cash flows from the investments have expired or have been transferred and the group has transferred substantially all risks and rewards of ownership. Available-for-sale financial assets and financial assets at fair value through profit or loss are subsequently carried at fair value. Loans and receivables are subsequently carried at amortised cost using the effective interest method.

Gains or losses arising from changes in the fair value of the 'financial assets at fair value through profit or loss' category are presented in the statement of profit or loss within 'other (losses)/gains – net' in the period in which they arise. Dividend income from financial assets at fair value through profit or loss is recognised in the statement of profit or loss as part of other income when the group's right to receive payments is established.

Changes in the fair value of monetary and non-monetary securities classified as available for sale are recognised in other comprehensive income.

When securities classified as available for sale are sold or impaired, the accumulated fair value adjustments recognised in equity are included in the statement of profit or loss as 'Gains and losses from investment securities'.

Interest on available-for-sale securities calculated using the effective interest method is recognised in the statement of profit or loss as part of other income. Dividends on available-for-sale equity instruments are recognised in the statement of profit or loss as part of other income when the group's right to receive payments is established.

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

Summary of Significant Accounting Policies (cont'd)

2.10 Financial Instruments (cont'd)

Offsetting financial instruments

Financial assets and liabilities are offset and the net amount reported in the balance sheet when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis or realise the asset and settle the liability simultaneously. The legally enforceable right must not be contingent on future events and must be enforceable in the normal course of business and in the event of default, insolvency or bankruptcy of the company or the counterparty.

Impairment of financial assets

(a) Assets carried at amortised cost

The group assesses at the end of each reporting period whether there is objective evidence that a financial asset or group of financial assets is impaired. A financial asset or a group of financial assets is impaired and impairment losses are incurred only if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a 'loss event') and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated.

Evidence of impairment may include indications that the debtors or a group of debtors is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganisation, and where observable data indicate that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

For loans and receivables category, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. The carrying amount of the asset is reduced and the amount of the loss is recognised in the consolidated statement of profit or loss. If a loan or held-to-maturity investment has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate determined under the contract. As a practical expedient, the group may measure impairment on the basis of an instrument's fair value using an observable market price.

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 (such as an improvement in the debtor's credit rating), the reversal of the previously recognised impairment loss is recognised in the consolidated statement of profit or loss.

(b) Assets classified as available for sale

The Group assesses at the end of each reporting period whether there is objective evidence that a financial asset or a group of financial assets is impaired.

For debt securities, if any such evidence exists the cumulative loss – measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognised in profit or loss – is removed from equity and recognised in profit or loss. If, in a subsequent period, the fair value of a debt instrument classified as available for sale increases and the increase can be objectively related to an event occurring after the impairment loss was recognised in profit or loss, the impairment loss is reversed through the consolidated statement of profit or loss.

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

Summary of Significant Accounting Policies (cont'd)

2.10 Financial Instruments (cont'd)

(b) Assets classified as available for sale (cont'd)

For equity investments, a significant or prolonged decline in the fair value of the security below its cost is also evidence that the assets are impaired. If any such evidence exists the cumulative loss – measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognised in profit or loss – is removed from equity and recognized in profit or loss. Impairment losses recognised in the consolidated statement of profit or loss on equity instruments are not reversed through the consolidated statement of profit or loss.

Cash and Cash Equivalents

For the purposes of the consolidated statement of cash flows, cash and cash equivalents comprise cash at bank and in hand, deposits at the Central Bank of Turkey, which are easily convertible into cash and do not carry any material value changes, have high liquidity, with an original maturity of three months or less. The amounts paid under the reverse repurchase agreements are included in cash and cash equivalents.

Trade Receivables and Payables

Trade receivables from the supply of products and services to a buyer, are carried at net of deferred finance income. Trade receivables net of deferred finance income, which are initially recorded at original invoice amounts, are measured at amortized cost of the amounts that will be collected in the subsequent periods with the effective interest rate. Short term trade receivables which do not have a determined interest rate, when the interest accrual effect is immaterial, are measured at the original invoice values.

If the collection period for the trade receivables and trade payables is less than or equal to 1 year (or if it is longer as long as it is in the Company's normal operational cycle), these receivables and payables are classified as short-term receivables or payables. Otherwise, these are classified as long-term receivables or payables.

The Group provides allowance for doubtful receivables when there is an indication that the collections are not probable. Related provision amount is the difference between the book value of the receivable and the probable collection amount. The probable collection amount is the cash flows, including collections from guarantees, which are discounted at the effective interest rate of the original receivable.

Subsequent to provide allowance for doubtful receivable, when all or a portion of the doubtful receivable is collected, the collection is deducted from the allowance and recorded as other income.

Funds Borrowed and Borrowings

All deposits and borrowings are initially recognized at the fair value of consideration received less directly attributable transaction costs. After initial recognition interest-bearing deposits and borrowings are subsequently measured at amortized cost using the effective interest method. Gains or losses are recognized in the statement of profit or loss when the liabilities are derecognized as well as through the amortization process.

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

Summary of Significant Accounting Policies (cont'd)

2.10 Financial Instruments (cont'd)

Derivative Financial Instruments

The Group enters into transactions with derivative instruments including forwards, swaps and options in the foreign exchange and capital markets. These derivative transactions are considered as effective economic hedges under the Group's risk management policies; however since they do not qualify for hedge accounting under the specific provisions of TAS 39, they are treated as derivatives held for trading. Derivative financial instruments are initially recognized in the balance sheet at cost and subsequently are remeasured at their fair values.

Fair values are obtained from quoted market prices, to the extent publicly available, discounted cash flows and options pricing models as appropriate. All derivatives are carried as assets when fair value is positive and as liabilities when fair value is negative.

For derivatives that do not qualify for special hedge accounting, any gains or losses arising from changes in fair value are taken directly to net profit or loss for the period.

Recognition and derecognition of financial assets

The Group recognises a financial asset or a financial liability in its statement of financial position when, and only, the entity becomes a party to the contractual provisions of the instrument. The Group derecognizes a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another party. If the Group neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Group recognizes its retained interest in the asset and an associated liability for amounts it may have to pay. If the Group retains substantially all the risks and rewards of ownership of a transferred financial asset, the Group continues to recognize the financial asset and also recognizes a collateralized borrowing for the proceeds received. An entity shall remove a financial liability from its statement of financial position when, and only, the obligation specified in the contract is discharged or cancelled or expires.

2.11 Foreign Currency Transactions

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

In preparing the financial statements of the Company and its Turkish subsidiaries, transactions in currencies other than TRL (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. The foreign currency income or expenses incurred from the translation of foreign currency denominated transaction or restatement of monetary items is reflected within the statement of income in the related period.

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 are recognized in profit or loss in the period in which they arise.

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

Summary of Significant Accounting Policies (cont'd)

2.11 Foreign Currency Transactions (cont'd)

For the purpose of presenting consolidated financial statements, the assets and liabilities of the Group's foreign operations are expressed in TRL 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. Goodwill and fair value adjustments arising on the acquisition of a foreign operation are treated as assets and liabilities of the foreign operation and translated at the closing rate.

2.12 Earnings per Share

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

In Turkey, companies can raise their share capital by distributing shares ("Bonus Shares") to shareholders in their 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.

2.13 Events After the Reporting Period

Subsequent events cover all events between the balance sheet date and authorization date of balance sheet for issue even if subsequent event has occurred after any announcement about the profit or any other selected financial information made public. Those matters that do not require adjustment after the balance sheet date are disclosed in the consolidated financial statements in the event that matters affect the financial decisions of the financial statements users.

The Group; reflects the effect of such post-period-end adjusting events to the consolidated financial statements.

2.14 Provisions, Contingent Liabilities and Contingent Assets

Provisions are recognized when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. Contingent liabilities are assessed continuously to determine whether the possibility of an outflow of resources embodying economic benefits is probable. When the possibility of an outflow of resources embodying economic benefits is probable for the accounts classified as contingent liabilities, provision is provided in the financial statements for related contingent liabilities except for the situations there is not a reliable estimation.

The Group discloses the contingent liabilities that are probable but there is not a reliable estimation for the amount of resources embodying economic benefits.

Assets that result from previous events that cannot be controlled fully by the Group and depend on the realization of one or more uncertain events, is considered as a contingent asset. A contingent asset is not recognized in the financial statements but disclosed when an inflow of economic benefits is probable.

When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, the receivable is recognized as an asset if it is certain that reimbursement will be received and the amount of the receivable can be measured reliably.

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

Summary of Significant Accounting Policies (cont'd)

2.15 Leases

The Group as a Lessee

Finance Lease

Finance leases, which transfer to the Group substantially all the risks and benefits incidental to ownership of the leased item, are capitalized at the inception of the lease at the fair value of the leased property or, if lower, at the present value of the minimum lease payments. Lease payments are apportioned between the finance charges and reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are charged directly against income. Capitalized leased assets are depreciated over the estimated useful life of the asset. If there is no reasonable certainty that the lessee will obtain ownership by the end of the lease term, the asset is fully depreciated over the shorter of the lease term and its useful life.

Operating Lease

Leases where the lesser retains substantially all the risks and benefits of ownership of the asset are classified as operating leases. These include rent agreements of premises, which are cancellable subject to a period of notice. Operating lease payments are recognized as an expense in the statement of profit or loss on a straight-line basis over the lease term.

The Group as a Lessor

Operating Lease

The Group presents assets subject to operating leases in the balance sheets according to their nature. Lease income from operating leases is recognized in income on a straight-line basis over the lease term. The aggregate cost of incentives provided to lessees is recognized as a reduction of rental income over the lease term on a straight-line basis. Operating leases are amortized based on their cost after deducting their residual values.

TAS 16 "Property, Plant and Equipment", items of property, plant and equipment held for rental that are routinely sold in the ordinary course of business after rental, are transferred to inventory when rental ceases.

Sale and leaseback transaction

A sale and leaseback transaction involves the sale of an asset and the leasing back of the same asset. The lease payment and the sale price are usually interdependent because they are negotiated as a package. The accounting treatment of a sale and leaseback transaction depends upon the type of lease involved. If a sale and leaseback transaction results in a finance lease, any excess of sales proceeds over the carrying amount shall not be immediately recognised as income by a seller-lessee. The Group continues to account property, plant and equipment which are subject to sale and leaseback, with previous carrying amount as if the related sale and leaseback does not exist. The details of the related tangible assets and financial leasing liabilities are explained in detail in Note 7 and Note 13.

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

Summary of Significant Accounting Policies (cont'd)

2.16 Related Parties

Parties are considered related to the Group if;

(a) directly, or indirectly through one or more intermediaries, the party:
- (i) controls, is controlled by, or is under common control with, the Company (this includes parents, subsidiaries and fellow subsidiaries);
- (ii) has an interest in the Company that gives it significant influence over the Company; or
- (iii) has joint control over the Company;

(b) the party is an associate of the Company;
(c) the party is a joint venture in which the Company is a venture;
(d) the party is member of the key management personnel of the Company or its parent;
(e) the party is a close member of the family of any individual referred to in (a) or (d);
(f) the party is an entity that is controlled, jointly controlled or significantly influenced by, or for which significant voting power in such entity resides with, directly or indirectly, any individual referred to in (d) or (e);
(g) the party has a defined benefit plan for the employees of the Company or a related party of the Company.

Related party transactions are transfer of resources or obligations between related parties, regardless of whether a price is charged.

2.17 Segment Reporting

An operating segment is a component of the Group that engages in business activities from which it may earn revenue and incur expenses, whose operating results are regularly reviewed by the Group Management to make decisions about resources to be allocated to the segment and assess its performance, and for which discrete financial information is available.

The Group is organized and primarily managed in four principal segments: Beverage (beer and soft drinks); automotive (including passenger vehicles, commercial vehicles, generator, spare and component parts, motor vehicle renting), retailing (stationery, chain restaurant management and tourism) and other (production and sale of electricity, information technology, trade and real estate).

2.18 Government Incentives and Grants

Government grants are not recognized until there is reasonable assurance that the Group will comply with the conditions attached to such grants, and that the grants will be received. They are recognized as income over the period to match them with the related costs that they are intended to compensate. Income relating to government grants is recognized as a deduction from the appropriate expense.

(Currency – Thousands of Turkish Lira (TRL) unless otherwise indicated)

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

Summary of Significant Accounting Policies (cont'd)

2.19 Taxes

Turkish tax legislation does not permit a parent company and its subsidiary to file a consolidated tax return. Therefore, provisions for taxes 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 current income tax payable is based on taxable profit for the period. Taxable profit differs from profit as reported in the statement of profit or loss 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.

The current income tax charge is calculated in accordance with the tax laws enacted or substantively enacted at the balance sheet date in the countries where the subsidiaries and joint ventures of the Group operate.

Corporate Tax Rate of Significant Subsidiaries Located in Foreign Countries

	2017	2016
The Netherlands	**25%**	25%
Russia	**20%**	20%
Kazakhstan	**20%**	20%
Moldova	**12%**	12%
Georgia	**-**	15%
Ukraine	**18%**	18%
Azerbaijan	**20%**	20%
Kyrgyzstan	**10%**	10%
Pakistan	**31%**	32%
Iraq	**15%**	15%
Jordan	**14%**	14%
Turkmenistan	**8%**	8%
Tajikistan	**14%**	14%

Deferred Tax

Deferred tax is recognized on differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax base 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.

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.

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

Summary of Significant Accounting Policies (cont'd)

2.19 Taxes (cont'd)

Deferred Tax (cont'd)

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.

Deferred tax assets and deferred tax liabilities are offset if a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

Current Income Tax and Deferred Tax

The tax expense for the year comprises current and deferred tax. Tax is recognized in the statement of profit or loss, except to the extent that it relates to items recognized directly in equity. In such case, the tax is also recognized in equity.

2.20 Employee Termination Benefits

Defined Benefit Plan

In accordance with existing social legislation in Turkey, the Group companies operating in Turkey are required to make lump-sum termination indemnities to each employee who has completed over one year of service with the Group and whose employment is terminated due to retirement or for reasons other than resignation or misconduct.

In the consolidated financial statements, the Group has reflected a liability using the Projected Unit Credit Method and based upon estimated inflation rates and factors derived using the Group's experience of personnel terminating their services and being eligible to receive such benefits and discounted by using the current market yield at the balance sheet date on government bonds.

Also, CCBPL has gratuity fund provision as a defined benefit plan and calculated in accordance with TAS 19 ''Employee Benefits'' using actuarial works. Employee is eligible for gratuity after completing 3 years with the Company and can take his accrued gratuity amount at the time of separation from the Company or at retirement age. This provision is calculated by actuarial firm and the actuarial gain/loss accumulated on this provision is reflected to financial statements the gains/loss originated from the changes in actuarial assumptions and the fluctuations between actuarial assumptions and the actual results are reflected to other comprehensive income.

Defined Contribution Plan

The Group pays contributions to the Social Security Institution of Turkey on a mandatory basis. The Group has no further payment obligations once the contributions have been paid. The contributions are recognized as employee benefit expense when they are accrued.

Long Term Incentive Plans

The Group provides a benefit to its employees over a certain seniority level under the name "long term incentive plan". Provision for long term incentive plan accrued in consolidated financial statements reflects the discounted value of the estimated total provision of possible future liabilities until the financial statement date.

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

Summary of Significant Accounting Policies (cont'd)

2.21 Statement of Cash Flows

Cash flows during the period are classified and reported by operating, investing and financing activities in the cash flow statements.

Cash flows from operating activities represent the cash flows generated from the Group's activities.

Cash flows from investing activities represent the cash flows that are used in or provided from the investing activities of the Group (tangible and intangible assets and financial assets).

Cash flows from financing activities represent the cash proceeds from the financing activities of the Group and the repayments of these funds.

2.22 Hedge Accounting

For the purpose of hedge accounting, hedges that have been part of the Group are classified as:

- Fair value hedges when hedging the exposure to changes in the fair value of a recognized asset or liability or an unrecognized firm commitment that is attributable to a particular risk and could affect profit or loss, except for foreign currency risk.
- Cash flow hedges when hedging exposure to variability in cash flows that is either attributable to a particular risk associated with a recognized asset or liability (such as all or some future interest payments on variable rate debt) or a highly probable forecast transaction or the foreign currency risk in an unrecognized firm commitment that could affect profit or loss.

At the inception of a hedge relationship, the Group formally designates and documents the hedge relationship to which the Group wishes to apply hedge accounting and the risk management objective and strategy for undertaking the hedge. The documentation includes identification of the hedging instrument, the hedged item or transaction, the nature of the risk being hedged and how the entity will assess the effectiveness of changes in the hedging instrument's fair value in offsetting the exposure to changes in the hedged item's fair value or cash flows attributable to the hedged risk. Such hedges are expected to be highly effective in achieving offsetting changes in fair value or cash flows and are assessed on an ongoing basis to determine that they actually have been highly effective throughout the financial reporting periods for which they were designated.

For fair value hedges, the change in the fair value of a hedging instrument is recognized in the statement of consolidated income. The change in the fair value of the hedged item attributable to the risk hedged is recorded as part of the carrying value of the hedged item and is also recognized in the statement of consolidated income as part of financial income and expense. Çelik Motor, the subsidiary of the Group operates in the operational fleet rental business. Çelik Motor has contractual lease receivables in foreign currency by the nature of operational lease business. Çelik Motor, the subsidiary of the Group, foreign exchange risk management strategy is to use hedge accounting as an instrument to protect oneself against the foreign exchange risk arising from change in foreign currencies. Significant part of Çelik Motor's contractual lease receivables is denominated in EUR and USD; therefore Çelik Motor is exposed to foreign exchange risk arising from currency changes between EUR, USD and TRL. Çelik Motor finances its vehicle purchases with bank loans in EUR and USD to protect oneself from the foreign exchange risk arising from the cash flow provided from the contractual receivables from non-cancellable operational leases. Çelik Motor hedge EUR and USD currency risk arising from firm commitments to collect EUR and USD currency denominated lease receivables with loans denominated in EUR and USD.

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

Summary of Significant Accounting Policies (cont'd)

2.22 Hedge Accounting (cont'd)

For cash flow hedges, the effective portion of the gain or loss on the hedging instrument is recognized directly as other comprehensive income in the cash flow hedge reserve, while any ineffective portion is recognized immediately in the statement of consolidated income as part of financial income and expense. Amounts recognized as other comprehensive income are transferred to the statement of consolidated income when the hedged transaction affects profit or loss, such as when the hedged financial income or financial expense is recognized or when a forecast purchase occurs.

CCİ, the subsidiary of the Group has made aluminum swap and aluminum swap call option contracts in order to offset the possible losses that may arise from anticipated purchases of cans which are subject to aluminum price volatility and designates these aluminum swap transactions as hedging instruments for cash flow hedge relation against highly probable future outflows as the hedged item.

Other derivatives not designated for hedge accounting

Other derivatives not designated for hedge accounting are recognized initially at fair value; attributable transaction costs are recognized in statement of consolidated income when incurred. Subsequent to initial recognition, derivatives are measured at fair value, and changes in the fair value of such derivatives are recognized in the consolidated statement of profit or loss as part of finance income and costs.

2.23 Share Capital and Dividends

Common shares are classified as equity. Dividends on common shares are recognized in equity in the period in which they are approved and declared.

Use of Accounting Estimates and Assumptions

The preparation of the consolidated financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of balance sheet date. Actual results may vary from the current estimates. These estimates are reviewed periodically, and, as adjustments become necessary, they are reported in earnings in the periods in which they become known.

The source of the risk carrying estimates, assumptions and calculation indefinitions which may cause to significant adjustments at assets and liabilities at following periods as of balance sheet date are; actuarial assumptions used for employee termination benefits, impairment of assets and useful lives of tangibles and intangibles. These estimates and assumptions are explained at related disclosure in detail.

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

Summary of Significant Accounting Policies (cont'd)

2.23 Share Capital and Dividends (cont'd)

Goodwill impairment

The Group performs impairment test for tangible assets, intangible assets with indefinite useful life and goodwill annually or when circumstances indicate that the carrying value may be impaired. As of December 31, 2017, impairment test for the intangible assets with indefinite useful life and goodwill is generated by comparing its carrying amount with the recoverable amount. The recoverable amount is the higher of net selling price and value in use. In these calculations, estimated free cash flows before tax from financial budgets and approved by Board of Directors are used. Approved free cash flows before tax are calculated for 5 – 10 years period by using expected growth rates. Estimated free cash flows before tax are discounted to expected present value for future cash flows. Key assumptions such as country specific market growth rates, gross domestic product (GDP) per capita and consumer price indices were derived from external sources. Main estimates such as raw material and good prices, working capital requirements and capital expenditures were based on the Group's key assumptions and historical operating data.

The enterprise value used as a base for the impairment test has been calculated using cash flow projections from the strategic business plan approved by the Board of Directors. Perpetuity growth rate used in impairment test in the operating units is between 1,90% - 3,50% (December 31, 2016: between 0,86% and 3,00%) and after tax discount rate is between 7,62% and 16,40% (December 31, 2016: between 7,76% and 17,50%).

Provision for doubtful receivables

Allowance for doubtful receivables reflect the future loss that the Group anticipates to incur from the trade receivables as of the balance sheet date which is subject to collection risk considering the current economical conditions. During the impairment test for the receivables, the debtors, other than the key accounts and related parties, are assessed with their prior year performances, their credit risk in the current market, their performance after the balance sheet date up to the issuing date of the financial statements; and also the renegotiation conditions with these debtors are considered. The provision for doubtful receivables is explained in the Note 8.1.

Provisions for impairment in inventories

During the assessment of the provision for impairment in inventory the followings are considered; analyzing the inventories physically and historically, considering the employment and usefulness of the inventories respecting to the technical personnel view. Sales prices listed, average discount rates given for sale and expected cost incurred to sell are used to determine the net realizable value of the inventories. As a result of this, the inventories with the net realizable values below the costs are explained in the Note 10.

Employee termination benefit

Discount rates are determined using actuarial valuations which involve making assumptions about future salary increases and employee turnover rates. The details related with the defined benefit plans are explained in Note 17.2.

Warranty provision

Group has determined the warranty provision by considering the realized warranty expense per each product in the previous years for each product model/type and the warranty period left per each product. Group also takes into consideration the warranty expenses that can be recourse to the manufacturer along with expenses of previous years and contracts and does not make provisions for these amounts. The details related with warranty provision are explained in Note 17.3.

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

Summary of Significant Accounting Policies (cont'd)

2.23 Share Capital and Dividends (cont'd)

Carryforward tax losses subject to deferred tax calculation

Carryforward tax losses are reviewed each reporting period. Under the circumstances that a taxable income will be realized in the future, deferred tax is calculated over the temporary differences by carrying forward the deferred tax asset in the previous years and the accumulated losses (Note 30.2).

Control over Anadolu Efes

As mentioned in Note 2 "Subsidiaries" subtitle the Company has defined Anadolu Efes as a subsidiary and has control power over Anadolu Efes. If the Group management was of the opinion that 43,05% ownership ratio was not sufficient enough to provide control over the Group, Anadolu Efes should have been classified as an associate and accounted through the equity method.

Residual values of assets used in operational lease

As the residual value (the value of the vehicle at the end of the lease as estimated by The Group in advance) may differ from the actual market price at the end of the lease, this is considered to be market risk. The residual value is basically affected by external factors. Supply of second hand cars, consumer preferences, exchange rates, government policies and general economic circumstances can only be managed to a certain extent. The Group has a robust policy in place with respect to residual value risks.

Among other things, The Group manages the residual value risk by describing the roles and responsibilities in relation to the mandatory frequency of risk measurement and reporting and the minimum risk mitigation standards. Statistical models are applied to calculate the future value of a car as accurately as possible, taking country-specific factors into account. The Group has an advanced management information system, which accurately monitors the development of residual values under its lease contracts. It also monitors the residual values realized when the vehicles are sold. In addition, The Group assesses its portfolio exposure to residual values once a year, or more often depending on the size and risk profile, and considers whether there are any indications for revaluation (Note 20).

NOTE 3 - BUSINESS COMBINATIONS

Transactions for year of 2017

Migros, in line with its long-term growth strategy, signed a share sale and purchase agreement with Tesco Overseas Investments Limited (the "Seller") on June 10, 2016 to purchase approximately 95,5% of the shares of Tesco Kipa Kitle Pazarlama Ticaret Lojistik ve Gıda Sanayi A.Ş. ("Kipa") owned by the Seller. According to the share sale and purchase agreement and the latest financial statements of Kipa released on February 29, 2016, the purchase price of the said shares was TRL 302.287 as of the date of the agreement (June 10, 2016). To obtain the necessary legal permit, Migros applied to the Competition Authority on June 21, 2016 and the application was approved on February 9, 2017. According to the annual closing statement of financial position of Kipa dated on February 28, 2017, the purchase price of the shares was TRL 199.012. As of March 1, 2017 Migros has taken over the management of Kipa.

The acquisition of Kipa has been accounted for in accordance with TFRS 3, "Business Combinations". The fair value of identifiable assets and liabilities acquired within the context of the said business combination as of December 31, 2017 has been stated as a draft and these items were reported at their provisional value in summary consolidated financial statements of Migros. The period determined to carry out additions and adjustments concerning the fair value of the assets, liabilities and contingent liabilities is 12 months from the date of purchase.

Bargain purchase gain amounting to TRL 1.050.446 has been calculated in respect of the share acquisition of Kipa in accordance with TFRS 3 "Business Combinations" as a result of accounting within the scope of acquisition accounting. The Group's share of the calculated bargain purchase gain amounts to TRL 525.223 which has been recorded under gain loss from investments accounted through equity method in consolidated statements of profit or loss as of December 31, 2017.

Transactions for year of 2016

Anadolu Efes and Tarbes Tarım Ürün. ve Bes.San.Tic.A.Ş. (Tarbes) have been merged with assets and liabilities fully transferred without increasing capital as of December 30, 2016. As a result of this merger, Tarbes does not exist as of 31 December 2016. Tarbes' principal activity was providing hops (major ingredient of beer) to the breweries of Group.

NOTE 4 - SEGMENT REPORTING

The Group is organized and primarily managed in four principal segments: Beverage (beer and soft-drinks), automotive (including passenger vehicles, commercial vehicles, generator, spare and component parts, motor vehicle renting); retailing (stationery, chain restaurant management and tourism); other (production and sale of electricity, information technologies, trade and real estate).

Since segment reporting and information used in the Group management reporting is consistent with consolidated balance sheet and consolidated statement of profit or loss the Group does not need to perform reconciliation between the consolidated statement of profit or loss, consolidated balance sheet and the segment reporting disclosure.

(Currency – Thousands of Turkish Lira (TRL) unless otherwise indicated)

NOTE 4- SEGMENT REPORTING (cont'd)

December 31, 2017	Beer	Soft-Drinks	Automotive	Retailing	Other	Eliminations and Adjustments	Consolidated	Migros	Pro forma Consolidated with Migros (**)
Sales	4.446.552	8.521.251	3.334.022	980.918	116.515	(21.012)	17.378.246	15.344.047	32.196.435
Inter-segment sales	(20.675)	(105)	37.742	26.895	122.759	(166.616)	-	-	-
Total Sales	**4.425.877**	**8.521.146**	**3.371.764**	**1.007.813**	**239.274**	**(187.628)**	**17.378.246**	**15.344.047**	**32.196.435**
GROSS PROFIT(LOSS)	**2.142.633**	**2.901.314**	**560.045**	**217.871**	**116.494**	**(137.399)**	**5.800.958**	**4.081.966**	**9.835.586**
Operating expenses	(1.838.194)	(2.042.055)	(290.495)	(153.982)	(153.991)	142.267	(4.336.450)	(3.554.016)	(7.878.487)
Other operating income (expenses), net	87.841	14.761	(6.094)	(6.530)	8.552	(19.485)	79.045	(225.127)	(146.305)
Gain (loss) from the investments accounted through equity method (*)	(29.941)	(421)	(148)	(734)	167.151	-	135.907	-	(43.818)
OPERATING INCOME (LOSS)	**362.339**	**873.599**	**263.308**	**56.625**	**138.206**	**(14.617)**	**1.679.460**	**302.823**	**1.766.976**
Income (expense) from investing activities, net	(24.890)	(13.392)	1.502	(3.668)	30.338	(25.653)	(35.763)	1.092.758	922.029
Financial income (expense), net	(234.988)	(439.185)	(500.571)	(36.182)	(275.858)	(60)	(1.486.844)	(792.885)	(2.279.729)
INCOME (LOSS) BEFORE TAX FROM CONTINUING OPERATIONS	**102.461**	**421.022**	**(235.761)**	**16.775**	**(107.314)**	**(40.330)**	**156.853**	**602.696**	**409.276**
Tax (expense) income from continuing operations, net	(40.955)	(139.525)	79.170	(8.270)	55.397	2.967	(51.216)	(93.660)	(127.584)
NET INCOME (LOSS) FOR THE PERIOD FROM CONTINUING OPERATIONS	**61.506**	**281.497**	**(156.591)**	**8.505**	**(51.917)**	**(37.363)**	**105.637**	**509.036**	**281.692**
Attributable to:									
- Non-controlling interest	294	43.870	4.478	-	268	186.777	235.687	(3.670)	411.742
- Equity holders of the parent	61.212	237.627	(161.069)	8.505	(52.185)	(224.140)	(130.050)	512.706	(130.050)
Total Assets	**9.698.829**	**13.394.158**	**4.231.944**	**592.138**	**4.722.001**	**5.428.313**	**38.067.383**	**10.302.675**	**46.036.002**
Total Liabilities	**4.714.693**	**7.954.565**	**3.831.220**	**352.241**	**2.619.890**	**1.167.712**	**20.640.321**	**8.775.527**	**29.120.283**
Net debt	**912.514**	**2.098.769**	**3.024.758**	**157.528**	**2.010.693**	**(3)**	**8.204.259**	**2.284.498**	**10.488.758**
Purchases of tangible & intangible assets, assets used in renting activities and investment property	336.768	499.289	1.302.820	36.704	6.014	-	2.181.595	399.222	2.580.817
EBITDA	**834.161**	**1.378.718**	**365.418**	**90.789**	**1.586**	**(281)**	**2.670.391**	**871.902**	**3.506.711**
- Depreciation and amortization	420.378	497.250	96.776	29.257	29.835	14.341	1.087.837	269.956	1.357.793
- Provision for employee termination benefits	8.118	14.679	5.446	3.948	1.873	15	34.079	59.102	93.181
- Provision for vacation pay liability	4.261	(1.461)	763	(554)	(283)	(16)	2.710	14.894	17.604
- Other	9.124	(5.770)	(1.023)	779	(894)	(4)	2.212	225.127	227.339

(*) Loss recognized from Anadolu Etap which is accounted through equity method amounting TRL 29.941 is recorded under 'beer' segment; loss recognized from SSDSD amounting TRL 421 is recorded under 'soft-drinks' segment; loss recognized from Anadolu Landini amounting TRL 148 is recorded under 'automotive' segment; loss recognized from Aslancık amounting TRL 12.574 and income recognized from Migros amounting TRL 179.725 are recorded under 'other' segment; loss recognized from LLC Faber - Castell Anadolu amounting TRL 734 is recorded under 'retailing' segment.

(**) "Business Partnership Agreement" executed between the Group and Moonlight Capital S.A, the other shareholder of Migros" in connection with the management of Migros is expected to be expired at latest April 30, 2019 starting from which it is expected to have control over Migros and fully consolidation shall be possible in financial statements. "Pro forma Consolidated with Migros" that is presented for indicative purposes shows fully consolidated financial results of Migros as of December 31, 2017.

(Currency – Thousands of Turkish Lira (TRL) unless otherwise indicated)

NOTE 4 - SEGMENT REPORTING (cont'd)

December 31, 2016	Beer	Soft-Drinks	Automobile	Retailing	Other	Eliminations and Adjustments	Consolidated	Migros	Pro forma Consolidated with Migros (**)
Sales	3.386.479	7.050.337	2.790.033	850.220	89.448	(16.586)	14.149.931	11.059.224	24.793.304
Inter-segment sales	(16.375)	(92)	31.263	15.903	117.035	(147.734)	-	-	-
Total Sales	3.370.104	7.050.245	2.821.296	866.123	206.483	(164.320)	14.149.931	11.059.224	24.793.304
GROSS PROFIT(LOSS)	1.708.092	2.392.480	423.344	184.282	80.862	(126.294)	4.662.766	2.952.557	7.594.552
Operating Expenses	(1.476.965)	(1.763.525)	(240.542)	(137.824)	(135.117)	121.781	(3.632.192)	(2.525.027)	(6.152.467)
Other operating income (expenses), net	83.604	11.790	(18.920)	(7.116)	(10.053)	(10.619)	48.686	(96.360)	(47.678)
Gain (loss) from the investments accounted through equity method (*)	(22.354)	(1.176)	-	161	(157.322)	-	(180.691)	-	(36.814)
OPERATING INCOME (LOSS)	292.377	639.569	163.882	39.503	(221.630)	(15.132)	898.569	331.170	1.357.593
Income (expense) from investing activities, net	32.901	(78.973)	807	(1.667)	380.572	(14.777)	318.863	(43.056)	308.552
Financial income (expense), net	(312.322)	(489.830)	(360.059)	(36.063)	(377.304)	-	(1.575.578)	(524.210)	(2.099.788)
INCOME (LOSS) BEFORE TAX FROM CONTINUING OPERATIONS	12.956	70.766	(195.370)	1.773	(218.362)	(29.909)	(358.146)	(236.096)	(433.643)
Tax (expense) income from continuing operations, net	(47.774)	(48.375)	38.749	(12.975)	14.389	3.128	(52.858)	(64.010)	(121.194)
NET INCOME (LOSS) FOR THE PERIOD FROM CONTINUING OPERATIONS	(34.818)	22.391	(156.621)	(11.202)	(203.973)	(26.781)	(411.004)	(300.106)	(554.837)
Attributable to:									
- Non-controlling interest	307	50.785	(4.753)	-	(3.904)	(77.393)	(34.958)	51	(178.791)
- Equity holders of the parent	(35.125)	(28.394)	(151.868)	(11.202)	(200.069)	50.612	(376.046)	(300.157)	(376.046)
Total Assets	8.717.139	10.455.946	3.572.179	535.771	4.824.302	4.881.623	32.986.960	6.276.726	38.216.961
Total Liabilities	4.154.738	5.458.999	3.010.171	287.488	1.864.079	1.517.765	16.293.240	6.084.113	22.273.011
Net debt	1.133.975	2.293.002	2.292.828	145.898	1.056.714	(4)	6.922.413	1.806.880	8.729.293
Purchases of tangible & intangible assets, purchases of assets used in renting activities, investment property	247.392	517.063	1.336.707	18.072	4.965	-	2.124.199	297.207	2.421.406
EBITDA	675.911	1.092.858	260.286	74.195	(31.516)	372	2.072.106	677.392	2.733.475
- Depreciation and amortization	350.966	424.188	84.420	28.737	31.772	15.505	935.588	199.516	1.135.104
- Provision for employee termination benefits	7.617	12.449	1.912	5.136	978	4	28.096	33.211	61.307
- Provision for vacation pay liability	7.596	2.228	100	(283)	42	84	9.767	17.135	26.902
- Other	(4.999)	13.248	9.972	1.263	-	(89)	19.395	96.360	115.755

(*) Loss recognized from Anadolu Etap which is accounted through equity method amounting TRL 22.354 is recorded under 'beer' segment; loss recognized from SSDSD amounting TRL 1.176 is recorded under 'soft-drinks' segment; income recognized from Alternatifbank A.Ş. ("ABank") and Ana Gıda amounting TRL 1.444 and loss recognized from Aslancık and Migros amounting TRL 158.766 are recorded under 'other' segment; income recognized from LLC Faber-Castel Anadolu amounting TRL 161 is recorded under 'retailing' segment.

(**) "Business Partnership Agreement" executed between the Group and Moonlight Capital S.A, the other shareholder of Migros" in connection with the management of Migros is expected to be expired at latest 30 April 2019 starting from which it is expected to have control over Migros and fully consolidation shall be possible in financial statements. "Pro forma Consolidated with Migros" that is presented for indicative purposes shows fully consolidated financial results of Migros as of December 31, 2016.

(Currency – Thousands of Turkish Lira (TRL) unless otherwise indicated)

NOTE 5 - CASH AND CASH EQUIVALENTS

The details of cash and cash equivalents are as follows:

	December 31, 2017	December 31, 2016
Cash	**9.434**	6.140
Time deposit	**5.085.203**	2.591.199
Demand deposit	**548.723**	630.685
Other cash and cash equivalents (*)	**146.160**	57.046
Cash and cash equivalents in the consolidated cash flow statement	**5.789.520**	3.285.070
Interest income accruals	**10.795**	6.224
	5.800.315	3.291.294

(*) Other liquid assets consist of credit card receivables with less than 3 months maturity, checks in collection and direct billing system (DBS) balances.

As of December 31, 2017, annual interest rates of the TRL denominated time deposits vary between 7,00% and 15,50% (December 31, 2016 - 6,00% - 12,00%) and annual interest rates of the USD and, EUR, denominated and other time deposits vary between 0,02% and 8,75% (December 31, 2016- annual interest rates of the USD and, EUR denominated and other time deposits vary between 0,10% - 14,15%).

As of December 31, 2017, there is no cash deposit pledged as collateral or no restricted deposit by the Group (December 31, 2016 - None).

As of December 31, 2017, the Group has designated its bank deposits amounting to TRL 884.724, equivalent of thousand USD 215.230 and thousand EURO 15.855 for the future raw material purchases, operational and interest expense related payments (December 31, 2016: TRL 731.323, equivalent of thousand USD 182.243, thousand EUR 21.062, and thousand Russian Ruble (RUR) 204.035).

NOTE 6 – FINANCIAL INVESTMENTS

	December 31, 2017		December 31, 2016	
	Amount	**Effective interest rate (%)**	Amount	Effective interest rate (%)
Time deposits	**88.588**	-	11.036	-
Credit card receivables	**14.211**	-	8.031	-
Investment fund	**5.147**	-	937	-
Shares listed on the BIST	**-**	-	483	-
- Oden (*)	**-**	-	26.235	50%
- Other	**342**	-	342	-
	108.288		47.064	

As of December 31, 2017 time deposits with maturities over 3 months made for 31 and 300 days period, are denominated in USD and KZT and interest rates are 1,00% and 9,50% respectively (December 31,2016: USD and KZT, 206 and 262 days, 2% - 10%).

(*) A new company named Özilhan Turizm Yatırım Ticaret A.Ş. has been incorporated upon partial division of Özilhan Sınai Yatırım A.Ş on June 30, 2017 and as a result of partial division Oden shares have moved to the newly established Özilhan Turizm Yatırım Ticaret A.Ş. The Group does not hold any shares in Oden as of December 31, 2017.

(Currency – Thousands of Turkish Lira (TRL) unless otherwise indicated)

NOTE 7 - BORROWINGS

	December 31, 2017	December 31, 2016
Bank borrowings	**1.488.820**	878.182
Current portion of long term borrowings	**4.141.615**	1.296.472
Financial leasing payables	**48.001**	9.390
Short term borrowings	**5.678.436**	2.184.044
Bank borrowings	**8.206.059**	8.026.100
Financial leasing payables	**228.025**	24.050
Long term borrowings	**8.434.084**	8.050.150
Total borrowings	**14.112.520**	10.234.194

Some of the Group's borrowings are subject to covenants. According to the mentioned provisions, certain performance criteria have to be fulfilled by the Group. As of December 2017 and 2016 performance criterias have been fulfilled.

Lessee - Finance Lease

The properties acquired by the Group through financial leasing consist of land, buildings, machinery and equipment, motor vehicles and furniture and fixtures. The terms of the lease agreements generally range from 3 to 25 years, and there are options to renew the agreements in various markets.

Net book value of property, plant and equipment obtained by financial leasing of the Group is TRL 50.345 (December 31, 2016: TRL 41.251). Sale and leaseback process have been applied for the property, plant and equipment amounting TRL 49.239 (December 31, 2016: TRL 37.380) acquired by financial leasing in 2017. The Group has continued to record these tangible assets based on previous net book values assuming no leaseback transactions.

The movement of borrowings as of December 31, 2017 is as follows:

	December 31, 2017
Opening balance	**10.234.194**
Interest expense	**623.220**
Interest paid	**(562.768)**
Proceeds from borrowings	**9.413.633**
Repayments of borrowings	**(6.979.856)**
Foreign exchange gain (loss), net	**1.372.713**
Capitalised interest	**11.384**
Closing balance	**14.112.520**

(Currency – Thousands of Turkish Lira (TRL) unless otherwise indicated)

NOTE 7 - BORROWINGS (cont'd)

	December 31, 2017			December 31, 2016		
Short term	**Amount**	**Fixed interest rate**	**Floating interest rate**	Amount	Fixed interest rate	Floating interest rate
Borrowing in Turkish Lira	**1.263.531**	**12,6% - 16,8%**	**TRLibor +2,50%**	695.545	6,6% - 15,0%	-
Borrowing in foreign currency (EUR)	**1.863.506**	**1,8% - 4,4%**	**Euribor + (0,8%-5,1%)**	1.048.970	2,2% - 4,9%	Euribor + (0,8%-4,4%)
Borrowing in foreign currency (USD)	**2.438.077**	**3,4% - 6,6%**	**Libor + (1,0% - 5,0%)**	314.575	3,4% - 6,8%	Libor + (2,0% - 4,4%)
Borrowing in foreign currency (Other)	**65.322**	**6,0%**	**Kibor + (0,2%-0,5%)**	115.564	6,0% - 8,8%	Kibor + (0,3%-0,5%)
Financial leasing payables in Turkish Lira	**23.706**	**13,0% - 14,1%**	**-**	9.390	11,5% - 13,6%	-
Financial leasing payables in foreign currency (EUR)	**22.702**	**3,7%**	**-**	-	-	-
Financial leasing payables in foreign currency (Other)	**1.592**	**-**	**-**	-	-	-
	5.678.436			2.184.044		
Long term	**Amount**	**Fixed interest rate**	**Floating interest rate**	Amount	Fixed interest rate	Floating interest rate
Borrowing in Turkish Lira	**371.602**	**13,3% - 17,0%**	**-**	35.000	12,6%	-
Borrowing in foreign currency (EUR)	**2.571.675**	**1,1% - 3,8%**	**Euribor + (1,5%-5,1%)**	2.625.356	2,4% - 4,4%	Euribor + (0,8%-5,1%)
Borrowing in foreign currency (USD)	**5.243.379**	**3,4% - 4,5%**	**Libor + (3,9% - 5,0%)**	5.340.342	3,4% - 4,8%	Libor + (2,0% - 4,4%)
Borrowing in foreign currency (Other)	**19.403**	**6,0%**	**-**	25.402	6,0%	-
Financial leasing payables in Turkish Lira	**134.003**	**13,0% - 14,1%**	**-**	24.050	11,5% - 12,6%	-
Financial leasing payables in foreign currency (EUR)	**90.298**	**3,7%**	**-**	-	-	-
Financial leasing payables in foreign currency (Other)	**3.724**	**-**	**-**	-	-	-
	8.434.084			8.050.150		
	14.112.520			10.234.194		

Repayments schedules of long-term borrowings are as follows:

	December 31, 2017	December 31, 2016
1-2 years	**2.166.793**	3.479.466
2-3 years	**795.515**	1.419.775
3-4 years	**613.950**	641.754
4-5 years	**2.071.645**	71.378
5 years and more	**2.786.181**	2.437.777
	8.434.084	8.050.150

(Currency – Thousands of Turkish Lira (TRL) unless otherwise indicated)

NOTE 8 - TRADE RECEIVABLES AND TRADE PAYABLES

8.1 Trade Receivables, Third Parties

	December 31, 2017	December 31, 2016
Trade receivables	**1.943.553**	1.680.654
Post-dated cheques and notes receivables	**175.986**	151.728
Less: provision for doubtful trade receivables	**(69.925)**	(48.982)
	2.049.614	1.783.400

As of December 31, 2017, the Group has long term trade receivables from third parties amounting to TRL 5.851 (December 31, 2016: TRL 11.235).

Movement of provision for doubtful trade receivables is as follows:

	December 31, 2017	December 31, 2016
Balance at January 1	**48.982**	42.165
Provisions (Note 26.2)	**25.246**	8.114
Reversal of provision (including collections)	**(4.265)**	(4.980)
Write-off from doubtful receivables	**(1.383)**	(640)
Currency translation differences	**1.345**	4.323
Balance at the end of the period	**69.925**	48.982

The total minimum collection of the receivables from non-cancelable operational leases of Çelik Motor and AND Anadolu Gayrimenkul, subsidiaries of the Group for subsequent periods are as follows:

	December 31, 2017	December 31, 2016
- Less than a year	**398.688**	368.073
- Between one and five years	**363.820**	305.243
- More than five years	**29.933**	22.078
	792.441	695.394

8.2 Trade Payables, Third Parties

	December 31, 2017	December 31, 2016
Short-term trade payables	**2.230.878**	1.788.250
Long-term trade payables	**35.180**	26.425
	2.266.058	1.814.675

(Currency – Thousands of Turkish Lira (TRL) unless otherwise indicated)

NOTE 9 - OTHER RECEIVABLES AND PAYABLES

9.1 Other Short Term Receivables, Third Parties

	December 31, 2017	December 31, 2016
Receivables from tax office	**21.673**	20.891
Due from personnel	**15.653**	17.981
Deposits and guarantees given	**10.833**	7.123
Other	**59.795**	69.000
	107.954	114.995

9.2 Other Long Term Receivables, Third Parties

	December 31, 2017	December 31, 2016
Deposits and guarantees given	**22.763**	13.947
Other	**2.919**	3.495
	25.682	17.442

9.3 Other Short Term Payables, Third Parties

	December 31, 2017	December 31, 2016
Taxes payable	**670.638**	503.877
Deposits and guarantees taken	**204.491**	176.668
Other	**7.683**	5.407
	882.812	685.952

As of December 31, 2017 the non-current portion of other payables to third parties consist of deposits and guarantees taken amounting TRL 349.032 (December 31, 2016: TRL 303.012).

(Currency – Thousands of Turkish Lira (TRL) unless otherwise indicated)

NOTE 10 – INVENTORIES

	December 31, 2017	December 31, 2016
Raw materials	**534.013**	480.383
Work-in-process	**120.186**	100.075
Finished and trade goods	**877.610**	612.934
Packaging materials	**119.394**	107.559
Bottles and cases	**59.223**	61.789
Supplies	**120.401**	105.185
Ongoing real estate projects (*)	**225.058**	62.025
Other inventories	**98.042**	79.973
Provisions for impairment (-)	**(31.530)**	(20.660)
	2.122.397	1.589.263

(*) Balance is related to the ongoing housing project of Kartal Gayrimenkul, a subsidiary of the Company which is operating in real estate development business located in Kartal district of İstanbul province and the housing project of AND Ankara Gayrimenkul, a subsidiary of the Company which is operating in real estate development business located in Çankaya district of Ankara province and it includes capitalized financial expense amounting TRL 23.584 in total of which TRL 11.384 belongs to January 1 – December 31, 2017 (December 31, 2016: TRL 12.200)

The movement of provision for impairment in inventories is as follows:

	December 31, 2017	December 31, 2016
Balance at January 1	**20.660**	20.421
Provision	**16.651**	8.461
Provisions no longer required	**(3.070)**	(7.667)
Inventories written-off (-)	**(3.239)**	(3.086)
Currency translation differences	**528**	2.531
Balance at the end of the period	**31.530**	20.660

(Currency – Thousands of Turkish Lira (TRL) unless otherwise indicated)

NOTE 11 - INVESTMENTS ACCOUNTED THROUGH EQUITY METHOD

Associates

	January 1 - December 31, 2017	January 1 - December 31, 2016
Entity	**Group's interest in net income/(loss)**	
ABank (*)	-	537
	-	537

(*) Based on the shareholders agreement concluded on July 18, 2013 with The Commercial Bank of Qatar ("CBQ"), the Group which has 25% share in ABank, has collected total sales price of USD 224.913.332 (full USD) on December 19, 2016 based on use of its option to sell shares. Therefore the sale option has been completed and the Group does not have any shares in ABank. "Gain from sales of an associate" amounting TRL 344.186 resulting from the sale of the related associate shares has been presented under "Income from Investing Activities" in the consolidated statements of profit or loss (Note 27.1).

Summary financial information of ABank, which used to be an associate of the Group is as follows:

Summary Statement of Profit or Loss:	ABank
	December 31, 2016
Interest, fee and commission income	1.181.363
Net income	2.152
Non-controlling interests	2
Equity holders of the parent	2.150
Group's share in net income	537

The movement of carrying value of ABank which used to be an associate of the Group in the consolidated financial statements as of December 31, 2016 is as follows:

	December 31, 2016
Balance at January 1	400.281
Capital increase	37.500
Group's share in net income	537
Group's share in revaluation funds	(34.427)
Group's share in remeasurement	(441)
Disposals through sale of an associate	(403.450)
Balance at the end of the period	-

(Currency – Thousands of Turkish Lira (TRL) unless otherwise indicated)

NOTE 11 - INVESTMENTS ACCOUNTED THROUGH EQUITY METHOD (cont'd)

Joint Ventures

			December 31, 2017		December 31, 2016	
Entity	**Principle activities**	**Country**	**Carrying value**	**Effective shareholding and voting rights (%)**	Carrying value	Effective shareholding and voting rights (%)
Migros (*)	Sales of food and drinks along with durable goods	Turkey	**2.297.857**	**50,00**	2.104.941	50,00
Anadolu Landini Traktör Üretim ve Pazarlama A.Ş. (Anadolu Landini) (***)	Tractor production	Turkey	**1.603**	**50,00**	-	-
Aslancık	Production of electricity	Turkey	**(13.266)**	**33,33**	(692)	33,33
LLC Faber-Castell Anadolu	Trading of all kinds of stationery	Russia	**667**	**28,44**	1.294	28,44
Anadolu Etap Penkon Gıda ve Tarım Ürünleri San. ve Tic. A.Ş. (Anadolu Etap)	Production and sale of fruit juice concentrate and puree and sales of fresh fruit	Turkey	**46.309**	**14,35**	58.406	14,35
Syrian Soft Drink Sales & Dist. LLC (SSDSD)	Distribution and sales of Coca-Cola products	Syria	**-**	**10,82**	-	10,82
Ana Gıda (**)	Production and marketing of olive oil, sunflower and corn oil under Kırlangıç, Komili and Madra Brands	Turkey	-	-	33.977	55,25
			2.333.170		2.197.926	

	January 1 - December 31, 2017	January 1 - December 31, 2016
Entity	**Group's interest in net income/ (loss)**	
Migros (*)	**179.725**	(143.877)
Anadolu Landini (***)	**(148)**	-
Aslancık	**(12.574)**	(14.889)
LLC Faber-Castell Anadolu	**(734)**	161
Anadolu Etap	**(29.941)**	(22.354)
SSDSD	**(421)**	(1.176)
Ana Gıda (**)	**-**	907
	135.907	(181.228)

(*) Shares of Migros are currently quoted in BİST.
(**) The sale of the Group's 55,25% shares in Ana Gıda to Koninklijke Bunge B.V. has been completed on February 21, 2017 and the share sale proceeds of TRL 55.622 was received in cash and gain on sales of joint venture amounting to TRL 21.280 was realized (Note 27.1). Currently, the Group does not hold any shares in Ana Gıda .
(***) A new company named "Anadolu Landini Traktör Üretim ve Pazarlama A.Ş." was established on November 16, 2017 in order to produce Landini branded domestic tractor. 50% share of the Company belongs to Anadolu Motor and 50% share belongs to Argo Tractors S.P.A.

(Currency – Thousands of Turkish Lira (TRL) unless otherwise indicated)

NOTE 11 - INVESTMENTS ACCOUNTED THROUGH EQUITY METHOD (cont'd)

Joint Ventures (cont'd)

Summary financial information of the Group's investment in joint venture Migros is as follows:

	December 31, 2017	December 31, 2016
Migros		
Current Assets	3.776.275	2.471.347
Non-Current Assets	6.526.400	3.805.379
Total Assets	**10.302.675**	6.276.726
Short-Term Borrowings	1.038.037	340.525
Other Current Liabilities	4.478.059	2.980.235
Long-Term Borrowings	2.874.437	2.623.011
Other Non-Current Liabilities	384.994	140.342
Total Liabilities	**8.775.527**	6.084.113
Net Assets	**1.527.148**	192.613
Attributable to:		
Non-controlling interests	56.654	820
Net assets of the equity holders of the parent	**1.470.494**	191.793
Group's share in net assets	**2.297.857**	2.104.941

	December 31, 2017	December 31, 2016
Revenue	**15.344.047**	11.059.224
Net profit / (loss)	509.036	(300.106)
Non-controlling interests	(3.670)	51
Equity holders of the parent	**512.706**	(300.157)
Acquisition accounting and fair value adjustments	(153.256)	12.404
Net profit / loss per consolidation	**359.450**	(287.753)
Group's share in net income/(loss)	**179.725**	(143.877)

The movement of carrying value of the joint venture Migros in the consolidated financial statements as of December 31, 2017 and 2016 is as follows:

	December 31, 2017	December 31, 2016
Balance at the beginning of the period	**2.104.941**	2.238.866
Group's share in net income / (loss) (*)	**179.725**	(143.877)
Group's share in currency translation differences	**12.943**	10.367
Group's share in remeasurement funds	**248**	(415)
Balance at the end of the period	**2.297.857**	2.104.941

(*) Bargain purchase gain amounting to TRL 1.050.446 has been calculated in respect of Migros, a joint venture of the Group acquiring shares of Kipa as mentioned in Note 3 in accordance with TFRS 3 "Business Combinations" as a result of accounting within the scope of acquisition accounting. The Group's share of the calculated bargain purchase gain amounts to TRL 525.223 which has been reflected in the consolidated financial statements as of December 31, 2017.

(Currency – Thousands of Turkish Lira (TRL) unless otherwise indicated)

NOTE 11 - INVESTMENTS ACCOUNTED THROUGH EQUITY METHOD (cont'd)

Joint Ventures (cont'd)

Summary financial information of the Group's investment in joint venture Aslancık is as follows:

	December 31, 2017	December 31, 2016
Aslancık		
Total Assets	**454.386**	465.905
Total Liabilities	**490.579**	464.372
Net Assets	**(36.193)**	1.533
Fair value adjustment	**(3.523)**	(3.609)
Net assets included in consolidation	**(39.716)**	(2.076)
Group's share in net assets	**(13.266)**	(692)

	December 31, 2017	December 31, 2016
Revenue	**82.612**	102.689
Net loss	**(37.726)**	(44.673)
Group's share in net loss of the joint venture	**(12.574)**	(14.889)

Summary financial information of the Group's investment in joint venture LLC Faber-Castell Anadolu is as follows:

	December 31, 2017	December 31, 2016
LLC Faber-Castell Anadolu		
Total Assets	**10.782**	9.982
Total Liabilities	**9.448**	7.395
Net Assets	**1.334**	2.587
Group's share in net assets	**667**	1.294

	December 31, 2017	December 31, 2016
Revenue	**18.888**	14.724
Net (loss)/income	**(1.468)**	322
Group's share in net (loss)/gain of the joint venture	**(734)**	161

Summary financial information of the Group's investment in joint venture Anadolu Etap is as follows:

	December 31, 2017	December 31, 2016
Anadolu Etap		
Total Assets	**1.212.852**	867.663
Total Liabilities	**1.073.925**	692.445
Net Assets	**138.927**	175.218
Group's share in net assets	**46.309**	58.406

	December 31, 2017	December 31, 2016
Net loss	**(89.823)**	(67.062)
Group's share in net loss of the joint venture	**(29.941)**	(22.354)

(Currency – Thousands of Turkish Lira (TRL) unless otherwise indicated)

NOTE 11 - INVESTMENTS ACCOUNTED THROUGH EQUITY METHOD (cont'd)

Joint Ventures (cont'd)

Summary financial information of the Group's investment in joint venture Ana Gıda is as follows:

	December 31, 2016
Ana Gıda	
Total Assets	187.130
Total Liabilities	118.189
Net Assets	68.941
Group's share in net assets	33.977

	December 31, 2016
Revenue	322.792
Net income	1.641
Group's share in net income of the joint venture	907

(Currency – Thousands of Turkish Lira (TRL) unless otherwise indicated)

NOTE 12 - INVESTMENT PROPERTY

	December 31, 2017	December 31, 2016
Cost		
Balance as of January 1	**405.137**	364.533
Additions	**294**	376
Disposals (-) (**)	**(20.728)**	(14.116)
Currency translation differences	**21.354**	53.460
Transfers (*)	**(664)**	884
Balance as of December 31	**405.393**	405.137
Accumulated depreciation		
Balance as of January 1	**82.643**	58.317
Depreciation charge for the period (***)	**7.939**	8.192
Disposals (-)	**(2.578)**	(6.997)
Currency translation differences	**9.448**	23.131
Balance as of December 31	**97.452**	82.643
Net book value	**307.941**	322.494

(*) AND Ankara Gayrimenkul, a subsidiary of the Group signed a Revenue Sharing in Return for Land Agreement with Anagün İnşaat A.Ş. on November 2, 2017 in order to develop a project composed of commercial areas. As of December 31, 2017 investment property of AND Ankara Gayrimenkul amounting TRL 664 is transferred to inventories (As of December 31, 2016 TRL 869 of PP&E and TRL 15 of intangible assets have been transferred to investment properties.)

(**) As of December 31, 2017 disposals arose due to sale of a portion of investment property of AEH, which is subject to merger located in Şişli and sale of a portion of AND Anadolu Gayrimenkul's investment property.

(***) As of December 31, 2017 TRL 4.081 (December 31, 2016: TRL 5.123) of the depreciation expenses has been added to cost of sales, TRL 3.517 (December 31, 2016: TRL 2.707) has been added to other expenses and TRL 341 (December 31, 2016: TRL 362) has been added to general administrative expenses.

As of a result of valuation, the fair values of the investment properties are calculated as TRL 750.059 as of December 31, 2017.

As at 31 December 2017, there are mortgages on investment property amounting TRL 384.491 (December 31, 2016: TRL 347.413) for the loans that AND Anadolu Gayrimenkul, the subsidiary of the Group, has borrowed. The GPM position table of the "Commitments" note includes this amount (Note 18).

(Currency – Thousands of Turkish Lira (TRL) unless otherwise indicated)

NOTE 13 - PROPERTY, PLANT AND EQUIPMENT (PP&E)

Movements of property, plant and equipment for the year ended on December 31, 2017 are as follows:

	Land and land improvements	Buildings	Machinery and equipment	Motor vehicles	Furniture and fixtures	Other tangible assets	Leasehold improvements	Construction in progress	Total
Cost									
January 1, 2017	**679.040**	**2.862.336**	**6.686.200**	**209.633**	**1.227.321**	**1.826.547**	**154.837**	**240.508**	**13.886.422**
Additions	**11.876**	**16.583**	**145.825**	**18.097**	**160.339**	**222.347**	**12.355**	**309.465**	**896.887**
Disposals (-)	**(4.042)**	**(1.755)**	**(216.506)**	**(41.585)**	**(39.134)**	**(181.978)**	**(5.822)**	**(38)**	**(490.860)**
Currency translation differences	**23.773**	**176.876**	**427.579**	**15.343**	**5.889**	**82.580**	**6.119**	**17.763**	**755.922**
Transfers (*)	**5.726**	**65.230**	**217.683**	**2.524**	**17.508**	**55.863**	**6.594**	**(389.301)**	**(18.173)**
December 31, 2017	**716.373**	**3.119.270**	**7.260.781**	**204.012**	**1.371.923**	**2.005.359**	**174.083**	**178.397**	**15.030.198**
Accumulated depreciation									
January 1, 2017	**91.558**	**576.400**	**3.157.158**	**101.252**	**852.182**	**874.445**	**78.500**	**-**	**5.731.495**
Depreciation charge for the period (**)	**10.528**	**93.237**	**403.682**	**27.693**	**143.288**	**280.631**	**14.855**	**-**	**973.914**
Disposals (-)	**(3.313)**	**(138)**	**(205.191)**	**(33.188)**	**(33.965)**	**(171.238)**	**(2.013)**	**-**	**(449.046)**
Currency translation differences	**6.603**	**36.587**	**230.632**	**9.386**	**2.991**	**53.697**	**1.731**	**-**	**341.627**
Transfers (*)	**-**	**-**	**-**	**73**	**-**	**-**	**-**	**-**	**73**
Impairment / (impairment reversal), net	**-**	**20.303**	**38.885**	**442**	**-**	**13.196**	**-**	**2.721**	**75.547**
December 31, 2017	**105.376**	**726.389**	**3.625.166**	**105.658**	**964.496**	**1.050.731**	**93.073**	**2.721**	**6.673.610**
Net carrying amount	**610.997**	**2.392.881**	**3.635.615**	**98.354**	**407.427**	**954.628**	**81.010**	**175.676**	**8.356.588**

(*) TRL 18.356 of PP&E is transferred to rights under intangible assets, TRL 110 of current assets used in renting activities is transferred to motor vehicles under PP&E.
(**) TRL 570.121 of depreciation expenses has been added to cost of sales, TRL 328.354 to marketing expenses, TRL 59.512 to general administrative expenses, TRL 12.356 to other expenses and TRL 484 to research and development expenses. Depreciation amounting TRL 1.808 is related to inventories and TRL 1.279 is related to construction in progress.

As at 31 December 2017, there are mortgages on PP&E amounting TRL 104.763 (December 31, 2016: TRL 102.435) for the loans that CCİ and GUE, the Group's subsidiaries borrowed. As at 31 December 2017, TRL 398.335 of the PP&E is pledged (December 31, 2016: TRL 378.442) for the loans that GUE, the Group's subsidiary borrowed.The GPM position table of the "Commitments" note includes this amount (Note 18).

Çelik Motor and Adel, subsidiaries of the Group, have signed a sales and lease back agreement for property, plant and equipment amounting TRL 49.239 and continued to record these PP&Es by previous net book values assuming no leaseback transactions (December 31, 2016: Adel – TRL 37.780, Çelik Motor - none).

(Currency – Thousands of Turkish Lira (TRL) unless otherwise indicated)

NOTE 13 - PROPERTY, PLANT AND EQUIPMENT (PP&E)

Movements of property, plant and equipment for the year ended on December 31, 2016 are as follows:

	Land and land improvements	Buildings	Machinery and equipment	Motor vehicles	Furniture and fixtures	Other tangible assets	Leasehold improvements	Construction in progress	Total
Cost									
January 1, 2016	560.992	2.287.599	5.503.898	181.775	1.087.019	1.473.237	168.167	307.533	11.570.220
Additions	9.920	26.021	155.901	14.289	131.492	183.200	1.414	249.372	771.609
Disposals (-)	(79)	(753)	(144.990)	(31.868)	(21.567)	(137.323)	(13.485)	(256)	(350.321)
Currency translation differences	69.696	411.003	1.060.693	41.326	12.092	276.623	418	29.712	1.901.563
Transfers (*)	38.511	138.466	110.698	4.111	18.285	30.810	(1.677)	(345.853)	(6.649)
December 31, 2016	679.040	2.862.336	6.686.200	209.633	1.227.321	1.826.547	154.837	240.508	13.886.422
Accumulated depreciation									
January 1, 2016	69.215	432.893	2.434.309	74.750	736.535	577.597	68.393	-	4.393.692
Depreciation charge for the period (**)	9.624	73.813	334.461	26.466	129.270	252.067	13.982	-	839.683
Disposals (-)	(53)	(220)	(134.111)	(24.720)	(19.411)	(131.143)	(4.293)	-	(313.951)
Currency translation differences	12.772	69.914	505.897	24.846	5.795	163.037	418	-	782.679
Impairment / (impairment reversal), net	-	-	15.397	24	-	12.887	-	-	28.308
Transfers (*)	-	-	1.205	(114)	(7)	-	-	-	1.084
December 31, 2016	91.558	576.400	3.157.158	101.252	852.182	874.445	78.500	-	5.731.495
Net carrying amount	587.482	2.285.936	3.529.042	108.381	375.139	952.102	76.337	240.508	8.154.927

(*) TRL 869 of PP&E is transferred to investment properties, TRL 7.365 of PP&E is transferred to other intangible assets under intangible assets, TRL 230 of PP&E is transferred to current assets used in renting activities. TRL 731 of intangible assets is transferred to machinery and equipment under PP&E.

(**) TRL 478.796 of depreciation expenses has been added to cost of sales, TRL 288.651 to marketing expenses, TRL 53.836 to general administrative expenses, TRL 16.145 to other expenses and TRL 545 to research and development expenses. Depreciation amounting TRL 509 is related to inventories and TRL 1.201 is related to construction in progress.

(Currency – Thousands of Turkish Lira (TRL) unless otherwise indicated)

NOTE 14 - INTANGIBLE ASSETS

Movements of intangible assets for the year ended on December 31, 2017 are as follows:

	Bottling contracts	**License agreements**	**Brands**	**Other intangible assets**	**Total**
Cost					
January 1, 2017	**8.127.529**	**1.199.378**	**537.669**	**353.633**	**10.218.209**
Additions	**-**	**-**	**-**	**54.818**	**54.818**
Disposals (-)	**-**	**-**	**-**	**(7.675)**	**(7.675)**
Currency translation differences	**251.268**	**152.661**	**49.754**	**13.791**	**467.474**
Transfers (*)	**-**	**-**	**-**	**18.356**	**18.356**
December 31, 2017	**8.378.797**	**1.352.039**	**587.423**	**432.923**	**10.751.182**
Accumulated amortization					
January 1, 2017	**-**	**27**	**-**	**176.126**	**176.153**
Amortization charge for the period (**)	**-**	**25**	**-**	**46.672**	**46.697**
Disposals (-)	**-**	**-**	**-**	**(3.977)**	**(3.977)**
Currency translation differences	**-**	**3**	**-**	**7.807**	**7.810**
Impairment	**-**	**19.169**	**-**	**445**	**19.614**
December 31, 2017	**-**	**19.224**	**-**	**227.073**	**246.297**
Net carrying amount	**8.378.797**	**1.332.815**	**587.423**	**205.850**	**10.504.885**

(*) TRL 18.356 of PP&E is transferred to other intangible assets.

(**) TRL 15.469 of the depreciation charge for the period has been added to cost of sales, TRL 4.467 has been added to marketing expenses, TRL 25.637 has been added to general administrative expenses and TRL 575 has been added to research and development expenses, TRL 175 has been added to other expenses. Depreciation amounting TRL 115 is related to inventories, TRL 259 is related to construction in progress.

Movements of intangible assets for the year ended on December 31, 2016 are as follows:

	Bottling contracts	License agreements	Brands	Other intangible assets	Total
Cost					
January 1, 2016	7.519.395	829.236	426.642	256.298	9.031.571
Additions	-	-	-	62.990	62.990
Disposals (-)	-	-	-	(702)	(702)
Currency translation differences	608.134	370.142	111.027	29.645	1.118.948
Transfers (*)	-	-	-	5.402	5.402
December 31, 2016	8.127.529	1.199.378	537.669	353.633	10.218.209
Accumulated amortization					
January 1, 2016	-	18	-	124.536	124.554
Amortization charge for the period (**)	-	6	-	37.420	37.426
Disposals (-)	-	-	-	(247)	(247)
Currency translation differences	-	3	-	15.370	15.373
Impairment	-	-	-	264	264
Transfers (*)	-	-	-	(1.217)	(1.217)
December 31, 2016	-	27	-	176.126	176.153
Net carrying amount	8.127.529	1.199.351	537.669	177.507	10.042.056

(*) As of December 31, 2016, TRL 7.365 of property, plant and equipment is transferred to other intangible assets, TRL 731 of intangible assets is transferred to machinery and equipment under PP&E and TRL 15 is transferred to investment properties.

(**) TRL 15.342 of the amortization charge for the period has been added to cost of sales, TRL 3.286 has been added to marketing expenses, TRL 17.923 has been added to general administrative expenses and TRL 405 has been added to research and development expenses, TRL 252 has been added to other expenses. Amortization amounting TRL 130 is related to inventories and TRL 88 is related to construction in progress.

(Currency – Thousands of Turkish Lira (TRL) unless otherwise indicated)

NOTE 15 - GOODWILL

Movements of the goodwill for the years ended December 31, 2017 and 2016 are as follows:

	December 31, 2017	December 31, 2016
At January 1	**1.669.307**	1.328.827
Impairment (Note 27.2) (*)	**-**	(54.051)
Currency translation differences	**165.590**	394.531
At December 31	**1.834.897**	1.669.307

(*) Due to ongoing uncertainties regarding the political and regulatory environment in South Iraq and by closely monitoring to minimize the probable effects of such changes, Group Management decided to book impairment loss for the goodwill amounting to Million USD 17,9 (equivalent to TRL 54.051) in accordance with IFRS 3 "Business Combinations" and as of December 31, 2016 this provision is reflected in the consolidated financial statements.

As of December 31, 2017 and 2016, operating segment distributions of goodwill are presented below:

	Beverage	**Automotive**	**Total**
2017	**1.831.836**	**3.061**	**1.834.897**
2016	1.666.246	3.061	1.669.307

NOTE 16 - GOVERNMENT INCENTIVES AND GRANTS

As of December 31, 2017, total investments made for the Group's subsidiary CCİ's Bursa, Elazığ, Köyceğiz, Çorlu, Ankara, Mersin, İzmir and Mahmudiye production line investments under the scope of investment incentives are amounting to TRL 205.441 (December 31, 2016: TRL 132.802) with a total tax advantage of TRL 39.199 (December 31, 2016: TRL 24.648). Tax advantage calculated from the beginning date of the incentives by considering the future advantages is amounting to TRL 2.119 (December 31, 2016: TRL 1.943).

In 2017, TRL 675 was collected as cash in relation to R&D activities of Anadolu Isuzu, a subsidiary of the Group provided by TUBITAK (December 31, 2016: TRL 145). Anadolu Isuzu can use R&D deduction in its tax calculations based on Anadolu Isuzu's R&D works in 2017 in the amount of TRL 41.480 as of December 31, 2017. As per amendment made in Article 35 of the Law on Supporting Research and Development No. 5746 which became effective on April 1, 2008, R&D deduction rate from which will be benefited for the expenses of R&D has been increased from 40% to 100% (December 31, 2016: TRL 17.494). In order to benefit from the incentives and exemptions provided in line with the Law No. 5746, Anadolu Isuzu applied to the Ministry of Industry and Commerce to become an R&D centre. On June 3, 2009, Anadolu Isuzu was entitled to become an R&D center. Regarding the TRL 55.042 spent as of December 31, 2015 in accordance with Incentive Certificate No. 5487 dated February 26, 2010 Anadolu Isuzu has started to benefit from the 20% investment incentive and 50% discounted corporate income tax incentive within the framework of Article 32/A of the Corporate Income Tax Law in proportion to the effect of the investment on generated income.

The construction of the new factory building, into which Anadolu Motor, a subsidiary of the Group moved 2014 and TRL 31.886 of the property, plant and equipment investments are within the scope of the investment communiqué published by the T.C. Ministry of Economy and the investment contribution rate in the investment incentive certificate is 15%. Anadolu Motor deducted TRL 5.657 of the related incentive from the corporation tax, calculated deferred tax asset amounting TRL 3.934 over the remaining TRL 26.229 and the related investment incentive does not expire (December 31, 2016: TRL 26.229, deferred tax: TRL 3.934).

(Currency – Thousands of Turkish Lira (TRL) unless otherwise indicated)

NOTE 17 - PROVISIONS, CONTINGENT ASSETS AND LIABILITIES

17.1 Employee Benefits Obligations

	December 31, 2017	December 31, 2016
Social security and withholding tax liabilities	**64.692**	55.255
Payables to personnel	**29.814**	19.879
	94.506	75.134

17.2 Short Term Provision for Employee Benefits

The provisions for employee benefits as of December 31, 2017 and 2016 are as follows:

	December 31, 2017	December 31, 2016
Short-term	**127.731**	141.091
Provision for bonus	**58.784**	66.011
Provision for vacation pay liability	**28.408**	35.059
Other short-term employee benefits	**38.087**	40.021
Provision for wage/salary differences of collective bargaining agreement	**2.452**	-
Long-term	**167.865**	155.397
Provision for employee termination benefits	**157.904**	146.065
Provision for incentive plan	**9.961**	9.332
	295.596	296.488

The movement of provision for bonus is as follows:

	December 31, 2017	December 31, 2016
Balance at January 1	**66.011**	51.606
Charge for the period (net)	**139.603**	117.795
Payments (-)	**(150.989)**	(116.417)
Currency translation differences	**4.159**	13.027
Balance at the end of the period	**58.784**	66.011

The movement of provision for employment termination benefits is as follows:

	December 31, 2017	December 31, 2016
Balance at January 1	**146.065**	127.670
Interest expense	**7.527**	7.951
Charge for the period (net)	**29.462**	23.803
Payments (-)	**(33.984)**	(25.357)
Actuarial losses	**8.834**	11.998
Balance at the end of the period	**157.904**	146.065

(Currency – Thousands of Turkish Lira (TRL) unless otherwise indicated)

NOTE 17 - PROVISIONS, CONTINGENT ASSETS AND LIABILITIES (cont'd)

17.2 Short Term Provision for Employee Benefits (cont'd)

The movement of provision for incentive plan is as follows:

	December 31, 2017	December 31, 2016
Balance at January 1	**9.332**	7.757
Interest expense	**831**	703
Charge for the period (net)	**18.749**	19.214
Payments (-)	**(19.496)**	(18.085)
Actuarial losses	**543**	423
Currency translation differences	**2**	(680)
Balance at the end of the period	**9.961**	9.332

Actuarial loss from defined benefit plans, included in other short-term employee benefits and provision for employee termination benefits, amounting to TRL 9.282 was reflected to other comprehensive income (December 31, 2016: TRL 13.063)

Provision for Employee Termination Benefits

In accordance with the existing social legislation, the Group is required to make lump-sum payments to employees whose employment is terminated due to retirement or for reasons other than resignation or misconduct. Such payments are calculated on the basis of 30 days' pay (limited to a maximum of TRL 4,732/year at December 31, 2017 and TRL 4,297/year December 31, 2016) per year of employment at the rate of pay applicable at the date of retirement or termination.

In the consolidated financial statements as of December 31, 2017 and December 31, 2016 the Group reflected a liability calculated using the Projected Unit Method and based upon factors derived using their experience of personnel terminating their services and being eligible to receive retirement pay and discounted by using the current market yield at the balance sheet date on government bonds. As of December 31, 2017 discount rate (yearly) used in calculations is 4,21% (December 31, 2016: 3,77%).

The principal assumption is that the maximum liability for each year of service will increase in line with inflation. Thus, the discount rate applied represents the expected real rate after adjusting for the anticipated effects of future inflation. As the maximum liability is revised once every six months, the maximum amount of TRL 5,002 effective from January 1, 2018 (January 1, 2017: TRL 4,426) has been taken into consideration in calculating the reserve for employment termination benefit of the Group.

(Currency – Thousands of Turkish Lira (TRL) unless otherwise indicated)

NOTE 17 - PROVISIONS, CONTINGENT ASSETS AND LIABILITIES (cont'd)

17.3 Other Provisions

The provisions as of December 31, 2017 and 2016 are as follows:

	December 31, 2017	December 31, 2016
Warranty provisions (*)	**13.429**	13.595
Provision for litigations (**)	**9.452**	15.407
Other provisions	**1.007**	560
	23.888	29.562

(*) Warranty provisions are resulting from sales of Anadolu Motor and Anadolu Isuzu which are subsidiaries of the Company. Çelik Motor a subsidiary of the Company has the right of recourse the compensation payments of imported vehicles under warranty to the manufacturer company, therefore no warranty provision is recorded.

(**) Provision has been made by Anadolu Elektronik, a subsidiary of the Company against the lawsuits regarding the tax stamps requested by the General Directorate of TRT and related fees as of December 31, 2016 and due to the fact that these lawsuits resulted in favor of Anadolu Elektronik, provision amounting to TRL 9.388 recognized has been cancelled.

The movement of warranty provision is as follows:

	December 31, 2017	December 31, 2016
Balance at January 1	**13.595**	13.410
Charge for the period (net)	**13.787**	10.383
Payments (-)	**(13.953)**	(10.198)
Balance at the end of the period	**13.429**	13.595

(Currency – Thousands of Turkish Lira (TRL) unless otherwise indicated)

NOTE 18 - COMMITMENTS

As of December 31, 2017 and December 31, 2016 letter of guarantees, pledges and mortgages (GPMs) are as follows:

December 31, 2017	**Total TRL Equivalent**	**Original Currency TRL**	**Original Currency Thousand USD**	**Original Currency Thousand EUR**	**Original Currency Thousand RUR**	**Original Currency Thousand UAH**	**Original Currency Thousand PKR**	**TRL Equivalent of Other Currency**
Letter of guarantees, pledge and mortgages provided by the Company								
A. Total amount of GPMs given on behalf of the Company's legal personality	**1.427.757**	410.566	189.170	42.857	3.275	40.952	2.667.000	13.281
B. Total amount of GPMs given in favor of subsidiaries included in full consolidation	**701.877**	-	59.498	96.165	-	-	468.836	27.202
C. Total amount of GPMs given by the Company for the liabilities of 3rd parties in order to run ordinary course of business	-	-	-	-	-	-	-	-
D. Total amount of other GPM's	**124.370**	12.609	29.630	-	-	-	-	-
i. Total amount of GPMs given in favor of the parent Company	-	-	-	-	-	-	-	-
ii. Total amount of GPMs given in favor of other group companies not in the scope of B and C above	**124.370**	12.609	29.630	-	-	-	-	-
iii. Total amount of GPMs given in favor of third party companies not in the scope of C above	-	-	-	-	-	-	-	-
	2.254.004	423.175	278.298	139.022	3.275	40.952	3.135.836	40.483

December 31, 2016	Total TRL Equivalent	Original Currency TRL	Original Currency Thousand USD	Original Currency Thousand EUR	Original Currency Thousand RUR	Original Currency Thousand UAH	Original Currency Thousand PKR	TRL Equivalent of Other Currency
Letter of guarantees, pledge and mortgages provided by the Company								
A. Total amount of GPMs given on behalf of the Company's legal personality	1.384.992	512.872	185.763	27.935	5.996	31.814	2.667.385	21.006
B. Total amount of GPMs given in favor of subsidiaries included in full consolidation	710.635	-	69.651	106.264	-	-	1.177.705	31.673
C. Total amount of GPMs given by the Company for the liabilities of 3rd parties in order to run ordinary course of business	-	-	-	-	-	-	-	-
D. Total amount of other GPM's	136.598	11.469	35.556	-	-	-	-	-
i. Total amount of GPMs given in favor of the parent Company	-	-	-	-	-	-	-	-
ii. Total amount of GPMs given in favor of other group companies not in the scope of B and C above	136.598	11.469	35.556	-	-	-	-	-
iii. Total amount of GPMs given in favor of third party companies not in the scope of C above	-	-	-	-	-	-	-	-
	2.232.225	524.341	290.970	134.199	5.996	31.814	3.845.090	52.679

As of December 31, 2017, the ratio of other GPMs over the Group's equity is 0,7%. (December 31, 2016: 0,8%).

CCBPL has signed murabaha facility agreements with Standard Chartered Bank and Habib Bank Limited (Banks). Based on these agreements, the Banks and CCBPL agree that they shall enter into a series of sugar purchase transactions from time to time on the dates and in the amounts to be agreed between them subject to the terms of this agreement. As of December 31, 2017, CCBPL has USD 22,4 million sugar purchase commitment from the Banks until the end of December 2018.

ABH has service agreement liabilities for 1 to 5 years with its customers.

The tax authority and other authorities (Social Security Institution) can inspect tax returns and the related accounting records for a retrospective maximum period of five years. Group has not provided any tax provision regarding prior years.

NOTE 18 - COMMITMENTS (cont'd)

Legislation and regulations regarding taxation and foreign currency transactions in most of the territories in which the Group operates out of Turkey continue to evolve as a result of the transformation from command to market oriented economy managed by the government. The various legislation and regulations are not always clearly written and the interpretation related with the implementation of these regulations is subject to the opinions of the local, regional and national tax authorities, Central Banks and Ministries of Finance. Tax declarations, together with other legal compliance areas (i.e., customs and currency control) are subject to review and investigation by a number of authorities, who are enabled by law to impose significant fines, penalties and interest charges. These facts may create tax risks in the territories in which the Group operates substantially more so than typically found in countries with more developed tax systems.

The Company, has undertaken the obligation of preserving the corporate presence of McDonald's within the period of its license contract and the obligation of supporting to fulfill the financial and fiscal liabilities.

GUE, which is a subsidiary of the Company, has a guarantor for the long term loan for construction of a hydroelectric power plant with a capacity of 87 MW in Georgia for the period until start of electricity production following the fulfillment of specified conditions. As of December 31, 2017, the remaining amount of the related loan is thousand USD 98.651.

The Company, has acted as a guarantor in the proportion of its capital (33,33%), to its joint venture Aslancık's long term project finance loan which was taken in 2011 amounting to USD 160.000.000 in relation to its 120 MW hydro power plant under construction in Giresun. As of December 31, 2017, the balance of the loan is thousand USD 88.889 and the warranty per the Group is thousand USD 29.630 (December 31, 2016: thousand USD 35.556).

Regarding 19,5% shares of Moonlight Capital in MH Perakendecilik, a subsidiary of the Group, Moonlight Capital had the right to sell, which was granted by AEH, a subsidiary of the Group, and AEH had the right to buy, which was granted by Moonlight Capital, between May 1, 2017 and October 31, 2017. As of May 2, 2017, Moonlight Capital informed AEH about its decision to sell the shares. When calculating the purchase price for 19,5% shares of MH Perakendecilik, the base price for 1 share of Migros, an associate of MH Perakendecilik, has been set as TRL 30,2 (full TRL), in line with the provisions of December 31, 2014. Share purchase price has been calculated as TRL 509.029.436 (full TRL) after adjustments, according to the provisions of the Share Purchase Agreement. Share price transfer and transfer of shares have been completed on May 17, 2017 and put option liability balance has been reset in the consolidated financial tables prepared as of December 31, 2017.

The obligation of TRL 8.902 resulting from the buying option carried, for the purchase of 12,5% of Turkmenistan CC shares from Day Investment Ltd. (Day), with a consideration of thousand USD 2.360 USD amount is converted with the official USD purchase rate announced by Central Bank of Republic of Turkey and resulting TL amount is reflected under other current liabilities. The Share Purchase Agreement was signed with Day in 2011 however, there has not yet been any share transfer carried out according to local Turkmenistan regulations and existing shareholder agreement requirements, and accordingly, no payment has been made for the share purchase.

According to the put option signed with European Refreshments (ER), which became effective after the completion of Al Waha acquisition and exercisable between December 31, 2017 and 2021, ER has an option to sell (and CCİ will have an obligation to buy) its remaining 19,97% (December 31, 2016: 19,97%) participatory shares in Waha B.V.. This obligation is recorded as put option liability in the Company's consolidated financial statements. Fair value of put option liability amounting TRL 117.572 based on the terms of the contract, has been calculated based on interest and pre-tax profit estimates based on the financial budget covering the next period in accordance with the conditions set out in the contract (December 31, 2016: TRL 111.150).

(Currency – Thousands of Turkish Lira (TRL) unless otherwise indicated)

NOTE 19 – PREPAID EXPENSES

19.1 Short-term Prepaid Expenses

	December 31, 2017	December 31, 2016
Prepaid expenses	**439.445**	372.389
Advances given	**121.803**	93.384
	561.248	465.773

19.2 Long-term Prepaid Expenses

	December 31, 2017	December 31, 2016
Prepaid expenses	**200.576**	177.749
Advances given	**54.312**	17.919
	254.888	195.668

NOTE 20 - OTHER ASSETS AND LIABILITIES

20.1 Other Current Assets

	December 31, 2017	December 31, 2016
Assets used in renting activities	**414.094**	369.599
VAT receivable	**438.261**	404.964
Other current assets	**21.789**	24.489
	874.144	799.052

Movements of current assets used in renting activities for periods ended December 31, 2017 and 2016 are as follows:

Current Assets Used in Renting Activities

	December 31, 2017	December 31, 2016
Cost		
Balance at January 1	**374.985**	251.376
Additions	**403.389**	443.547
Disposals	**(921.145)**	(731.704)
Transfers	**563.356**	411.766
Balance at the end of the period	**420.585**	374.985
Accumulated depreciation		
Balance at January 1	**5.386**	3.858
Depreciation charge for the period (*)	**94**	58
Disposals	**(52.299)**	(46.864)
Transfers	**53.310**	48.334
Balance at the end of the period	**6.491**	5.386
Net carrying amount	**414.094**	369.599

(*) All depreciation charges are included in the cost of sales.

(Currency – Thousands of Turkish Lira (TRL) unless otherwise indicated)

NOTE 20 - OTHER ASSETS AND LIABILITIES (cont'd)

20.2 Other Non-Current Assets

	December 31, 2017	December 31, 2016
Assets used in renting activities	**1.715.251**	1.461.854
VAT receivable and other taxes	**66.038**	78.368
Other non-current assets	**27**	59
	1.781.316	1.540.281

Movements of non-current assets used in renting activities for periods ended December 31, 2017 and 2016 are as follows:

Non-Current Assets Used in Renting Activities

	December 31, 2017	December 31, 2016
Cost		
Balance at January 1	**1.532.948**	1.098.693
Additions	**826.207**	845.677
Transfers (Note 20.1) (**)	**(563.539)**	(411.422)
Balance at the end of the period	**1.795.616**	1.532.948
Accumulated depreciation		
Balance at January 1	**71.094**	67.157
Depreciation charge for the period (*)	**62.654**	52.157
Transfers (Note 20.1) (**)	**(53.383)**	(48.220)
Balance at the end of the period	**80.365**	71.094
Net carrying amount	**1.715.251**	1.461.854

(*) All depreciation expenses are included in the cost of sales.
(**) Non-Current Assets Used in Renting Activities amounting TRL 110 has been transferred to the motor vehicles under PP&E.

20.3 Other Current Liabilities

	December 31, 2017	December 31, 2016
Other payables	**15.315**	12.883
Put option liability (Note 18)	**8.902**	520.417
	24.217	533.300

20.4 Other Non-Current Liabilities

	December 31, 2017	December 31, 2016
Put option liability (Note 18)	**117.572**	111.151
Deferred VAT and other taxes	**47.940**	55.269
	165.512	166.420

(Currency – Thousands of Turkish Lira (TRL) unless otherwise indicated)

NOTE 21 - DEFERRED INCOME

21.1 Short-term Deferred Income

	December 31, 2017	December 31, 2016
Advances taken (*)	**432.937**	255.851
Other deferred income	**48.105**	33.279
	481.042	289.130

(*) TRL 350.797 of the advances taken is the balance received due to pre-sale related to the ongoing housing project that AND Kartal Gayrimenkul, a subsidiary of the Company which operates in real estate, located in Kartal province in İstanbul. TRL 307.011 of the advances taken is received in cash, and TRL 43.786 of the balance consists of notes. (December 31, 2016: TRL 187.733 cash, TRL 23.485 notes).

21.2 Long-term Deferred Income

	December 31, 2017	December 31, 2016
Other deferred income	**21.508**	5.663
	21.508	5.663

NOTE 22 - EQUITY

Shared Capital / Adjustments to Share Capital and Equity Instruments

As of December 31, 2017 and 2016, the Company's shareholders and their respective shareholding percentages are stated in Note 1 - Organization and Nature of Activities.

Movements of paid capital for the year ended December 31, 2017 and 2016 are as follows (the amounts are historical):

	December 31, 2017		December 31, 2016	
	Number of shares	**Amount**	Number of shares	Amount
Balance at the beginning of the period	**182.000.000**	**182.000**	182.000.000	182.000
-Capital Increase	**61.534.518**	**61.535**	-	-
Balance at the end of the period	**243.534.518**	**243.535**	182.000.000	182.000

AGHOL's common shares are divided into two classes as A and B with each class of shares having equal voting rights on all matters except for the privilege to nominate 6 of the 12 members of the Board of Directors recognized for Class B. Class B consists of registered shares and are owned by AG Sınai Yatırım ve Yönetim A.Ş. and AEP Anadolu Etap Penkon Pazarlama Ltd. Şti.. Class A shares are all bearer type shares; belonging to AG Sınai Yatırım ve Yönetim A.Ş. and AEP Anadolu Etap Penkon Pazarlama Ltd. Şti. and also Yazıcılar Families, Özilhan Families and publicly traded shares are included in Class A.

(Currency – Thousands of Turkish Lira (TRL) unless otherwise indicated)

NOTE 22 – EQUITY (cont'd)

Shared Capital / Adjustments to Share Capital and Equity Instruments (cont'd)

AG Sınai Yatırım ve Yönetim A.Ş. (Management Company) which is 100% of subsidiary of Kamil Yazıcı Yönetim ve Danışma A.Ş. is a management company established to manage AGHOL and the subsidiaries of AGHOL. AEP Anadolu Etap Penkon Pazarlama Ltd. Şti. (Management Company) which is 100% of subsidiary of İzzet Türkan Özilhan Yönetim ve Danışmanlık A.Ş. established by Özilhan Family, manages AGHOL and subsidiaries of AGHOL for Özilhan Family. According to the board of directors decisions of AG Sınai Yatırım ve Yönetim A.Ş. and AEP Anadolu Etap Penkon Pazarlama Ltd. Şti. dated March 7, 2018, AEP Anadolu Etap Penkon Pazarlama Ltd. Şti., and AG Sınai Yatırım ve Yönetim A.Ş. will merge in the General Assembly which will be held on March 19, 2018 and after the merger shareholders of AG Sınai Yatırım ve Yönetim A.Ş. will be (with ultimate control of S. Kamil Yazıcı Family) Kamil Yazıcı Yönetim ve Danışma A.Ş. and (with ultimate control of Özilhan Family) İzzet Türkan Özilhan Yönetim ve Danışmanlık A.Ş. by 50% share each. Upon completion of these transactions, AG Sınai Yatırım ve Yönetim A.Ş. will be indirectly managed through equal shareholding and equal representation principle.

Class	Number of shares	Percentage of capital (%)	Number of members on Board
A (Bearer)	194.827.614	80,00	-
B (Registered)	48.706.904	20,00	6
	243.534.518	**100,00**	

Restricted Reserves Allocated from Net Profit, Revaluation and Reclassification Loss / Gain

The legal reserves consist of first and second legal reserves in accordance with the Turkish Commercial Code. The first legal reserve is appropriated out of the statutory net income (inflation-restated income in accordance with CMB at the rate of 5%, until the total reserve reaches a maximum of 20% of the Company's issued capital (inflation restated issued capital in accordance with the communiqués and announcements of CMB). The second legal reserve is appropriated at the rate of 10% of all distributions in excess of 5% of the Company's issued capital (inflation restated capital in accordance with CMB). The legal reserves are not available for distribution unless they exceed 50% of the issued capital, other than that legal reserves cannot be used.

Quoted companies are subject to dividend requirements regulated by the Capital Markets Board of Turkey. Based on the CMB Decree 1/6, dated January 9, 2009, companies that take their consolidated financial statements as basis for their distributable profit, shall consider the profits of their subsidiaries, joint ventures and associates to the extent that such profits do not exceed the amount recorded in the statutory financial statements of these companies and without considering whether a profit distribution resolution is taken at their annual general meetings. Such profits as reported in the financial statement as per Communiqué shall be subject to distributable dividend computations.

Companies distribute dividend within the framework of profit distribution policies determined by the general assemblies and in accordance with the related legislation by the decision of the general assembly. Companies pay dividends specified in their articles of incorporation or profit distribution policies.

Inflation adjustment to shareholders' equity can only be netted-off against prior years' losses and used as an internal source in capital increase where extraordinary reserves can be netted-off against prior years' loss and used in the distribution of bonus shares and dividends to shareholders. Inflation adjustment to shareholders' equity, in the case of cash used for profit distribution will be subject to corporate income tax.

(Currency – Thousands of Turkish Lira (TRL) unless otherwise indicated)

NOTE 22 – EQUITY (cont'd)

Restricted Reserves Allocated from Net Profit, Revaluation and Reclassification Gain/Loss (cont'd)

While the Company has no distributable net income for year ended 2017, other sources which may be subject to dividend distribution amount to TRL 1.645.641.

	December 31, 2017	December 31, 2016
Restricted reserves allocated from net profit	**909.511**	434.424
- Legal reserves	**89.844**	89.044
- Gain on sales of real estate and associates (*)	**819.667**	345.380

(*) The Group's gain from sale of real estate and associates amounting TRL 819.667 is followed in a special fund in legal records in order to benefit from gain from sale of an associate and real estate exemption. In order to benefit from this exemption, this amount has to be stay in this special fund for 5 years.

Retained Earnings

As of December 31, 2017 and 2016 the summary of equity reserves, extraordinary reserves, other profit reserves and retained earnings are as follows:

	December 31, 2017	December 31, 2016
Equity reserves	**2.422**	2.422
Extraordinary reserves	**1.625.425**	1.692.734
Other profit reserves	**5.119**	5.119
Retained earnings	**712.872**	1.655.779
	2.345.838	3.356.054

Non-Controlling Interest

Non-controlling interests are separately classified in the consolidated financial statements.

NOTE 23 - SALES AND COST OF SALES

	December 31, 2017	December 31, 2016
Domestic revenues	**9.676.428**	8.431.573
Foreign revenues	**7.701.818**	5.718.358
Total sales, net	**17.378.246**	14.149.931
Cost of Sales (-)		
Current year purchases and net change in inventory	**9.398.421**	7.612.362
Depreciation and amortization expenses of tangible and intangible assets and assets used in renting activities	**652.419**	551.476
Personnel expenses	**587.778**	520.697
Utilities and communication expenses	**254.558**	217.357
Other expenses	**684.112**	585.273
Total Cost of Sales	**11.577.288**	9.487.165
Gross Profit	**5.800.958**	4.662.766

(Currency – Thousands of Turkish Lira (TRL) unless otherwise indicated)

NOTE 24 - OPERATING EXPENSES

	December 31, 2017	December 31, 2016
General administrative expenses		
Personnel expenses	**615.122**	555.856
Consultancy and services rendered expenses	**162.576**	117.917
Depreciation and amortization expenses of tangible and intangible assets and investment properties	**85.490**	72.121
Rent expenses	**60.439**	39.435
Taxes and duties	**29.869**	31.852
Utilities and communication expenses	**24.600**	23.197
Insurance expenses	**17.162**	24.879
Maintenance and repair expenses	**16.593**	10.077
Other expenses	**164.282**	132.752
	1.176.133	1.008.086

	December 31, 2017	December 31, 2016
Marketing expenses		
Advertisement and promotion expenses	**1.152.753**	953.642
Transportation and distribution expenses	**686.542**	489.330
Personnel expenses	**623.901**	562.481
Depreciation and amortization expenses on tangible and intangible assets	**332.821**	291.937
Repair and maintenance expenses	**37.541**	34.092
Rent expenses	**36.775**	41.992
Utilities and communication expenses	**34.927**	30.935
Other expenses	**250.331**	214.672
	3.155.591	2.619.081

NOTE 25 - EXPENSES BY NATURE

The amounts of depreciation and amortization expenses recorded in the consolidated statement of profit or loss accounts are as follows:

	December 31, 2017	December 31, 2016
Depreciation and amortization expenses		
Cost of sales	**652.419**	551.476
Marketing expenses	**332.821**	291.937
General administrative expenses	**85.490**	72.121
Other operating expenses	**16.048**	19.104
Research and development expenses	**1.059**	950
	1.087.837	935.588

Depreciation and amortization amounting TRL 1.538 is reflected in construction in progress and TRL 1.923 is reflected in inventories (As of December 31, 2016 respectively: TRL 1.289 and TRL 639).

(Currency – Thousands of Turkish Lira (TRL) unless otherwise indicated)

NOTE 25 - EXPENSES BY NATURE (cont'd)

The amounts of personnel expenses recorded in the consolidated statement of profit or loss accounts are as follows:

	December 31, 2017	December 31, 2016
Personnel expenses		
Marketing expenses	**623.901**	562.481
General administrative expenses	**615.122**	555.856
Cost of sales	**587.778**	520.697
Research and development expenses	**1.317**	1.666
	1.828.118	1.640.700

NOTE 26 - OTHER OPERATING INCOME/EXPENSES

26.1 Other Operating Income

	December 31, 2017	December 31, 2016
Foreign exchange gains arising from trading activities	**149.434**	134.473
Income from scrap and other materials	**32.433**	26.444
Rent income	**14.232**	8.038
Rediscount gain from trading activities	**7.702**	5.893
Insurance compensation income	**2.638**	7.189
Other	**170.515**	139.715
	376.954	321.752

26.2 Other Operating Expenses

	December 31, 2017	December 31, 2016
Foreign exchange losses arising from trading activities	**161.061**	155.776
Provision for doubtful receivables (Note 8)	**25.246**	8.114
Depreciation and amortization expense on tangible and intangible assets	**16.048**	19.104
Rediscount loss from trading activities	**12.348**	8.067
Donations	**6.749**	5.720
Other	**76.457**	76.285
	297.909	273.066

(Currency – Thousands of Turkish Lira (TRL) unless otherwise indicated)

NOTE 27 - INCOME/EXPENSES FROM INVESTING ACTIVITIES

27.1 Income from Investing Activities

	December 31, 2017	December 31, 2016
Gain on sale of property, plant and equipment	**34.785**	31.970
Gain on sale of joint ventures (*)	**21.280**	-
Gain from liquidation of subsidiary (Note 1)	**19.145**	-
Rent income	**4.525**	4.838
Dividend income	**17**	213
Gain on sale of an associate (***)	**-**	344.186
Gain on sale of financial investment (**)	**-**	33.865
Gain on sale of marketable securities	**-**	1.287
Reversal of impairment on property, plant and equipment	**-**	453
Gain on sale of subsidiary	**-**	13
	79.752	416.825

(*) The sale of Group's 55,25% shares in Ana Gıda to Koninklijke Bunge B.V. has been completed on February 21, 2017 and the share sale proceeds of TRL 55.622 was received in cash. Currently, Group does not hold any shares in Ana Gıda .

(**) The Company's 10,50% share and 0,10% share of AEH, subject to merger and 7,30% share of Özilhan in Polinas Plastik Sanayii ve Ticareti A.Ş.'s capital which represents 1.611.000 shares in total amounting TRL 16.110, have been sold to İsmet Ambalaj Yatırımları A.Ş., a subsidiary of Gözde Girişim Sermayesi Yatırım Ortaklığı A.Ş. on March 16, 2016 for USD 15.565.217 (full USD) to be paid in cash.

(***) Based on the shareholders agreement concluded on July 18, 2013 with The Commercial Bank of Qatar ("CBQ"), AEH, which is subject to merger and has 25% share in ABank, has collected total sales price of USD 224.913.332 (full USD) on December 19, 2016 based on use of its option to sell shares. Therefore the sale option has been completed and Group does not have any shares in ABank.

27.2 Expenses from Investing Activities

	December 31, 2017	December 31, 2016
Provision for impairment on tangible assets (Note 13)	**75.547**	28.761
Provision for impairment on intangible assets (Note 14)	**19.614**	264
Loss on sale of tangible & intangible assets	**13.483**	14.340
Loss on sale of marketable securities	**41**	152
Provision for impairment on goodwill (Note 15)	**-**	54.051
Other	**6.830**	394
	115.515	97.962

NOTE 28 - FINANCIAL INCOME

	December 31, 2017	December 31, 2016
Foreign exchange gain	**1.155.186**	857.448
Interest income	**176.175**	118.757
Derivative transactions income	**438**	24.298
	1.331.799	1.000.503

(Currency – Thousands of Turkish Lira (TRL) unless otherwise indicated)

NOTE 29 - FINANCIAL EXPENSES

	December 31, 2017	December 31, 2016
Foreign exchange loss	**2.144.756**	1.964.942
Interest expense	**623.220**	497.585
Revaluation expense of put option liability	**8.431**	37.596
Loss on derivative transactions	**2.312**	28.358
Other expense	**39.924**	47.600
	2.818.643	2.576.081

NOTE 30 - TAX ASSETS AND LIABILITIES

The Group is subject to taxation in accordance with the tax procedures and the legislation effective in the countries in which the Group companies operate.

The corporate tax rate for the fiscal year is 20% in Turkey (2016: 20%). Corporate tax returns are required to be filed until the twenty-fifth of the fourth month following the balance sheet date and paid in one installment until the end of the related month. The tax legislation provides for a provisional tax of 20% (2016: 20%) to be calculated and paid based on earnings generated for each quarter. The amounts thus calculated and paid are offset against the final corporate tax liability for the fiscal year.

In accordance with the regulation numbered 7061, published in Official Gazette on 5 December 2017, “Amendment of Certain Taxes and Laws and Other Acts”, corporate tax rate for the years 2018, 2019 and 2020 has increased from 20% to 22%. Therefore, deferred tax assets and liabilities as of December 31, 2017 are calculated with 22% tax rate for the temporary differences which will be realized in 2018, 2019 and 2020, and with 20% tax for those which will be realized after 2021 and onwards. Article 5 entitled "Exceptions" of the Corporate Tax Law has been amended in Article 89 of the Law. In accordance with (a) clause in the first paragraph of the Article, the exemption of 75% applied to gains from the sales of lands and buildings held by the entities for two full years has been reduced to rate of 50%. This regulation has been effective from 5 December 2017.

According to the Turkish Tax Law, corporate tax losses can be carried forward for a maximum period of five years following the year in which the losses were incurred. The tax authorities can inspect tax returns and the related accounting records for a retrospective maximum period of five years.

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

30.1 Current Income Tax Assets and Tax Provision

	December 31, 2017	December 31, 2016
Current income tax assets	**132.368**	138.085
Income tax payable (-)	**(7.826)**	(4.480)
Net tax (liability) / asset	**124.542**	133.605

(Currency – Thousands of Turkish Lira (TRL) unless otherwise indicated)

NOTE 30 - TAX ASSETS AND LIABILITIES (cont'd)

30.2 Deferred Tax Assets and Liabilities

The distribution of deferred tax assets and liabilities is as follows:

	December 31, 2017	December 31, 2016
Deferred tax asset	**551.155**	397.649
Deferred tax liability (-)	**(1.915.078)**	(1.854.508)
Total deferred tax asset/(liability), net	**(1.363.923)**	(1.456.859)

Movement of net deferred tax liabilities as of the year ended on December 31, 2017 is as follows:

	Balance December 31 ,2016	**Recorded to profit or loss**	**Balance December 31, 2017**
Property, plant and equipment, intangibles, investment property, assets used in renting activities	**(2.163.627)**	**(16.586)**	**(2.180.213)**
Tax losses carried forward	**506.843**	**139.195**	**646.038**
Employee termination benefit and other employee benefits	**15.808**	**20.758**	**36.566**
Inventories	**87.552**	**(13.691)**	**73.861**
Investment incentive	**32.426**	**19.401**	**51.827**
Receivables and payables	**77.191**	**(48.318)**	**28.873**
Derivative financial instruments	**(31.322)**	**2.874**	**(28.448)**
Other	**18.270**	**(10.697)**	**7.573**
Net deferred tax liability	**(1.456.859)**	**92.936**	**(1.363.923)**
Currency translation difference	**-**	**37.947**	**-**
Recognised in other comprehensive income	**-**	**(15.442)**	**-**
	(1.456.859)	**115.441**	**(1.363.923)**

The movement of net deferred tax liabilities as of the year ended on December 31, 2016 is as follows:

	Balance December 31, 2015	Recorded to profit or loss	Balance December 31 ,2016
Property, plant and equipment, and intangibles, investment properties, assets used in renting activities	(2.008.185)	(155.442)	(2.163.627)
Tax losses carried forward	390.059	116.784	506.843
Employee termination benefit and other employee benefits	26.829	(11.021)	15.808
Inventories	78.060	9.492	87.552
Investment incentive	25.288	7.138	32.426
Receivables and payables	54.193	22.998	77.191
Derivative financial instruments	190	(31.512)	(31.322)
Other	22.547	(4.277)	18.270
Net deferred tax liability	(1.411.019)	(45.840)	(1.456.859)
Currency translation difference	-	84.045	-
Recognised in other comprehensive income	-	14.056	-
	(1.411.019)	52.261	(1.456.859)

(Currency – Thousands of Turkish Lira (TRL) unless otherwise indicated)

NOTE 30 - TAX ASSETS AND LIABILITIES (cont'd)

30.2 Deferred Tax Assets and Liabilities (cont'd)

Carried forward tax losses of CCBPL and Efes Moscow, according to local tax regulations can be carried forward indefinitely.

30.3 Tax Expense

	December 31, 2017	December 31, 2016
Current period tax expense (-)	**(166.657)**	(105.119)
Deferred tax income	**115.441**	52.261
	(51.216)	(52.858)

	December 31, 2017	December 31, 2016
Profit/(loss) before tax from continuing operations	**156.853**	(358.143)
Gain (loss) from investments accounted through equity method	**(135.907)**	180.691
Taxable income	**20.946**	(177.452)
Tax ratio of the companies using different ratio	**(17.479)**	(970)
Tax ratio used by the parent company 20% (2016: 20%)	**(4.189)**	35.490
Non-taxable income (-)	**21.351**	95.930
Carry forward tax losses that are not subject to deferred tax	**(10.697)**	(48.049)
Non-deductible expenses	**(13.472)**	(18.124)
Deferred tax effect of translation difference on non-monetary items	**(15.246)**	(7.497)
Effect of impairment of goodwill	**-**	(10.810)
Liabilities that have not been subject to deferred tax in prior periods	**-**	(50.985)
Effect of increase on tax base	**-**	(26.687)
Other	**(11.484)**	(21.156)
	(51.216)	(52.858)

(Currency – Thousands of Turkish Lira (TRL) unless otherwise indicated)

NOTE 31 - EARNINGS PER SHARE

	December 31, 2017	December 31, 2016
Net (loss) profit	**(130.050)**	(376.046)
Weighted average number of shares	**243.534.518**	182.000.000
- Earnings (Loss) per share from continuing operations (full TRL)	**(0,53)**	(2,07)
- Earnings (Loss) per share (full TRL)	**(0,53)**	(2,07)

NOTE 32 - RELATED PARTY BALANCES AND TRANSACTIONS

Since Migros, a joint venture of the Company, has participated in Kipa Ticaret A.Ş. (“Kipa”) as of March 1, 2017, Kipa is defined as a related party (Note 3). As a result, as of reporting period the Group’s trade receivables due from and trade payables due to Kipa are shown under “due from related parties” and “due to related parties” in the consolidated statement of financial position. Trade receivables and payables related to Kipa are shown under “trade receivables, third parties” and “trade payables, third parties” in the consolidated balance sheet as at December 31, 2016. Transactions made between March 1 – December 31, 2017 period with Kipa are shown under “sales of goods and services” note and “purchases of goods, property, plant & equipment and other charges” note under “related party balances and transactions” title.

32.1 Trade Receivables and Other Receivables from Related Parties

	December 31, 2017	December 31, 2016
Migros (1)	**150.426**	140.692
Anadolu Landini (1)	**74.613**	-
Kipa (2)	**26.067**	-
LLC Faber-Castell Anadolu (Russia) (1)	**1.250**	1.454
Anadolu Eğitim ve Sosyal Yardım Vakfı Sağlık Tes. İkt. İşl. (4)	**1.207**	1.353
Other	**6.026**	1.724
	259.589	145.223

As of December 31, 2017 there is no amount in long term portion of trade receivables from related parties (December 31, 2016: None).

As of December 31, 2017 there is no other receivables from related parties (December 31, 2016: TRL 1.040).

32.2 Trade Payables to Related Parties

	December 31, 2017	December 31, 2016
Migros (1)	**657**	609
Other	**69**	48
	726	657

As of December 31, 2017 there is no long term trade payables due to related parties (December 31, 2016: None).

(1) A joint venture
(2) A Company controlled by a joint venture
(3) Shareholder of the Company
(4) Other

(Currency – Thousands of Turkish Lira (TRL) unless otherwise indicated)

NOTE 32 - RELATED PARTY BALANCES AND TRANSACTIONS (cont'd)

32.3 Related Party Transactions (cont'd)

Terms and conditions of transactions with related parties

Outstanding balances at the end of the period are unsecured, interest free and will be settled in cash. There has been no guarantees given or received for any related party receivables or payables. For the year ended December 31, 2017, the Group has not provided for any doubtful receivables, relating to amounts due from related parties (December 31, 2016: None). This assessment is undertaken each financial year through examining the financial position of the related party and the market in which the related parties operate.

Significant transactions with related parties during the year ended as of December 31, 2017 and 2016 are as follows:

	December 31, 2017	December 31, 2016
Sales of goods and services, net		
Migros (1)	**462.650**	410.919
Anadolu Landini (1)	**68.011**	-
Kipa (2)	**53.715**	-
Ramstore Kazakhstan LLC (Kazakhstan) (2)	**7.589**	3.803
AEP Anadolu Etap Penkon Gıda ve Tarım Ürün. San. Ve Tic. A.Ş. (1)	**3.868**	2.779
Anadolu Efes Spor Kulübü (4)	**3.264**	2.237
Anadolu Eğitim ve Sosyal Yardım Vakfı Sağlık Tes. İkt. İşl. (4)	**2.080**	2.268
Ana Gıda (1)	**316**	2.031
ABank (1)	**-**	9.864
Other	**1.762**	2.911
	603.255	436.812

	December 31, 2017	December 31, 2016
Purchases of goods, property, plant & equipment and other charges		
Anadolu Efes Spor Kulübü (4)	**51.033**	64.229
Anadolu Eğitim ve Sosyal Yardım Vakfı (4)	**5.819**	3.595
Migros (1)	**3.712**	2.672
Kipa (2)	**2.225**	-
Other	**4.275**	1.077
	67.064	71.573

	December 31, 2017	December 31, 2016
Financial Income / (Expense), Net		
ABank (1)	**-**	16.833
	-	16.833

(1) A joint venture
(2) A Company controlled by a joint venture
(3) Shareholder of the Company
(4) Other

(Currency – Thousands of Turkish Lira (TRL) unless otherwise indicated)

NOTE 32 - RELATED PARTY BALANCES AND TRANSACTIONS (cont'd)

32.3 Related Party Transactions (cont'd)

	December 31, 2017	December 31, 2016
Various sales included in other income (includes dividends received)		
Anadolu Landini (1)	**882**	-
Migros (1)	**221**	183
ABank (1)	**-**	3.900
Alternatif Menkul Değerler A.Ş. (AMenkul) (2)	**-**	271
Other	**420**	75
	1.523	4.429

(1) A joint venture
(2) A Company controlled by a joint venture
(3) Shareholder of the Company
(4) Other

Compensation of Key Management Personnel of the Group

Group has defined the key management personnel as follows; the managers directly reporting to the general manager and board of directors, and the board of directors and general managers in the rest of the subsidiaries. Benefits provided to senior managers include benefits such as wages, seniority, notice and leave.

The details of benefits provided to the key management personnel for the periods ended on December 31, 2017 and 2016 are as follows:

	December 31, 2017	December 31, 2016
Short term benefits provided to key management personnel	**61.772**	62.093
Post-employment benefits	**1.422**	4.070
Total gain	**63.194**	66.163
Social Security employer share	**1.390**	1.178

Other

The Company and its subsidiaries other than McDonald's and Hamburger donate 1% - 5% of their profit before corporate tax and such fiscal obligations to Anadolu Eğitim ve Sosyal Yardım Vakfı as stated in the entities' foundation agreements as long as these donations are exempt from tax. As of December 31, 2017, donations amount to TRL 5.831 (December 31, 2016: TRL 3.595).

(Currency – Thousands of Turkish Lira (TRL) unless otherwise indicated)

NOTE 33 - NATURE AND LEVEL OF RISKS ARISING FROM FINANCIAL INSTRUMENTS

Financial Risk Management Objectives and Policies

General

The Group's principal financial instruments comprise bank borrowings, finance leases, and cash and short-term deposits. The main purpose of these financial instruments is to raise finance for the Group's operations. The Group has various other financial instruments such as trade debtors and trade creditors, which arise directly from its operations.

The main risks arising from the Group's financial instruments are foreign currency risk, interest rate risk, price risk, credit risk and liquidity risk. The Group manages these risks as stated below. The Group also monitors the market price risk arising from all financial instruments.

Credit Risk

Financial instruments have a counterparty risk as they may not fulfill requirements of the agreement.

The Group manages credit risk by constantly evaluating the credibility of the related parties and by determining counterparty credit limits and due dates on a customer basis. Group also receives collaterals from customers as needed. Instruments that increase the credit reliability as guarantees received to determine the maximum amount of credit risk as of reporting date, are not taken into account.

Concentrations of credit risk arise when a number of counterparties are engaged in similar business activities or activities in the same geographic region, or have similar economic features that would cause their ability to meet contractual obligations to be similarly affected by changes in economic, political or other conditions. Concentrations of credit risk indicate the relative sensitivity of the Group's performance to developments affecting a particular industry or geographic location.

As of December 31, 2017 and 2016 details of maximum credit risk exposure and aging of assets overdue but not impaired are stated below:

December 31, 2017	**Receivables**						
	Trade Receivables		**Other Receivables**				
	Due from related parties	**Due from third parties**	**Due from related parties**	**Due from third parties**	**Deposits in banks**	**Derivative Instruments**	**Other**
Maximum exposure to credit risk at the end of reporting period (A+B+C+D+E)	**259.589**	**2.055.465**	**-**	**133.636**	**5.733.309**	**95.093**	**160.371**
- Maximum credit risk secured by guarantees	63.086	1.469.356	-	-	-	-	-
A. Net carrying amount of financial assets that are neither past due nor impaired	256.126	1.865.831	-	133.636	5.733.309	95.093	160.371
B. Carrying amount of financial assets whose term has been renegotiated, otherwise past due or impaired	-	-	-	-	-	-	-
C. Net carrying amount of financial assets past due but not impaired	3.463	193.651	-	-	-	-	-
- Under guarantee	-	98.376	-	-	-	-	-
D. Net carrying amount of financial assets impaired	-	(4.017)	-	-	-	-	-
- Past due (gross carrying value)	-	65.907	-	-	-	-	-
- impaired (-)	-	(69.925)	-	-	-	-	-
- Net carrying amount of financial assets under guarantee	-	(4.017)	-	-	-	-	-
- Not past due (gross carrying value)	-	-	-	-	-	-	-
- impaired (-)	-	-	-	-	-	-	-
- Net carrying amount of financial assets under guarantee	-	-	-	-	-	-	-
E. Off- balance sheet items which include credit risk	-	-	-	-	-	-	-

(Currency – Thousands of Turkish Lira (TRL) unless otherwise indicated)

NOTE 33 - NATURE AND LEVEL OF RISKS ARISING FROM FINANCIAL INSTRUMENTS (cont'd)

Financial Risk Management Objectives and Policies (cont'd)

Credit Risk (cont'd)

December 31, 2016	Receivables						
	Trade Receivables		Other Receivables				
	Due from related parties	Due from third parties	Due from related parties	Due from third parties	Deposits in banks	Derivative Instruments	Other
Maximum exposure to credit risk at the end of reporting period (A+B+C+D+E)	145.223	1.794.635	1.040	132.437	3.239.144	62.786	65.077
- Maximum credit risk secured by guarantees	59.215	1.386.546	-	-	-	-	-
A. Net carrying amount of financial assets that are neither past due nor impaired	145.223	1.669.306	1.040	132.437	3.239.144	62.786	65.077
B. Carrying amount of financial assets whose term has been renegotiated, otherwise past due or impaired	-	-	-	-	-	-	-
C. Net carrying amount of financial assets past due but not impaired	-	123.706	-	-	-	-	-
- Under guarantee	-	39.596	-	-	-	-	-
D. Net carrying amount of financial assets impaired	-	1.623	-	-	-	-	-
- past due (gross carrying value)	-	50.605	-	2.001	-	-	-
- impaired (-)	-	(48.982)	-	(2.001)	-	-	-
- Net carrying amount of financial assets under guarantee	-	1.623	-	-	-	-	-
- not past due (gross carrying value)	-	-	-	-	-	-	-
- impaired (-)	-	-	-	-	-	-	-
- Net carrying amount of financial assets under guarantee	-	-	-	-	-	-	-
E. Off- balance sheet items which include credit risk	-	-	-	-	-	-	-

December 31, 2017	**Receivables**				
	Trade Receivables		**Other Receivables**		
	Due from related parties	**Due from third parties**	**Due from related parties**	**Due from third parties**	**Deposits**
Past due between 1-30 days	**-**	**149.740**	**-**	**-**	**-**
Past due between 1-3 months	**-**	**29.171**	**-**	**-**	**-**
Past due between 3-12 months	**-**	**6.111**	**-**	**-**	**-**
Past due for more than 1 year	**-**	**8.629**	**-**	**-**	**-**

December 31, 2016	Receivables				
	Trade Receivables		Other Receivables		
	Due from related parties	Due from third parties	Due from related parties	Due from third parties	Deposits
Past due between 1-30 days	-	83.989	-	-	-
Past due between 1-3 months	-	22.428	-	-	-
Past due between 3-12 months	-	9.522	-	-	-
Past due for more than 1 year	-	7.767	-	-	-

(Currency – Thousands of Turkish Lira (TRL) unless otherwise indicated)

NOTE 33 - NATURE AND LEVEL OF RISKS ARISING FROM FINANCIAL INSTRUMENTS (cont'd)

Financial Risk Management Objectives and Policies (cont'd)

Foreign currency risk

The following table summarizes the exchange rate of Turkish Lira to 1 USD and 1 EUR:

		Exchange buying rate at December 31, 2016	Average exchange buying rate in the period	Exchange buying rate at December 31, 2017
USD/TRL	Turkey	3,5192	3,6445	3,7719
EUR/TRL	Turkey	3,7099	4,1159	4,5155

Foreign currency risk arises from the EUR and USD denominated assets and liabilities of the Group. The Group has transactional currency exposures. Such exposures arise from sales or purchases or borrowings by the Group in currencies other than the Group's functional currency. The Group manages foreign currency risk by using natural hedges that arise from offsetting foreign currency denominated assets and liabilities. Anadolu Efes, a subsidiary of the Group, as mentioned in Note 5, reserves a certain portion of its bank deposits for future purchases of raw materials, operating expenses and interest payments. Çelik Motor, a subsidiary of the Group, hedges its foreign exchange risk on commitments to provide operational leasing services resulting from off balance sheet foreign currency denominated operating lease receivables (hedged item) with foreign currency denominated loans (hedging instrument).

December 31, 2017	TRL Equivalent (Functional currency)	Thousand USD	Thousand EUR	Other TRL
1. Trade receivables	147.197	16.704	17.638	4.546
2a. Monetary financial assets (cash and cash equivalents included)	3.790.344	961.386	33.370	13.409
2b. Non - monetary financial assets	-	-	-	-
3. Other	44.691	1.378	8.070	3.053
4. Current assets (1+2+3)	**3.982.232**	**979.468**	**59.078**	**21.008**
5. Trade receivables	1.328	352	-	-
6a. Monetary financial assets	-	-	-	-
6b. Non - monetary financial assets	-	-	-	-
7. Other	6.149	494	949	-
8. Non - current assets (5+6+7)	**7.477**	**846**	**949**	**-**
9. Total assets (4+8)	**3.989.709**	**980.314**	**60.027**	**21.008**
10. Trade payables	498.100	38.551	59.634	83.412
11. Short - term borrowings and current portion of long - term borrowings	4.313.879	646.269	415.507	-
12a. Monetary other liabilities	865	-	192	-
12b. Non - monetary other liabilities	29.138	3.754	3.317	-
13. Current liabilities (10+11+12)	**4.841.982**	**688.574**	**478.650**	**83.412**
14. Trade payables	-	-	-	-
15. Long - term borrowings	7.743.162	1.347.116	589.519	-
16a. Monetary other liabilities				-
16b. Non - monetary other liabilities	117.574	31.171	-	-
17. Non - current liabilities (14+15+16)	**7.860.736**	**1.378.287**	**589.519**	**-**
18. Total liabilities (13+17)	**12.702.718**	**2.066.861**	**1.068.169**	**83.412**
19. Off balance sheet derivative items' net asset / (liability) position (19a-19b)	**618.327**	**709**	**136.342**	**-**
19a. Total hedged assets	618.327	709	136.342	-
19b. Total hedged liabilities	-	-	-	-
20. Net foreign currency asset / (liability) position (9-18+19)	**(8.094.682)**	**(1.085.838)**	**(871.800)**	**(62.404)**
21. Monetary items net foreign currency asset / (liability) position (=1+2a+5+6a-10-11-12a-14-15-16a)	**(8.617.137)**	**(1.053.494)**	**(1.013.844)**	**(65.457)**
22. Total fair value of financial instruments used to manage the foreign currency position	-	-	-	-

As of December 31, 2016, USD 164 million was netted on foreign currency position table and sensitivity. As of December 31, 2017, there was no netting in the foreign currency position and foreign exchange sensitivity analysis table along with the reflection of the functional currency change.

(Currency – Thousands of Turkish Lira (TRL) unless otherwise indicated)

NOTE 33 - NATURE AND LEVEL OF RISKS ARISING FROM FINANCIAL INSTRUMENTS (cont'd)

Financial Risk Management Objectives and Policies (cont'd)

Foreign Currency Risk (cont'd)

December 31, 2016	TRL Equivalent (Functional currency)	Thousand USD	Thousand EUR	Other TRL
1. Trade receivables	156.069	7.530	15.123	73.465
2a. Monetary financial assets (cash and cash equivalents included)	1.861.580	419.567	56.217	176.482
2b. Non - monetary financial assets	-	-	-	-
3. Other	62.736	1.102	1.597	52.933
4. Current assets (1+2+3)	2.080.385	428.199	72.937	302.880
5. Trade receivables	2.256	641	-	-
6a. Monetary financial assets	-	-	-	-
6b. Non - monetary financial assets	-	-	-	-
7. Other	12.256	-	3.202	377
8. Non - current assets (5+6+7)	14.512	641	3.202	377
9. Total assets (4+8)	2.094.897	428.840	76.139	303.257
10. Trade payables	395.833	23.682	23.297	226.062
11. Short - term borrowings and current portion of long - term borrowings	1.352.239	86.780	280.439	6.440
12a. Monetary other liabilities	46.376	1.230	1.830	35.258
12b. Non - monetary other liabilities	8.305	2.360	-	-
13. Current liabilities (10+11+12)	1.802.753	114.052	305.566	267.760
14. Trade payables	-	-	-	-
15. Long - term borrowings	7.272.427	1.313.272	707.663	25.402
16a. Monetary other liabilities	-	-	-	-
16b. Non - monetary other liabilities	111.154	31.585	-	-
17. Non - current liabilities (14+15+16)	7.383.581	1.344.857	707.663	25.402
18. Total liabilities (13+17)	9.186.334	1.458.909	1.013.229	293.162
19. Off balance sheet derivative items' net asset / (liability) position (19a-19b)	498.802	6.530	128.257	-
19a. Total hedged assets	498.802	6.530	128.257	-
19b. Total hedged liabilities	-	-	-	-
20. Net foreign currency asset / (liability) position (9-18+19)	(6.592.635)	(1.023.539)	(808.833)	10.095
21. Monetary items net foreign currency asset / (liability) position (=1+2a+5+6a-10-11-12a-14-15-16a)	(7.046.970)	(997.226)	(941.889)	(43.215)
22. Total fair value of financial instruments used to manage the foreign currency position	(348)	(99)	-	-

Information related to export and import as of December 31, 2017 and 2016 are as follows:

	2017	
Total Export Amount	**438.702**	421.100
Total Import Amount	**3.353.015**	2.765.893

(Currency – Thousands of Turkish Lira (TRL) unless otherwise indicated)

NOTE 33 - NATURE AND LEVEL OF RISKS ARISING FROM FINANCIAL INSTRUMENTS (cont'd)

Financial Risk Management Objectives and Policies (cont'd)

Foreign Currency Risk (cont'd)

	Foreign currency position sensitivity analysis	
	December 31, 2017 (*)	
	Income / (loss)	**Income / (loss)**
	Increase of the foreign currency	**Decrease of the foreign currency**
Change in the USD against TRL by 10% +/-:		
1- USD denominated net asset / liability	(409.835)	409.835
2- USD denominated hedging instruments(-)	267	(267)
3- Net effect in USD (1+2)	**(409.568)**	**409.568**
Change in the EUR against TRL by 10% +/-:		
4- Euro denominated net asset / liability	(455.226)	455.226
5- Euro denominated hedging instruments(-)	61.565	(61.565)
6- Net effect in Euro (4+5)	**(393.661)**	**393.661**
Change in the other foreign currencies against TRL by 10% +/-:		
7- Other foreign currency denominated net asset / liability	(6.239)	6.239
8- Other foreign currency hedging instruments(-)	-	-
9- Net effect in other foreign currency (7+8)	(6.239)	6.239
TOTAL (3+6+9)	**(809.468)**	**809.468**

	Foreign currency position sensitivity analysis	
	December 31, 2016 (*)	
	Income / (loss)	Income / (loss)
	Increase of the foreign currency	Decrease of the foreign currency
Change in the USD against TRL by 10% +/-:		
1- USD denominated net asset / liability	(362.502)	362.502
2- USD denominated hedging instruments(-)	2.298	(2.298)
3- Net effect in USD (1+2)	(360.204)	360.204
Change in the EUR against TRL by 10% +/-:		
4- Euro denominated net asset / liability	(347.651)	347.651
5- Euro denominated hedging instruments(-)	47.582	(47.582)
6- Net effect in Euro (4+5)	(300.069)	300.069
Change in the other foreign currencies against TRL by 10% +/-:		
7- Other foreign currency denominated net asset / liability	1.010	(1.010)
8- Other foreign currency hedging instruments(-)	-	-
9- Net effect in other foreign currency (7+8)	1.010	(1.010)
TOTAL (3+6+9)	(659.263)	659.263

(*) Monetary assets and liabilities eliminated during the consolidation are not included.

(Currency – Thousands of Turkish Lira (TRL) unless otherwise indicated)

NOTE 33 - NATURE AND LEVEL OF RISKS ARISING FROM FINANCIAL INSTRUMENTS (cont'd)

Financial Risk Management Objectives and Policies (cont'd)

Interest Rate Risk

The Group is exposed to interest rate risk through the impact of rate changes on interest bearing assets and liabilities. The Group manages interest rate risk by using natural hedges that arise from offsetting interest rate of assets and liabilities or derivative financial instruments.

The Group manages interest rate risk arising from the interest rate fluctuations on international markets, by using interest rate swap agreement. Total outstanding amount of IRS agreements was USD 43 million as of December 31, 2017 (December 31, 2016: USD 43 million).

Certain parts of the interest rates related to borrowings are based on market interest rates; therefore the Group is exposed to interest rate fluctuations on domestic and international markets. The Group's exposure to market risk for changes in interest rates relates primarily to the Group's debt obligations.

Interest position table	**December 31, 2017**	December 31, 2016
Financial instruments with fixed interest rate		
Financial assets		
- Time deposits	**5.184.586**	2.608.459
Financial liabilities	**10.954.408**	6.743.348
Financial instruments with floating interest rate		
Financial liabilities	**3.158.112**	3.490.846

At December 31, 2017, if interest rate on the Group's borrowings would have been 100 basis points higher / lower with all other variables held constant, then profit before tax and minority interest for the period ended March 31, 2018 which is the following reporting period, would be:

	Effect on profit before tax	
Interest Increase	**December 31, 2017**	December 31, 2016
1% increase	**(7.853)**	(8.698)

Liquidity Risk

Liquidity risk arises from the possibility that customers may not be able to settle within the normal terms of trade. To manage this risk, the Group periodically assesses the financial liability of customers. In addition, with the support of the reliable lenders' credit limits, cash inflows and outflows are balanced.

December 31, 2017

Maturities according to agreement	**Book Value**	**Total cash outflow according to agreement (=I+II+III+IV)**	**Less than 3 months (I)**	**3 to 12 months (II)**	**1 to 5 years (III)**	**More than 5 years (IV)**
Non-derivative financial liabilities	**16.600.284**	**18.197.875**	**3.799.478**	**4.557.789**	**6.695.871**	**3.144.737**
Borrowings and financial leasing payables	**14.112.520**	**15.709.116**	**1.712.036**	**4.309.224**	**6.543.119**	**3.144.737**
Trade payable and due to related parties	**2.266.784**	**2.267.779**	**1.992.936**	**239.663**	**35.180**	**-**
Put option liability	**126.474**	**126.474**	**-**	**8.902**	**117.572**	**-**
Employee benefit obligations	**94.506**	**94.506**	**94.506**	**-**	**-**	**-**

(Currency – Thousands of Turkish Lira (TRL) unless otherwise indicated)

NOTE 33 - NATURE AND LEVEL OF RISKS ARISING FROM FINANCIAL INSTRUMENTS (cont'd)

Financial Risk Management Objectives and Policies (cont'd)

Liquidity Risk (cont'd)

December 31, 2016

Maturities according to agreement	Book Value	Total cash outflow according to agreement (=I+II+III+IV)	Less than 3 months (I)	3 to 12 months (II)	1 to 5 years (III)	More than 5 years (IV)
Non-derivative financial liabilities	12.756.228	13.893.409	2.528.334	2.287.445	6.585.905	2.491.725
Borrowings and financial leasing payables	10.234.194	11.370.632	827.218	1.603.360	6.448.329	2.491.725
Trade payable and due to related parties	1.815.332	1.816.075	1.625.982	163.668	26.425	-
Put option liability	631.568	631.568	-	520.417	111.151	-
Employee benefit obligations	75.134	75.134	75.134	-	-	-

Capital Risk Management

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital. Regarding capital risk management the Group follows net financial debt/equity ratio. Net financial debt is calculated by subtracting cash and cash equivalents and short term financial investments from total financial debt.

NOTE 34 – FINANCIAL INSTRUMENTS

34.1 Fair Value

Fair value is the amount for which an asset could be exchanged, or a liability settled between knowledgeable, willing parties in an arm's length transaction. The optimum fair value of a financial instrument is the quoted market value, if any.

Since cash and cash equivalents, trade receivables, other current assets, trade payables and other payables are of short term; their fair values are the same with their values in the balance sheet.

Investments are recorded with their carrying value due to the lack of determined market values and inefficiency of other methods on determining fair values.

Fair value of short-term and long term lease obligations approximate their carrying values in the balance sheet since they are in foreign currencies and revalued as of year-end.

The fair value of financial lease receivables are calculated by discounting their cash flows to the present value by using current market rates.

The fair value of held to maturity financial assets are calculated based on their market prices.

The fair value of other assets and liabilities are calculated by discounting their cash flows to the present value by using current market rates (current libor rates).

(Currency – Thousands of Turkish Lira (TRL) unless otherwise indicated)

NOTE 34 – FINANCIAL INSTRUMENTS (cont'd)

34.1 Fair Value (cont'd)

Fair Value Hedge Accounting

Level 1: Market price valuation techniques for the determined financial instruments traded in markets (unadjusted)

Level 2: Other valuation techniques including direct or indirect observable inputs

Level 3: Valuation techniques not containing observable market inputs

	December 31, 2017	**Level 1**	**Level 2**	**Level 3**
Derivative financial assets	**95.093**	-	**95.093**	-
Derivative financial liabilities	-	-	-	-
Put option liability	**117.572**	-	**117.572**	-

	December 31, 2016	Level 1	Level 2	Level 3
Financial assets at fair value through profit/ loss	483	483	-	-
Derivative financial assets	62.786	-	62.786	-
Derivative financial liabilities	65	-	65	-
Put option liability	623.262	-	623.262	-

34.2 Derivative Financial Instruments and Hedge Accounting

Derivative financial instruments are initially recognized at cost, and subsequently valued at fair value.

The Group documented the relationship between hedging instruments and hedged items at the beginning of the hedge transaction and also documented risk management objectives and the strategy for performing a variety of hedging transactions. Group, both at the beginning of the process of hedging transaction and on a regular basis of the hedging transaction, documented the assessment whether instruments used in hedging transactions are effective in high-level balancing changes in values of hedged items.

Although the Group's functional currency is Turkish Lira, due to a significant portion of lease receivables denominated in foreign currencies, the Group is exposed to currency risk. As lease receivables are represented in Turkish Lira, as a result, changes in exchange rates affect both the Group's net income and financial position.

In accordance with the Group's currency risk strategy, currency risk arising from future operating lease receivables has been hedged with foreign currency loans.

Çelik Motor, a subsidiary of the Group, has started to apply fair value hedge accounting since January 1, 2012. Çelik Motor, a subsidiary of the Group, hedges its foreign exchange risk on commitments to provide operational leasing services resulting from off balance sheet foreign currency denominated operating lease receivables (hedged item) with foreign currency denominated loans (hedging instrument). Fair value changes resulting from the exchange risk of the hedged item has been accounted in "derivative financial instruments" as an asset or liability on the balance sheet, current year fair value changes has been accounted for under foreign exchange gain/losses in "financial income/expense" accounts in the statement of income fair value changes originating from prior periods have been accounted under "revenue".

(Currency – Thousands of Turkish Lira (TRL) unless otherwise indicated)

NOTE 34 - FINANCIAL INSTRUMENTS (cont'd)

34.2 Derivative Financial Instruments and Hedge Accounting (cont'd)

As of December 31, 2017, CCİ has 2 aluminum swap transactions with a total nominal amount of TRL 427 (December 31, 2016: TRL 12.379) for 72 tones. The total of these aluminum swap contracts are designated as hedging instruments in cash flow hedges related to forecasted cash flows for the highly probable purchases of can exposed to commodity price risk.

As of December 31, 2017, CCİ has 2 option transactions in which CCİ acquired the right to purchase 216 tonnes of aluminum at USD 1.650 per tonne to hedge its financial risk arising from the cash flows 2018 can purchases (December 31, 2016 - 4 option transactions for the right to purchase 6.300 tonnes of aluminum at USD 1.650 per tonne).

Fair value of derivative financial instruments as of December 31, 2017 is as follows:

	December 31, 2017			December 31, 2016	
		Fair values		Fair values	
	Contract amount	**Assets**	**Liabilities**	Assets	Liabilities
Derivatives held for hedging:					
Receivables from operating leases	**622.654**	**94.757**	**-**	61.314	-
Commodity swap transactions	**427**	**152**	**-**	1.123	(65)
Foreign currency forward transactions	**7.457**	**184**	**-**	349	-
	630.538	**95.093**	**-**	62.786	(65)
Short term		**64.521**	**-**	42.219	(65)
Long term		**30.572**	**-**	20.567	-
		95.093	**-**	62.786	(65)

(Currency – Thousands of Turkish Lira (TRL) unless otherwise indicated)

NOTE 35 - DISCLOSURES OF INTERESTS IN OTHER ENTITIES

The summary financial information of the subsidiary of the Group, of which non-controlling interest is at considerable level, is presented below:

	December 31, 2017			
Subsidiary	Non-controlling interest (%)	Profit/loss allocated to non-controlling interest	Accumulated non-controlling interest	Dividend paid to non-controlling interest
Anadolu Efes	**56,95**	**85.095**	**5.679.608**	**82.615**

	December 31, 2016			
Subsidiary	Non-controlling interest (%)	Profit/loss allocated to non-controlling interest	Accumulated non-controlling interest	Dividend paid to non-controlling interest
Anadolu Efes	56,95	(40.318)	5.274.994	82.615

Summary financial information for the related subsidiary is presented below:

Summary consolidated statement of financial position:	**Anadolu Efes**	Anadolu Efes
	December 31, 2017	December 31, 2016
Current assets	9.197.981	6.008.675
Non-current assets	20.492.924	19.619.884
Total assets	**29.690.905**	25.628.559
Short-term borrowings	3.045.478	500.870
Other current liabilities	2.773.176	2.185.587
Long-term borrowings	5.464.012	5.682.403
Other non-current liabilities	2.581.371	2.442.677
Total liabilities	**13.864.037**	10.811.537
Net assets	**15.826.868**	14.817.022
Attributable to:		
Non-controlling interests	5.853.895	5.554.521
Net assets of the equity holders of the parent	**9.972.973**	9.262.501

Summary consolidated statement of profit or loss:	**Anadolu Efes**	Anadolu Efes
	December 31, 2017	December 31, 2016
Revenue	12.946.918	10.420.257
Net income / (loss)	305.889	(40.055)
Non-controlling interests	156.469	30.740
Equity holders of the parent	**149.420**	(70.795)

(Currency – Thousands of Turkish Lira (TRL) unless otherwise indicated)

NOTE 35 - DISCLOSURES OF INTERESTS IN OTHER ENTITIES (cont'd)

Summary cash flow:	**Anadolu Efes**	Anadolu Efes
	December 31, 2017	December 31, 2016
Cash flows from operating activities	2.190.025	1.876.185
Cash flows used in investing activities	(788.653)	(732.898)
Cash flows from (used in) financing activities	1.085.374	(473.808)
Effect of currency translation differences	172.436	182.490
Net increase in cash and cash equivalents	**2.659.182**	851.969
Cash and cash equivalent at the beginning of the period	2.740.003	1.888.034
Total cash and cash equivalent at the end of the period	**5.399.185**	2.740.003

NOTE 36 - EVENTS AFTER THE REPORTING PERIOD

1) The Law numbered 7061 on Amendment of Certain Taxes and Laws and Other Acts was published on the Official Gazette dated December 5, 2017 and numbered 30261. The 20% corporate tax rate, will be applied as 22% for entities' corporate income belonging to the taxation periods of 2018, 2019 and 2020 as amended in the provisional clause of article 10 of the Law (To financial years, which start within the related year for entities appointed a special accounting period.). The rate will be applied in the first temporary tax period in 2018.

2) CCİ, a subsidiary of the Group engaged in cross currency swap transactions for USD 150 million, in order to hedge its FX risk, as of January 16, 2018.

3) Concerning with Collective Labor Agreement negotiations of Anadolu Isuzu (the subsidiary of the Group), the parties, MESS (Union of Turkey Metal Industrialists) and the United Metal-Business Union reached a full consensus on the items discussed on January 30, 2018.

4) The capital of Anadolu Landini, a joint venture of the Group, has been increased by TRL 32.000 on February 6, 2018. Shareholders participated in the capital increase in terms of their share and the capital increase is paid fully in cash.

5) According to the board of directors decisions of shareholders of the Company, who are AG Sınai Yatırım ve Yönetim A.Ş. and AEP Anadolu Etap Penkon Pazarlama Ltd. Şti., dated March 7, 2018, AEP Anadolu Etap Penkon Pazarlama Ltd. Şti., and AG Sınai Yatırım ve Yönetim A.Ş. will merge in the Genel Assembly which will be held on March 19, 2018 and after the merger shareholders of AG Sınai Yatırım ve Yönetim A.Ş. will be (with ultimate control of S. Kamil Yazıcı Family) Kamil Yazıcı Yönetim ve Danışma A.Ş. and (with ultimate control of Özilhan Family) İzzet Türkan Özilhan Yönetim ve Danışmanlık A.Ş. by 50% share each. Upon completion of these transactions, AG Sınai Yatırım ve Yönetim A.Ş. will be indirectly managed by S. Kamil Yazıcı Family and İzzet Özilhan Family through equal shareholding and equal representation principle.

6) Çelik Motor, a subsidiary of the Group, has applied to CMB to issue a bond/bill to qualified investors without public offerring per the Board of Directors' decision dated May 3, 2017 for up to a total of TRL 500.000 in various arrangements and maturities all in Turkish Liras within one year period, after the approval of the CMB in November 2017, it issued a bill with a nominal amount of TRL 105.000 for 6 months in January 2018. Also, as of February 2018, it has received approval from the CMB to issue financing bill/bond for the amount of TRL 70.000.

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