AG ANADOLU GRUBU HOLDİNG ANONİM ŞİRKETİ

CONVENIENCE TRANSLATION INTO ENGLISH OF CONSOLIDATED FINANCIAL STATEMENTS TOGETHER WITH INDEPENDENT AUDITOR’S REPORT FOR THE PERIOD JANUARY 1 - DECEMBER 31, 2018

(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 2018, 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 2018, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Turkish Financial Reporting Standards (TFRS).

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.

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3) Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. 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
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 subidiary Coca Cola İçecek A.Ş. ("Coca-Cola"), has expanded its operations with business combinations. As a result of these business combinations, the share of goodwill and intangible assets with indefinite useful life in total assets has reached to 36% in the consolidated financial statements. Anadolu Efes and Coca-Cola managements perform 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 consolidated financial statements, the impairment testing of cash generating units and intangible assets with indefinite useful lives is determined as a key audit matter. 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: • Evaluating whether cash generating units are correctly identified by the Anadolu Efes and Coca-Cola managements, • In order to evaluate budget processes of the Group in detail, in particular, questioning whether the estimations for liter and prices are reasonable and verifying Anadolu Efes and Coca-Cola Board of Directors approval for budgeted cash flows, • Evaluating basis and arithmetical accuracy of discounted cash flow models via involving the experts, • Comparison of initial estimates with realized results to assess the accuracy of historical estimations, • Evaluating the reasonableness of estimated EBITDA performance, capex, changes in working capital assumptions, discount and terminal growth rates assumptions, • Evaluating sensitivity analysis of impairment tests for the potential changes in key assumptions made by Anadolu Efes and Coca-Cola managements, • Review the appropriateness of related disclosures regarding to intangible assets with indefinite useful lives and goodwill in Notes 14 and 15 in accordance with TFRS.

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 15 July 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. The share of this amount is 6% in total assets. The Group management has 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: • Comparison of the total revenue of stores in the acquisition year is compared to the total revenue of existing and replacement stores as of 31 December 2018, • 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 internal 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 TFRS.

4) 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 TFRS, 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.

5) 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.

5) 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 7 March 2019.

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 2018 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, 7 March 2019

AG ANADOLU GRUBU HOLDİNG ANONİM ŞİRKETİ

Consolidated Financial Statements as at December 31, 2018

TABLE OF CONTENTS

CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT DECEMBER 31, 2018
(Currency – Thousands of Turkish Lira (TRL) unless otherwise indicated.)

		Audited	Audited
			Restated (Note 2)
ASSETS	**Notes**	**December 31, 2018**	December 31, 2017
Cash and Cash Equivalents	5	**5.282.990**	5.800.315
Financial Investments	6	**40.361**	107.946
Trade Receivables		**3.019.073**	2.309.203
- Due from Related Parties	*32.1*	***273.929***	*259.589*
- Trade Receivables, Third Parties	*8.1*	***2.745.144***	*2.049.614*
Other Receivables		**139.535**	107.954
- Due from Related Parties	*32.1*	***20.595***	-
- Other Receivables, Third Parties	*9.1*	***118.940***	*107.954*
Derivative Financial Assets	34.2	**102.996**	64.521
Inventories	10	**3.135.010**	2.122.397
Prepaid Expenses	19.1	**568.852**	461.248
Current Income Tax Assets	30.1	**189.152**	132.368
Other Current Assets	20.1	**952.145**	874.144
TOTAL CURRENT ASSETS		**13.430.114**	11.980.096
Financial Investments	6	**367**	342
Trade Receivables		**1.437**	5.851
- Trade Receivables, Third Parties	*8.1*	***1.437***	*5.851*
Other Receivables		**56.768**	25.682
- Other Receivables, Third Parties	*9.2*	***56.768***	*25.682*
Derivative Financial Assets	34.2	**83.181**	30.572
Investments Accounted Through Equity Method	11	**1.920.877**	2.333.170
Investment Property	12	**296.443**	307.941
Property, Plant and Equipment	13	**11.035.226**	8.356.588
Intangible Assets		**17.100.343**	12.178.510
- Goodwill	15	***5.891.555***	*1.834.897*
- Other Intangible Assets	14	***11.208.788***	*10.343.613*
Prepaid Expenses	19.2	**425.205**	354.888
Deferred Tax Assets	30.2	**1.148.241**	551.155
Other Non-Current Assets	20.2	**1.402.606**	1.781.316
TOTAL NON-CURRENT ASSETS		**33.470.694**	25.926.015
TOTAL ASSETS		**46.900.808**	37.906.111

(Convenience Translation into English of Consolidated Financial Statements Originally Issued in Turkish)
AG ANADOLU GRUBU HOLDİNG ANONİM ŞİRKETİ

CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT DECEMBER 31, 2018

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

		Audited	Audited
			Restated (Note 2)
LIABILITIES	**Notes**	**December 31, 2018**	December 31, 2017
Short-Term Borrowings	7	**3.184.503**	1.488.820
Current Portion of Long-Term Borrowings	7	**3.756.799**	4.189.616
Trade Payables		**4.156.261**	2.231.604
- Due to Related Parties	*32.2*	***7.347***	*726*
- Trade Payables, Third Parties	*8.2*	***4.148.914***	*2.230.878*
Employee Benefit Obligations	17.1	**114.858**	94.506
Other Payables		**1.515.495**	882.812
- Other Payables, Third Parties	*9.3*	***1.515.495***	*882.812*
Derivative Financial Liabilities	34.2	**41.037**	-
Deferred Income	21.1	**479.105**	481.042
Income Tax Payable	30.1	**18.036**	7.826
Short-Term Provisions		**180.673**	151.619
- Short-Term Provisions for the Employee Benefits	*17.2*	***130.899***	*127.731*
- Other Short-Term Provisions	*17.3*	***49.774***	*23.888*
Other Current Liabilities	20.3	**36.532**	24.217
TOTAL CURRENT LIABILITIES		**13.483.299**	9.552.062
Long-Term Borrowings	7	**8.712.404**	8.434.084
Trade Payables		**44.207**	35.180
- Trade Payables, Third Parties	*8.2*	***44.207***	*35.180*
Other Payables		**392.368**	349.032
- Other Payables, Third Parties	*9.3*	***392.368***	*349.032*
Derivative Financial Liabilities	34.2	**3.356**	-
Deferred Income	21.2	**27.580**	21.508
Long-Term Provisions		**192.358**	167.865
- Long-Term Provisions for the Employee Benefits	*17.2*	***192.358***	*167.865*
Deferred Tax Liability	30.2	**2.096.149**	1.915.078
Other Non-Current Liabilities	20.4	**270.308**	165.512
TOTAL NON-CURRENT LIABILITIES		**11.738.730**	11.088.259
TOTAL LIABILITIES		**25.222.029**	20.640.321
EQUITY			
Equity Attributable to Equity Holders of the Parent		**5.098.400**	5.681.720
Paid-in Share Capital	22	**243.535**	243.535
Inflation Adjustments on Capital		**65.771**	65.771
Share Premium (Discounts)		**1.200.135**	1.319.349
Effects of Business Combinations Under Common Control		**(7.145)**	(7.145)
Put Option Revaluation Fund Related With Non-Controlling Interests		**2.916**	8.728
Other Comprehensive Income (Loss) Not To Be Reclassified to Profit or Loss		**73.528**	(16.875)
- Revaluation and Remeasurement Gain (Loss)		***73.528***	*(16.875)*
- Income (Loss) on Remeasurements of Defined Benefit Plans		***(20.538)***	*(16.875)*
- Other Revaluation and Remeasurement Gain (Loss)		***94.066***	-
Other Comprehensive Income (Loss) To Be Reclassified to Profit or Loss		**1.256.358**	1.044.545
- Currency Translation Differences		***1.787.135***	*1.032.160*
- Gains (Losses) on Hedge		***(530.777)***	*12.385*
Restricted Reserves Allocated From Net Profit	22	**909.511**	909.511
Retained Earnings	22	**2.467.846**	2.244.351
Net Profit or Loss		**(1.114.055)**	(130.050)
Non-Controlling Interests		**16.580.379**	11.584.070
TOTAL EQUITY		**21.678.779**	17.265.790
TOTAL LIABILITIES AND EQUITY		**46.900.808**	37.906.111

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

CONSOLIDATED STATEMENT OF PROFIT OR LOSS FOR THE YEAR ENDED DECEMBER 31, 2018

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

	Notes	**Audited** **January 1 -** **December 31, 2018**	Audited Restated (Note 2) January 1 - December 31, 2017
Revenue	23	**23.981.255**	17.163.686
Cost of Sales	23	**(16.038.324)**	(11.577.288)
GROSS PROFIT (LOSS)		**7.942.931**	5.586.398
General Administrative Expenses	24	**(1.826.417)**	(1.176.133)
Marketing Expenses	24	**(4.200.655)**	(2.941.031)
Research and Development Expenses		**(4.481)**	(4.726)
Other Operating Income	26.1	**690.912**	376.954
Other Operating Expenses	26.2	**(631.665)**	(297.909)
Gain (Loss) from Investments Accounted Through Equity Method	11	**(515.224)**	135.907
OPERATING PROFIT (LOSS)		**1.455.401**	1.679.460
Income from Investing Activities	27.1	**292.174**	79.752
Expenses from Investing Activities	27.2	**(173.191)**	(115.515)
OPERATING PROFIT (LOSS) BEFORE FINANCIAL INCOME (EXPENSE)		**1.574.384**	1.643.697
Financial Income	28	**3.589.009**	1.331.799
Financial Expenses	29	**(5.712.373)**	(2.818.643)
PROFIT (LOSS) BEFORE TAX FROM CONTINUING OPERATIONS		**(548.980)**	156.853
Tax (Expense) Income from Continuing Operations		**(324.991)**	(51.216)
- Current Period Tax (Expense) Income	30.3	**(272.509)**	(166.657)
- Deferred Tax (Expense) Income	30.3	**(52.482)**	115.441
NET PROFIT (LOSS) FOR THE PERIOD FROM CONTINUING OPERATIONS		**(873.971)**	105.637
Attributable to:			
- Non-controlling Interests		**240.084**	235.687
- Equity Holders of the Parent		**(1.114.055)**	(130.050)
Earnings (Loss) per share (full TRL)	31	**(4,57)**	(0,53)
- Earnings (Loss) per share from continuing operations (full TRL)		**(4,57)**	(0,53)

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

CONSOLIDATED STATEMENT OF OTHER COMPREHENSIVE INCOME FOR THE YEAR ENDED DECEMBER 31, 2018

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

	Audited	
		Restated (Note 2)
	January 1 - December 31, 2018	January 1 - December 31, 2017
NET PROFIT (LOSS)	**(873.971)**	105.637
OTHER COMPREHENSIVE INCOME		
Items Not To Be Reclassified To Profit or Loss	**90.093**	(7.178)
- Remeasurement Gain (Loss) from Defined Benefit Plans	**(4.604)**	(9.282)
- Share of Other Comprehensive Income of Investments Accounted Through Equity Method Not To Be Classified to Profit or Loss	**(290)**	248
- Other Components of Other Comprehensive Income that will Not To Be Reclassified to Other Profit or Loss	**120.597**	-
- Tax Effect of Other Comprehensive Income Not To Be Classified To Profit or Loss	**(25.610)**	1.856
- Deferred Tax (Expense) Income	**(25.610)**	1.856
Items To Be Reclassified To Profit or Loss	**1.813.989**	911.894
- Currency Translation Differences	**2.842.977**	948.107
- Other Comprehensive Income (Loss) on Cash Flow Hedge	**202.260**	(61.578)
- Other Comprehensive Income (Loss) Related with Hedges of Net Investments in Foreign Operations (Note 33)	**(1.520.855)**	-
- Share Of Other Comprehensive Income of Investments Accounted Through Equity Method To Be Classified to Profit or Loss	**6.770**	12.793
- Tax Effect of Other Comprehensive Income To Be Classified To Profit or Loss	**282.837**	12.572
- Deferred Tax (Expense) Income	**282.837**	12.572
OTHER COMPREHENSIVE INCOME (LOSS)	**1.904.082**	904.716
TOTAL COMPREHENSIVE INCOME (LOSS)	**1.030.111**	1.010.353
Attributable to:		
- Non-controlling Interest	**1.841.950**	824.559
- Equity Holders of the Parent	**(811.839)**	185.794

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

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY FOR THE YEAR ENDED DECEMBER 31, 2018

(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	Other Revaluation and Remeasurement Gain (Loss) (**)	Currency Translation Differences	Gain / Loss on Hedge	Restricted Reserves Allocated from Net Profit	Retained Earnings	Net Profit/ Loss	Attributable to Equity Holders of the Parent	Non-Controlling Interests	Equity
Balances as of January 1, 2017	182.000	65.771	1.360.483	-	8.577	(12.766)	-	767.558	25.109	434.424	3.254.567	(376.046)	5.709.677	10.984.043	16.693.720
Other Restatements (Note 2)	-	-	-	-	-	-	-	(68.075)	-	-	-	-	(68.075)	(90.055)	(158.130)
Balances as of January 1, 2017 (Restated (Note 2))	182.000	65.771	1.360.483	-	8.577	(12.766)	-	699.483	25.109	434.424	3.254.567	(376.046)	5.641.602	10.893.988	16.535.590
Transfers	-	-	(3.739)	-	-	-	-	-	-	475.087	(847.394)	376.046	-	-	-
Total Comprehensive Income (Expense)	-	-	-	-	-	(4.109)	-	332.677	(12.724)	-	-	(130.050)	185.794	824.559	1.010.353
Net Profit (Loss)	-	-	-	-	-	-	-	-	-	-	-	(130.050)	(130.050)	235.687	105.637
Other Comprehensive Income (Expense)	-	-	-	-	-	(4.109)	-	332.677	(12.724)	-	-	-	315.844	588.872	904.716
Capital Increase	4.000	-	-	-	-	-	-	-	-	-	(4.000)	-	-	1.179	1.179
Effects of Business Combinations Under Common Control	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 (Restated (Note 2))	243.535	65.771	1.319.349	(7.145)	8.728	(16.875)	-	1.032.160	12.385	909.511	2.244.351	(130.050)	5.681.720	11.584.070	17.265.790
Balances as of January 1, 2018	**243.535**	**65.771**	**1.319.349**	**(7.145)**	**8.728**	**(16.875)**	**-**	**1.032.160**	**12.385**	**909.511**	**2.244.351**	**(130.050)**	**5.681.720**	**11.584.070**	**17.265.790**
Transfers	-	-	(10.767)	-	-	-	-	-	-	-	(119.283)	130.050	-	-	-
Total Comprehensive Income (Expense)	-	-	-	-	-	(3.663)	94.066	754.975	(543.162)	-	-	(1.114.055)	(811.839)	1.841.950	1.030.111
Net Profit (Loss)	-	-	-	-	-	-	-	-	-	-	-	(1.114.055)	(1.114.055)	240.084	(873.971)
Other Comprehensive Income (Expense)	-	-	-	-	-	(3.663)	94.066	754.975	(543.162)	-	-	-	302.216	1.601.866	1.904.082
Capital Increase	-	-	-	-	-	-	-	-	-	-	-	-	-	46.196	46.196
Dividends	-	-	(108.447)	-	-	-	-	-	-	-	83.447	-	(25.000)	(283.602)	(308.602)
Acquisition or Disposal of a Subsidiary	-	-	-	-	-	-	-	-	-	-	-	-	-	3.903.478	3.903.478
Increase/Decrease Through Changes in Ownership Interests in Subsidiaries That Do Not Result in Loss Of Control (Note 3)	-	-	-	-	-	-	-	-	-	-	252.590	-	252.590	(489.056)	(236.466)
Transactions With Non-Controlling Interests	-	-	-	-	-	-	-	-	-	-	6.741	-	6.741	5.421	12.162
Increase (Decrease) Due to Other Changes (*)	-	-	-	-	(5.812)	-	-	-	-	-	-	-	(5.812)	(28.078)	(33.890)
Balances as of December 31, 2018	**243.535**	**65.771**	**1.200.135**	**(7.145)**	**2.916**	**(20.538)**	**94.066**	**1.787.135**	**(530.777)**	**909.511**	**2.467.846**	**(1.114.055)**	**5.098.400**	**16.580.379**	**21.678.779**

(*) Balances in the increase (decrease) due to other changes line consists of the share related to the 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 the sale of shares of Ana Gıda which used to be a joint venture of the Group.

(**) The balance consists of the increase due to revaluation of the assets used in renting activities.

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

CONSOLIDATED STATEMENT OF CASH FLOW FOR THE YEAR ENDED DECEMBER 31, 2018

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

	Notes	Audited January 1- December 31, 2018	 January 1- December 31, 2017
CASH FLOWS FROM OPERATING ACTIVITIES		**3.969.396**	2.038.926
Profit / (Loss)		**(873.971)**	105.637
Adjustments to Reconcile Profit (Loss)		**4.497.837**	2.624.663
Adjustments for Depreciation and Amortisation Expense	12,13,14,20,25	**1.464.225**	1.087.837
Adjustments for Impairment Loss (Reversal of Impairment Loss)		**173.520**	129.723
- Adjustments for Impairment Loss (Reversal) of Receivables	*8.1*	***32.584***	*20.981*
- Adjustments for Impairment Loss (Reversal) of Inventories	*10*	***9.445***	*13.581*
- Adjustments for Impairment Loss (Reversal of Impairment Loss) of Property, Plant and Equipment	*13,27.2*	***27.597***	*75.547*
-Adjustments for Impairment Loss (Reversal of Impairment Loss) of Other Intangible Assets	*14,27.2*	***103.894***	*19.614*
Adjustments for Provisions		**131.137**	60.649
- Adjustments for (Reversal of) Provisions Related with Employee Benefits		***93.020***	*52.370*
- Adjustments for (Reversal of) Lawsuit and/or Penalty Provisions	*17.3*	***9.246***	*(5.955)*
- Adjustments for (Reversal of) Warranty Provisions	*17.3*	***10.433***	*13.787*
-Adjustments for (Reversal of) Other Provisions		***18.438***	*447*
Adjustments for Interest (Income) and Expenses		**903.458**	448.723
Adjustments for Unrealised Foreign Exchange Differences		**1.376.165**	1.140.770
Adjustments for Fair Value (Gains) Losses on Derivative Financial Instruments		**16.347**	-
Adjustments for Undistributed Profits of Investments Accounted for Using Equity Method	11	**515.224**	(135.907)
Adjustments for Tax (Income) Expense	30.3	**324.991**	51.216
Adjustments for Losses (Gains) Arised From Disposal of Non-Current Assets		**(93.191)**	(21.302)
- Adjustments for Losses (Gains) on Disposal of Tangible Assets	27.1,27.2	***(93.191)***	*(21.302)*
Adjustments for (Income) Expense Caused by Sale or Changes in Share of Associates, Joint Ventures and Financial Investments	27.1,27.2	**-**	(21.239)
Adjustments for Losses (Gains) on Disposal of Subsidiaries or Joint Operations	27.1	**-**	(19.145)
Transfer of currency translation differences previously accounted as other comprehensive income		**(169.937)**	-
Other Adjustments to Reconcile Profit (Loss)		**(144.102)**	(96.662)
Adjustments for Working Capital		**631.530**	(496.898)
Decrease (Increase) in Financial Investments		**12.172**	(6.180)
Adjustments for Decrease (Increase) in Trade Accounts Receivables		**(487.363)**	(396.177)
Adjustments for Decrease (Increase) in Other Operating Receivables		**(72.207)**	(159)
Adjustments for Decrease (Increase) in Inventories		**(681.247)**	(533.937)
Adjustments for Increase (Decrease) in Trade Accounts Payables		**991.277**	448.260
Adjustments for Increase (Decrease) in Other Operating Payables		**535.992**	253.091
Increase (Decrease) in Deferred Income		**4.135**	207.757
Other Adjustments for Increase (Decrease) in Working Capital		**328.771**	(469.553)
- Decrease (Increase) in Other Assets Related with Operations		***328.644***	*(453.738)*
- Increase (Decrease) in Other Liabilities Related with Operations		***127***	*(15.815)*
Cash Flows from Operations		**4.255.396**	2.233.402
Payments Related with Provisions for Employee Benefits		**(69.512)**	(53.480)
Payments Related with Other Provisions		**(12.428)**	(13.953)
Income Taxes Refund (Paid)		**(204.060)**	(127.043)
CASH FLOWS FROM INVESTING ACTIVITIES		**(1.396.136)**	(1.418.212)
Cash Inflows Caused by Share Sales or Capital Decrease of Associate and/or Joint Ventures		**-**	55.622
Cash Outflows Arising From Purchase of Shares or Capital Increase of Associates and/or Joint Ventures		**(135.819)**	(528.624)
Proceeds from Sale of Share or Debt Instruments of Other Business Organizations or Funds		**53.314**	-
Proceeds from Sales of Property, Plant, Equipment and Intangible Assets		**202.475**	89.125
Purchase of Property, Plant, Equipment and Intangible Assets		**(1.765.134)**	(952.573)
Other Cash Inflows (Outflows)		**249.028**	(81.762)
CASH FLOWS FROM FINANCING ACTIVITIES		**(5.161.631)**	1.725.109
Proceeds from Issuing Shares or Other Equity Instruments		**46.196**	1.179
Proceeds from Borrowings		**11.815.989**	9.413.633
Repayments of Borrowings		**(15.612.351)**	(6.979.856)
Income (Loss) from Cash Flow Hedge		**(224.588)**	(60.249)
Dividends Paid		**(308.602)**	(255.670)
Interest Paid		**(1.215.269)**	(562.768)
Interest Received		**336.994**	168.840
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS BEFORE EFFECT OF EXCHANGE RATE CHANGES		**(2.588.371)**	2.345.823
Effect of Exchange Rate Changes on Cash and Cash Equivalents		**2.067.937**	158.627
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS		**(520.434)**	2.504.450
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR	5	**5.789.520**	3.285.070
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR		**5.269.086**	5.789.520

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

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

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..

14,16% 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, 2018 are authorized for issue by the Board of Directors on March 7, 2019 and are approved by the Finance President Onur Çevikel and the Finance Coordinator Volkan Harmandar on behalf of Board of Directors. General Assembly and specified regulatory bodies have 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 five principal segments: Beer, 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, 2018 is 24.922 (December 31, 2017: 21.811).

List of Shareholders

As of December 31, 2018 and 2017 the shareholders and shareholding rates are as follows:

	December 31, 2018		December 31, 2017	
	Paid Capital	**(%)**	Paid Capital	(%)
AG Sınai Yatırım ve Yönetim A.Ş. (*)	**118.474**	**48,65**	59.237	24,32
AEP Anadolu Etap Penkon Pazarlama Ltd. Şti. (*)	**-**	**-**	59.237	24,32
Other Yazıcı Family Members (*)	**47.505**	**19,50**	47.443	19,48
Özilhan Family (*)	**24.293**	**9,98**	24.293	9,98
Süleyman Kamil Yazıcı and his Family (*) (***)	**18.782**	**7,71**	18.988	7,80
Publicly traded (**)	**34.480**	**14,16**	34.332	14,10
Other	**1**	**0,00**	5	0,00
Paid-in share capital - historical	**243.535**	**100,00**	243.535	100,00
Inflation adjustment on capital	**65.771**		65.771	
Total share capital	**309.306**		309.306	

(*) As of December 31, 2018, 28,65% of AG Sınai Yatırım ve Yönetim A.Ş. shares amounting TRL 69.767 and all of the shares of Other Yazıcı Family Members, Özilhan Family, Süleyman Kamil Yazıcı and his Family and other are publicly issued and 10,32% of them amounting TRL 24.105 are traded on the stock exchange. In accordance with the decisions of the board of directors dated March 7, 2018, AG Sınai Yönetim Yönetim A.Ş. and AEP Anadolu Etap Penkon Pazarlama Ltd. Şti. merged on March 29, 2018.
(**) The shares only consist of the shares traded on the stock exchange which do not belong to family members.
(***) TRL 218 of TRL 18.782 belongs to Anadolu Ecopack Üretim ve Pazarlama A.Ş.. Anadolu Ecopack Üretim ve Pazarlama A.Ş.’s 100,00% shares belong to Süleyman Kamil Yazıcı and his Family.

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

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

List of Subsidiaries

The subsidiaries included in consolidation and their shareholding percentages at December 31, 2018 and 2017 are as follows:

	Place of Incorporation	Principal activities	Segment	Effective shareholding and voting rights (%) December 31, 2018	December 31, 2017
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	Beer	**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)	Turkey	IT, internet and e-commerce services	Other	**99,38**	99,38
Oyex Handels GmbH (Oyex)	Germany	Trading of various materials used in the Group	Other	**100,00**	100,00
Anadolu Restoran İşletmeleri Limited Şirketi (McDonald's)	Turkey	Restaurant chain management	Retailing	**100,00**	100,00
Hamburger Restoran İşletmeleri A.Ş. (Hamburger) (3)	Turkey	Restaurant chain management	Retailing	-	100,00
Artı Anadolu Danışmanlık A.Ş. (Artı Anadolu)	Turkey	Inactive	Other	**100,00**	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	Inactive	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) (4)	Turkey	Production and transmission of electricity, and establishment and operation of distribution facilities	Other	**75,68**	89,19
Georgia Urban Enerji Ltd. (GUE) (4)	Georgia	Production and sale of electricity	Other	**68,11**	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
Kheledula Enerji Ltd. (Kheledula) (4)	Georgia	Production and sale of electricity (Investment in progress)	Other	**75,68**	89,19
MH Perakendecilik ve Ticaret A.Ş. (MH Perakendecilik)	Turkey	Retailing	Other	**100,00**	100,00

(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) Hamburger Restoran İşletmeleri A.Ş. has been taken over by Anadolu Restoran İşletmeleri Ltd. Şti. as a whole and merged with this company on June, 29 2018, with all its assets and liabilities.
(4) The Company's 13,51% shares in Anadolu Kafkasya were sold to Paravani Energy B.V., the current shareholder of Anadolu Kafkasya on December 21, 2018. Therefore, the shares of the Company in Anadolu Kafkasya has decreased to 75,68% from 89,19%. As a result of this transaction, the Company's share in GUE has become 68,11% and 75,68% in Kheledula.

(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, 2018	December 31, 2017
Ant Sınai ve Tic. Ürünleri Paz. A.Ş. (6)	Turkey	Purchase and sale of spare parts	Automotive	**55,40**	55,40
Efes Breweries International N.V. (EBI) (7)	The Netherlands	Holding company that facilitates Anadolu Efes' foreign investments in breweries	Beer	**43,05**	43,05
AB InBev Efes B.V. (7) (9)	The Netherlands	Investment Company	Beer	**21,53**	43,05
JSC Moscow-Efes Brewery (Efes Moscow) (7) (8)	Russia	Production and marketing of beer	Beer	**21,53**	43,05
LLC Vostok Solod (7)	Russia	Production of malt	Beer	**21,53**	43,05
LLC Efes Solod (7)	Russia	Production of malt	Beer	**21,53**	43,05
Euro-Asien Brauerein Holding GmbH (Euro-Asien) (7) (8)	Germany	Investment company	Beer	**21,53**	43,05
JSC Sun InBev (7) (8)	Russia	Production and marketing of beer	Beer	**21,53**	-
LLC Inbev Trade (7)	Russia	Production of malt	Beer	**21,53**	-
PJSC Sun InBev Ukraine (7) (8)	Ukraine	Production and marketing of beer	Beer	**21,22**	-
Bevmar GmbH (7) (8)	Germany	Investment Company	Beer	**21,53**	-
JSC FE Efes Kazakhstan Brewery (Efes Kazakhstan) (7)	Kazakhstan	Production and marketing beer	Beer	**43,05**	43,05
International Beers Trading LLP (IBT) (7)	Kazakhstan	Marketing of beer	Beer	**43,05**	43,05
Efes Vitanta Moldova Brewery S.A. (Efes Moldova) (7)	Moldova	Production of beer and low alcoholic drinks	Beer	**41,70**	41,69
JSC Lomisi (Efes Georgia) (7)	Georgia	Production and marketing and of beer and carbonated soft drinks	Beer	**43,05**	43,05
PJSC Efes Ukraine (Efes Ukraine) (7)	Ukraine	Production and marketing of beer	Beer	**43,02**	43,02
Efes Trade BY FLLC (Efes Belarus) (7)	Belarus	Market development	Beer	**43,05**	43,05
Efes Holland Technical Management Consultancy B.V. (EHTMC) (7)	The Netherlands	Leasing of intellectual property and similar products	Beer	**43,05**	43,05
LLC Efes Ukraine (7)	Ukraine	Selling and distribution of beer	Beer	**43,05**	43,05
Efes Pazarlama ve Dağıtım Ticaret A.Ş. (Ef-Pa) (7)	Turkey	Marketing and distribution company of Anadolu Efes	Beer	**43,05**	43,05
Cypex Co. Ltd. (Cypex) (7)	Northern Cyprus	Marketing and distribution of beer	Beer	**43,05**	43,05
Efes Deutschland GmbH (Efes Germany) (7)	Germany	Marketing and distribution of beer	Beer	**43,05**	43,05
Coca-Cola İçecek A.Ş. (CCİ) (5) (7)	Turkey	Production of Coca-Cola products	Soft Drink	**21,64**	21,64
Coca-Cola Satış ve Dağıtım A.Ş. (CCSD) (7)	Turkey	Distribution and selling of Coca-Cola, Doğadan and Mahmudiye products	Soft Drink	**21,63**	21,63
Mahmudiye Kaynak Suyu Ltd. Şti. (Mahmudiye) (7)	Turkey	Filling and selling of natural spring water	Soft Drink	**21,64**	21,64
J.V. Coca-Cola Almaty Bottlers LLP (Almaty CC) (7)	Kazakhstan	Production, distribution and selling of and distribution of Coca Cola products	Soft Drink	**21,64**	21,64
Tonus Turkish-Kazakh Joint Venture LLP (Tonus) (7)	Kazakhstan	Investment company of CCİ	Soft Drink	**21,64**	21,64
Azerbaijan Coca-Cola Bottlers LLC (Azerbaijan CC) (7)	Azerbaijan	Production, distribution and selling of Coca Cola products	Soft Drink	**21,61**	21,61
Coca-Cola Bishkek Bottlers CJSC (Bishkek CC) (7)	Kyrgyzstan	Production, distribution and selling of Coca Cola products	Soft Drink	**21,64**	21,64
CCI International Holland B.V. (CCI Holland) (7)	The Netherlands	Investment company of CCİ	Soft Drink	**21,64**	21,64
Sardkar for Beverage Industry Ltd. (SBIL) (7) (10)	Iraq	Production, distribution and selling of Coca Cola products	Soft Drink	**21,64**	21,64
The Coca-Cola Bottling Company of Jordan Ltd. (Jordan CC) (7)	Jordan	Production, distribution and selling of Coca Cola products	Soft Drink	**19,47**	19,47
Coca-Cola Beverages Pakistan Ltd (CCBPL) (7)	Pakistan	Production, distribution and selling of Coca Cola products	Soft Drink	**10,75**	10,75
Turkmenistan Coca-Cola Bottlers Ltd. (Turkmenistan CC) (7)	Turkmenistan	Production, distribution and selling of Coca Cola products	Soft Drink	**12,87**	12,87
Waha Beverages B.V. (7)	The Netherlands	Investment company of CCİ	Soft Drink	**17,32**	17,32
Al Waha for Soft Drinks, Juices, Mineral Water, Plastics, and Plastic Caps Production LLC (Al Waha) (7)	Iraq	Production, distribution and selling of Coca Cola products	Soft Drink	**17,32**	17,32
Coca-Cola Beverages Tajikistan LLC (Coca Cola Tajikistan) (7)	Tajikistan	Production, distribution and selling of Coca Cola products	Soft Drink	**21,64**	21,64

(5) CCI shares are quoted in BIST.
(6) Subsidiary of Anadolu Isuzu.
(7) Subsidiary of Anadolu Efes.
(8) Companies which AB Inbev Efes B.V. directly participates in connection with the business combination explained in Note 3.
(9) Details given in Note 3, on March 29, 2018 EBI's all beer operations in Russia, whose 100% shares are owned by Anadolu Efes and AB InBev's all beer operations in Russia and Ukraine, has been merged under AB InBev Efes BV (AB InBev Efes) as 50%-50% ownership of Anadolu Efes and AB InBev. As a result of this process, the Group's share in AB Inbev Efes B.V. has been 21,53%.
(10) The commercial title of Company for Beverage Industry Ltd. has been changed as Sardkar for Beverage Industry Ltd..

(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, 2018 and 2017 are as follows:

	Country	Main activities	Effective shareholding and voting rights (%)	
			December 31, 2018	December 31, 2017
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**	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	**17,09**	14,35
Syrian Soft Drink Sales & Dist. LLC (SSDSD)	Syria	Distribution and sales of Coca-Cola products	**10,82**	10,82
Türkiye'nin Otomobili Girişim Grubu Sanayi ve Ticaret A.Ş. (***)	Turkey	Development, production and trade of all kinds of electrical motor vehicles	**19,00**	-

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

(**) Anadolu Efes and Burlingtown LLP, among the shareholders, participated in capital increase of Anadolu Etap that has been carried out in June and November in 2018. Özgörkey Holding didn't participate. As a result of the capital increase, the share of Anadolu Efes has been increased from 33,33% to 39,70%, hence, the final share of the Company has been increased to 17,09%.

(***) The Company participated in 19% shares of Türkiye'nin Otomobil Girişim Grubu Sanayi ve Ticaret A.Ş., which was established on June 25, 2018 in order to manufacture mainly electric automobiles and carry out the commercial activities. In this context, the Shareholders' Agreement and the Articles of Association were signed on May 31, 2018. Thus, the registration of the company was completed on June 28, 2018.

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 Financial Reporting Standards and interpretations ("TFRS") 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 principles issued 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 beginning of the reporting period in which the common control occurred.
(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 TFRS 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, 2018	December 31, 2017
	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
JSC Sun InBev	Russian Ruble (RUR)	**RUR**	RUR
PJSC Sun InBev Ukraine	Ukraine Hryvnya (UAH)	**UAH**	UAH
AB InBev Efes B.V.	Europian Currency (EURO)	**USD**	USD
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**	KZT
Tonus	Kazakh Tenge (KZT)	**KZT**	KZT
Azerbaijan CC	Azerbaijani Manat (AZN)	**AZN**	AZN
Turkmenistan CC	Turkmenistan Manat (TMT)	**TMT**	TMT
Bishkek CC	Kyrgyz Som (KGS)	**KGS**	KGS
TCCBCJ	Jordan Dinar (JOD)	**JOD**	JOD
SBIL	Iraqi Dinar (IQD)	**IQD**	IQD
SSDSD	Syrian Pound (SYP)	**SYP**	SYP
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**	IQD
Tajikistan CC	Tajikistani Somoni (TJS)	**TJS**	TJS

Additionally, 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.

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

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

Basis of Preparation of Financial Statements (cont'd)

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. In order to be consistent with the current period presentation, the reclassifications on the consolidated financial statements for the year ended December 31, 2017 are as follows:

a) Within the scope of TFRS 15 "Revenue from Costumer Contracts" standard, marketing activity participation fees are classified to sales discount due to the fact that related expenses are realized by the customer which was previously recognized in sales and marketing expense. In this context, so as to being consistent with current period presentation as of December 31, 2017, the amount of TRL 129.003 marketing activity participation fee is classified from sales and marketing expenses to sales discount.

b) Within the scope of TFRS 15 "Revenue from Costumer Contracts" standard, services rendered from customers are classified to sales discount due to the fact that related expenses are realized by the customer which was previously recognized in sales and marketing expense. In this context, so as to being consistent with current period presentation as of December 31, 2017, the amount of TRL 85.557 service fees, received from customer are restated to sales discount from sales and marketing expense by classification.

c) The functional currency of brands which belongs to International Beer Operation and obtained as the part of business combinations is changed as to be functional currency of related cash generating unit. As a result of the change in accounting estimate, in consolidated statement of financial position brand values which recognized in "Other Intangible Asset" and "Foreign Currency Translation Differences" amounts has changed as of December 31, 2017. The effect of mentioned change is reflected to the consolidated statement of financial position, statement of changes in equity and other intangible assets movement table. The amendment did not have any effect on the consolidated income statement. The changes in "Other Intangible Asset" and "Foreign Currency Translation Differences" is equal to TRL 158.130 (share of the Equity Holders of the Parent: TRL 68.075) as of December 31, 2016 and TRL 161.272 as of December 31, 2017 (share of the Equity Holders of the Parent: TRL 69.428).

	December 31, 2016			December 31, 2017		
	Reported	Restatement	Restated	Reported	Restatement	Restated
Currency Translation Differences	767.558	(68.075)	699.483	1.101.588	(69.428)	1.032.160
Equity Holders of the Parent	5.709.677	(68.075)	5.641.602	5.751.148	(69.428)	5.681.720
Non-Controlling Interests	10.984.043	(90.055)	10.893.988	11.675.914	(91.844)	11.584.070
Total Equity	16.693.720	(158.130)	16.535.590	17.427.062	(161.272)	17.265.790
Other Intangible Assets	10.042.056	(158.130)	9.883.926	10.504.885	(161.272)	10.343.613

New standards and interpretations

The new standards, amendments and interpretations which are effective as 2018 are as follows:

TFRS 9 Financial Instruments

TFRS 9, Financial instruments; effective from annual periods beginning on to after January 1, 2018. This standard replaces the guidance in TAS 39. It includes requirements on the classification and measurement of financial assets and liabilities; it also includes an expected credit losses model that replaces the current incurred loss impairment model. Group has carried out valuation studies to determine the cumulative effect of the first transition and concluded that no material changes should be made to the consolidated financial statements.

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

New standards and interpretations (cont'd)

The new standards, amendments and interpretations which are effective as 2018 are as follows (cont'd)

TFRS 9 Financial Instruments (cont'd)

Classification and Measurement of Financial Instruments

Group classifies its financial assets in three categories of financial assets measured at amortised cost, financial assets measured at fair value through other comprehensive income and financial assets measured at fair value through profit or loss. The classification of financial assets is determined considering the entity's business model for managing the financial assets and the contractual cash flow characteristics of the financial assets. The appropriate classification of financial assets is determined at the time of the purchase.

"Financial assets measured at amortised cost", are non-derivative assets that are held within a business model whose objective is to hold assets in order to collect contractual cash flows and the contractual terms of the financial assets give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding. Group's financial assets measured at amortised cost comprise "cash and cash equivalents" and "trade receivables". Financial assets carried at amortised cost are measured at their fair value at initial recognition and by effective interest rate method at subsequent measurements. Gains and losses on valuation of non-derivative financial assets measured at amortised cost are accounted for under the consolidated statement of income.

"Financial assets measured at fair value through other comprehensive income", are non-derivative assets that are held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets and the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding. Gains or losses on a financial asset measured at fair value through other comprehensive income is recognised in other comprehensive income, except for impairment gains or losses and foreign exchange gains and losses until the financial asset is derecognised or reclassified. When the financial asset is derecognised the cumulative gain or loss previously recognised in other comprehensive income is reclassified to retained earnings. Group may make an irrevocable election at initial recognition for particular investments in equity instruments that would otherwise be measured at fair value through profit or loss, to present subsequent changes in fair value in other comprehensive income. In such cases, dividends from those investments are accounted for under consolidated statement of income.

"Financial assets measured at fair value through profit or loss", are assets that are not measured at amortised cost or at fair value through other comprehensive income. Gains and losses on valuation of these financial assets are accounted for under the consolidated statement of income. Changes regarding the classification of financial assets and liabilities in terms of TFRS 9 are summarised below. Related changes in classification do not result in changes in measurement of the financial assets and liabilities.

Financial assets	**Classification under TAS 39**	**Classification under TFRS 9**
Cash and cash equivalents	Loans and receivables	Amortised cost
Trade receivables	Loans and receivables	Amortised cost
Due from related parties	Loans and receivables	Amortised cost
Derivative instruments	Fair value through profit or loss	Fair value through profit or loss

Financial liabilities	**Classification under TAS 39**	**Classification under TFRS 9**
Derivative instruments	Fair value through profit or loss	Fair value through profit or loss
Borrowings	Amortised cost	Amortised cost
Trade payables	Amortised cost	Amortised cost

Impairment

"Expected credit loss model" defined in TFRS 9 "Financial Instruments" superseded the "incurred credit loss model" in TAS 39 "Financial Instruments: Recognition and Measurement" which was effective prior to 1 January 2018. Expected credit losses are a probability weighted estimate of credit losses over the expected life of the financial instrument. The calculation of expected credit loss is performed based on the past experiences and future expectations of the Group.

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

New standards and interpretations (cont'd)

The new standards, amendments and interpretations which are effective as 2018 are as follows (cont'd)

TFRS 15 Revenue from Contracts with Customers

TFRS 15, Revenue from Contracts with Customers; effective from annual periods beginning on or after January 1, 2018 and this standard replaces the guidance in TAS 18. The retrospective impact of transition on the consolidated financial statements of the Group explained under 'Comparative Information and Restatements on Prior Period Financial Statements'.

Revenue recognition

Group recognizes revenue when the goods or services are transferred to the customer and when the performance obligation is fulfilled. An asset is transferred when the customer obtains control of that asset.

The Group recognizes revenue in accordance with the new revenue standard which is effective from January 1, 2018, based five-step model set out below:

- Identifying contract(s) with a customer
- Identify the performance obligations in the contract
- Determine the transaction price
- Allocate the transaction price to the performance obligations in the contract
- Recognize revenue when (or as) the entity satisfies a performance obligation

The Group assesses the goods or services promised in a contract with a customer and identify as a performance obligation each promise to transfer to the customer. The Group considers the terms of the contract and its customary business practices to determine the transaction price.

The transaction price is the amount of consideration to which the Group expects to be entitled in exchange for transferring promised goods or services to a customer, excluding amounts collected on behalf of third parties (for example, some sales taxes).

A customer receives a discount for purchasing a bundle of goods or services if the sum of the stand-alone selling prices of those promised goods or services in the contract exceeds the promised consideration in a contract. Except when the Group has observable evidence that the entire discount relates to only one or more, but not all, performance obligations in a contract, the Group allocates a discount proportionately to all performance obligations in the contract.

For each performance obligation identified, the Group determines at contract inception whether it satisfies the performance obligation over time or satisfies the performance obligation at a point in time. When (or as) a performance obligation is satisfied, the Group recognises as revenue the amount of the transaction price that is allocated to that performance obligation. An asset is transferred when (or as) the customer obtains control of that asset.

The Group considers indicators of the transfer of control, which include, the following:

- The Group has a present right to payment for the asset,
- The customer has legal title to the asset,
- The Group has transferred physical possession of the asset,
- The customer has the significant risks and rewards of ownership of the asset,
- The customer has accepted the asset,

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

New standards and interpretations (cont'd)

The new standards, amendments and interpretations which are effective as 2018 are as follows (cont'd)

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. Amendments to TFRS 2 have no impact on the Group's consolidated financial statements.

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.

Amendments to TFRS 4, 'Insurance contracts'

'Financial Instruments'; effective from annual periods beginning on or after January 1, 2018. These amendments introduce two approaches: an overlay approach and a deferral approach. The amended standard will: Companies that issue insurance contracts the option to recognise in other comprehensive income, rather than profit or loss, the volatility that could arise when TFRS 9 is applied before the new insurance contracts standard is issued; and give companies whose activities are predominantly connected with insurance an optional temporary exemption from applying TFRS 9 until 2021. The entities that defer the application of TFRS 9 will continue to apply the existing financial instruments standard IAS 39. The interpretation does not have a material impact on the financial position or performance of the Group.

Annual Improvements to TFRS Standards 2014–2016 Cycle

TFRS 1, 'First time adoption of TFRS', regarding the deletion of short-term exemptions for first-time adopters regarding TFRS 7, TAS 19 and TFRS 10,

TAS 28: 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 organization, or other qualifying entity, is available for each investment in an associate or joint venture on an investment-by-investment basis, upon initial recognition. This standard does not have any impact for 2014-2016 period.

Short-term exclusions are abolished for the first time adoption of TFRS 10 standards.

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.

(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)

New and revised TFRS Standards in issue but not yet effective

At the date of authorisation of these financial statements, The Group has not applied the following new and revised TFRS Standards that have been issued but are not yet effective:

TFRS 16	*Leases*[1]
Amendments to TAS 28	*Long-term Interests in Associates and Joint Ventures*[1]
IFRIC 23	*Uncertainty over Income Tax Treatments*[1]
TFRS 10 and TAS 28 (amendments)	*Sale of Contribution of Assets between an Investor and its Associate or Joint Venture*
Amendments to TAS 19	*Amendments to Employee Benefits*[1]
Annual Improvements to 2015–2017 Cycle	*Amendments to TFRS 3, TFRS 11, TAS 12 and TAS 23*[1] *Standards*

[1] Effective from periods on or after January 1, 2019.

TFRS 16 Leases

Effective from annual periods beginning on or after January 1, 2019. This standard replaces the current guidance TAS 17 and eliminates the distinction of operational lease and finance lease. Therefore, under TAS 17, operational lease that are previously off balance sheet item and finance lease are combined under a single accounting model. The IASB developed an exception for short-term leases (with a lease period of 12 months or less) and for leases of low value assets. Lessor accounting remains similar to current practice.

Under TFRS 16, a contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. The lessee shall recognise the lease liability over the present value of the unpaid portion of lease payments and right-of-use asset. The lease payments shall be discounted using the interest rate implicit in the lease, if that rate can be readily determined. If that rate cannot be readily determined, the lessee shall use the lessee's incremental borrowing rate. Lessees are required to recognise the interest expense on the lease liability and the depreciation expense on the right-of-use asset separately.

Group has started the adaption studies related with the standard which will be effective from annual periods beginning on or after January 1, 2019.

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.

TFRS Interpretation 23 Uncertainty over Income Tax Treatments

This interpretation addresses the determination of taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates, when there is uncertainty over income tax treatments under TAS 12.

TFRS 10 Consolidated Financial Statements and TAS 28 (amendments) Sale or Contribution of Assets between an Investor and its Associate or Joint Venture

With this amendment, it has been clarified that all of the gains or losses arising from the sale of assets or contributions to capital between an investor and an associate or joint venture must be accounted for by the investor.

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

New standards and interpretations (cont'd)

New and revised TFRS Standards in issue but not yet effective (cont'd)

Amendments to TAS 19 Employee Benefits Plan Amendment, Curtailment or Settlement

The amendments clarify that the past service cost (or of the gain or loss on settlement) is calculated by measuring the defined benefit liability (asset) using updated assumptions and comparing benefits offered and plan assets before and after the plan amendment (or curtailment or settlement) but ignoring the effect of the asset ceiling (that may arise when the defined benefit plan is in a surplus position).

Annual Improvements to TFRS Standards 2015–2017 Cycle

Annual Improvements to TFRS Standards 2015–2017 Cycle include amendments to TFRS 3 Business Combinations and TFRS 11 Joint Arrangements in when a party that participates in, but does not have joint control of, TAS 12 Income Taxes; income tax consequences of dividends in profit or loss, and TAS 23 Borrowing Costs in capitalized borrowing costs.

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. Except for the subject mentioned in "Comparative Information and Restatement of Prior Period Financial Statements" the Group has not identified any significant accounting error or estimated changes in accounting policies 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.

A joint venture agreement was signed between EBI, the subsidiary of Anadolu Efes and AB Inbev Efes BV with a 50% stake in Anheuser Busch InBev SA/NV (AB InBev). The issue has detailed explanation in Note 3. As a result of this partnership agreement EBI has gained control over JSC Sun InBev, PJSC Sun InBev Ukraine and Bevmar GmbH. In addition to that EBI's control over Efes Moscow ve Euro-Asien is continuing. Therefore since March 29, 2018 EBI, has started to consolidate companies of JSC Sun InBev, PJSC Sun InBev Ukraine and Bevmar GmbH. As of March 29, 2018, Efes Moscow and Euro-Asien companies, which were previously consolidated with a 100% direct final ratio, continued to be consolidated with a 50% direct ownership to EBI.

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.

Transactions with non-controlling interests that do not result in loss of control are accounted under equity. These type of transactions are done among the shareholders. The difference between fair value of any consideration paid and the relevant share acquired of the carrying value of net assets of the subsidiary is recorded in equity. Gains or losses on disposals to non-controlling interests are also recorded in equity.

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.

Summary of Significant Accounting Policies

2.1 Revenue Recognition

Group recognizes revenue when the goods or services are transferred to the customer and when the performance obligation is fulfilled. An asset is transferred when the customer obtains control of that asset.

In the five segments the Group operates; revenues are recognised on an accrual basis at the time deliveries are made, the amount of revenue can be measured reliably and it's probable that the economic benefits associated with the transaction will flow to the Company at the fair value of considerations received or receivable. Net sales represent the invoiced value of goods shipped or services given without value added tax less sales returns and sales discounts.

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

Summary of Significant Accounting Policies (cont'd)

2.1 Revenue Recognition (cont'd)

The Group recognizes revenue in accordance with the new revenue standard which is effective from January 1, 2018, based five-step model set out below:

- Identifying contract(s) with a customer
- Identify the performance obligations in the contract
- Determine the transaction price
- Allocate the transaction price to the performance obligations in the contract
- Recognize revenue when (or as) the entity satisfies a performance obligation

The Group assesses the goods or services promised in a contract with a customer and identify as a performance obligation each promise to transfer to the customer. The Group considers the terms of the contract and its customary business practices to determine the transaction price.

The transaction price is the amount of consideration to which the Group expects to be entitled in exchange for transferring promised goods or services to a customer, excluding amounts collected on behalf of third parties (for example, some sales taxes).

A customer receives a discount for purchasing a bundle of goods or services if the sum of the stand-alone selling prices of those promised goods or services in the contract exceeds the promised consideration in a contract. Except when the Group has observable evidence that the entire discount relates to only one or more, but not all, performance obligations in a contract, the Group allocates a discount proportionately to all performance obligations in the contract.

For each performance obligation identified, the Group determines at contract inception whether it satisfies the performance obligation over time or satisfies the performance obligation at a point in time. When (or as) a performance obligation is satisfied, the Group recognises as revenue the amount of the transaction price that is allocated to that performance obligation. An asset is transferred when (or as) the customer obtains control of that asset.

The Group considers indicators of the transfer of control, which include, the following:

- The Group has a present right to payment for the asset
- The customer has legal title to the asset
- The Group has transferred physical possession of the asset
- The customer has the significant risks and rewards of ownership of the asset
- The customer has accepted the asset

Interest Income

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 discounts the estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount.

Dividend Income

Dividend income from investments is recognised when the shareholders' rights to receive payment have been established.

Rent Income

Rent income from investment properties is recognized on a straight-line basis over the term of the respective lease. When there is significant amount of cost of financing included in the sales, the fair value is determined by discounting all probable future cash flows with the yield rate, which is embedded in the cost of financing. The difference is included in financial statements on accrual basis.

(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)

2.2 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.

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	5-50 years
Machinery and equipment	2-20 years
Motor vehicles	3-10 years
Furniture and fixtures	3-50 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.

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

Summary of Significant Accounting Policies (cont'd)

2.3 Property, Plant and Equipment (cont'd)

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.

2.4 Assets Used in Renting Activities

In the case of the operating lease business, the economic ownership of the object of the lease remains with the lessor. Assets used in operational lease, which consist of motor vehicles, are carried at fair value in accordance with TAS 16, revaluation model. The fair values of assets used in renting activities are determined using the market value determined by taking into account the valuation of the experts of the company and valuation experts with professional qualifications. In the determination of fair value, "sample comparison approach analysis" method is used. Depreciation is calculated on a pro-rata basis at rates based on the contract periods of assets after deducting the residual value of the assets. The depreciable amount of an asset used in operational lease is the cost of the asset less its residual value, which is determined as the expected market value at the end of the leasing period. The residual value represents the net amount which the enterprise expects to obtain from an asset at the end of its useful life after deducting the expected costs of disposal. Residual values are initially recorded based on appraisals and estimates. Realization of the residual values is dependent on Çelik Motor's future ability to market the vehicles under the prevailing market conditions. Management reviews residual values periodically to determine that recorded amounts are appropriate and if expectations differ from previous estimates, the change is accounted for as a change in accounting estimate. In addition, assets used in operational lease, for which legal action have been taken against the lessor, are periodically subjected to the impairment test.

As the residual value (the value of the vehicle at the end of the lease as estimated by Çelik Motor 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. Çelik Motor has a robust policy in place with respect to residual value risks.

Among other things, Çelik Motor 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. Çelik Motor 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.

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.

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

Summary of Significant Accounting Policies (cont'd)

2.5 Investment Properties (cont'd)

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.

(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 of Anadolu Efes 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. Brands are reviewed 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)

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 management of Anadolu Efes, the subsidiary of the Group, 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 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. License agreements are treated as cash generating units with indefinite useful life. License agreements are tested for impairment annually. Licence agreements are treated as cash generating unit with indefinite useful life.

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.

<u>Derecognition of intangible assets</u>

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. This difference is recognized in profit or loss when the asset is excluded from the statement of financial position.

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

Summary of Significant Accounting Policies (cont'd)

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.

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. Other contingent considerations are remeasured at fair value and changes are accounted in profit or loss statement.

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

Summary of Significant Accounting Policies (cont'd)

2.7 Business Combinations (cont'd)

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.

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.

2.10 Financial Instruments

Financial assets and financial liabilities are recognised in the Group's statement of financial position when the Group becomes a party to the contractual provisions of the instrument. Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognised immediately in profit or loss.

Financial assets

All regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis.

The Group classifies its financial assets as (a) Business model used for managing financial assets, (b) financial assets subsequently measured at amortised cost, at fair value through other comprehensive income or at fair value through profit or loss based on the characteristics of contractual cash flows. The Group reclassifies all financial assets effected from the change in the business model it uses for the management of financial assets. The reclassification of financial assets is applied prospectively from the reclassification date. In such cases, no adjustment is made to gains, losses (including any gains or losses of impairment) or interest previously recognized in the financial statements.

<u>Classification of financial assets</u>

Debt instruments that meet the following conditions are measured subsequently at amortised cost:

- the financial asset is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows; and
- the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Debt instruments that meet the following conditions are measured subsequently at fair value through other comprehensive income (FVTOCI):

- the financial asset is held within a business model whose objective is achieved by both collecting contractual cash flows and selling the financial assets; and
- the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

By default, all other financial assets are measured subsequently at fair value through profit or loss (FVTPL).

Despite the foregoing, the Group may make the following irrevocable election/designation at initial recognition of a financial asset; the Group may irrevocably elect to present subsequent changes in fair value of an equity investment in other comprehensive income if certain criteria are met.

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

Summary of Significant Accounting Policies (cont'd)

2.10 Financial Instruments (cont'd)

(i) Amortised cost and effective interest method

Interest income on financial assets carried at amortized cost is calculated using the effective interest method. The effective interest method is a method of calculating the amortised cost of a debt instrument and of allocating interest income over the relevant period. This income is calculated by applying the effective interest rate to the gross carrying amount of the financial asset:

a) Credit-impaired financial assets when purchased or generated. For such financial assets, the Group applies the effective interest rate on the amortized cost of a financial asset based on the loan from the date of the recognition in the financial statements.
b) Non-financial assets that are impaired at the time of acquisition or generation but subsequently become a financial asset that has been impaired. For such financial assets, the Group applies the effective interest rate to the amortized cost of the asset in the subsequent reporting periods.

Interest income is recognised using the effective interest method for debt instruments measured subsequently at amortised cost and at FVTOCI.

(ii) Financial assets at FVTPL

Financial assets that do not meet the criteria for being measured at amortised cost or FVTOCI (see (i) above) are measured at FVTPL.

Financial assets at FVTPL are measured at fair value at the end of each reporting period, with any fair value gains or losses recognised in profit or loss to the extent they are not part of a designated hedging relationship (see hedge accounting policy).

Foreign exchange gains and losses

The carrying amount of financial assets that are denominated in a foreign currency is determined in that foreign currency and translated at the spot rate at the end of each reporting period. Specifically,

- for financial assets measured at amortised cost that are not part of a designated hedging relationship, exchange differences are recognised in profit or loss in the 'other gains and losses' line item;
- for debt instruments measured at FVTOCI that are not part of a designated hedging relationship, exchange differences on the amortised cost of the debt instrument are recognised in profit or loss in the 'other gains and losses' line item. Other exchange differences are recognised in other comprehensive income in the investments revaluation reserve;
- for financial assets measured at FVTPL that are not part of a designated hedging relationship, exchange differences are recognised in profit or loss in the 'other gains and losses' line item; and
- for equity instruments measured at FVTOCI, exchange differences are recognised in other comprehensive income in the investments revaluation reserve.

Impairment of financial assets

The Group recognises a loss allowance for expected credit losses on investments in debt instruments that are measured at amortised cost or at FVTOCI, lease receivables, trade receivables and contract assets, as well as financial guarantee contracts. No impairment loss is recognised for investments in equity instruments. The amount of expected credit losses is updated at each reporting date to reflect changes in credit risk since initial recognition of the respective financial instrument.

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

Summary of Significant Accounting Policies (cont'd)

2.10 Financial Instruments (cont'd)

Impairment of financial assets (cont'd)

The Group utilizes a simplified approach for trade receivables, contract assets and lease receivables that does not have significant financing component and calculates the allowance for impairment against the lifetime ECL of the related financial assets.

For all other financial instruments, the Group recognises lifetime ECL when there has been a significant increase in credit risk since initial recognition. However, if on the other hand, the credit risk on the financial instrument has not increased significantly since initial recognition, the Group measures the loss allowance for that financial instrument at an amount equal to 12-month ECL.

Measurement and recognition of expected credit losses

The measurement of expected credit losses is a function of the probability of default, loss given default (i.e. the magnitude of the loss if there is a default) and the exposure at default. The assessment of the probability of default and loss given default is based on historical data adjusted by forward-looking information as described above. As for the exposure at default, for financial assets, this is represented by the assets' gross carrying amount at the reporting date.

For financial assets, the expected credit loss is estimated as the difference between all contractual cash flows that are due to the Group in accordance with the contract and all the cash flows that the Group expects to receive, discounted at the original effective interest rate.

Derecognition of financial assets

The Group derecognises 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 entity.

On derecognition of a financial asset measured at amortised cost, the difference between the asset's carrying amount and the sum of the consideration received and receivable is recognised in profit or loss. In addition, on derecognition of an investment in a debt instrument classified as at FVTOCI, the cumulative gain or loss previously accumulated in the investments revaluation reserve is reclassified to profit or loss. In contrast, on derecognition of an investment in equity instrument which the Group has elected on initial recognition to measure at FVTOCI, the cumulative gain or loss previously accumulated in the investments revaluation reserve is not reclassified to profit or loss, but is transferred to retained earnings.

Financial liabilities

Financial liabilities are classified as at FVTPL on initial recognition. On initial recognition of liabilities other than those that are recognised at FVTPL, transaction costs directly attributable to the acquisition or issuance thereof are also recognised in the fair value.

A financial liability is subsequently classified at amortized cost except:

a) Financial liabilities at FVTPL: These liabilities including derivative instruments are subsequently measured at fair value.

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

Summary of Significant Accounting Policies (cont'd)

2.10 Financial Instruments (cont'd)

***Financial liabilities* (cont'd)**

b) Financial liabilities arising if the transfer of the financial asset does not meet the conditions of derecognition from the financial statements or if the ongoing relationship approach is applied: When the Group continues to present an asset based on the ongoing relationship approach, a liability in relation to this is also recognised in the financial statements. The transferred asset and the related liability are measured to reflect the rights and liabilities that the Company continues to hold. The transferred liability is measured in the same manner as the net book value of the transferred asset.

c) A contingent consideration recognized in the financial statements by the entity acquired in a business combination where TFRS 3 is applied: After initial recognition, the related contingent consideration is measured as at FVTPL.

The Group does not reclassify any financial liability.

Derecognition of financial liabilities

The Group derecognises financial liabilities when, and only when, the Group's obligations are discharged, cancelled or have expired. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable, including any non-cash assets transferred or liabilities assumed, is recognised in profit or loss.

Derivative financial instruments

The Group enters into a variety of derivative financial instruments to manage its exposure to interest rate and foreign exchange rate risks, including foreign exchange forward contracts, options and interest rate swaps. Further details of derivative financial instruments are disclosed in Note 34.

Derivatives are recognised initially at fair value at the date a derivative contract is entered into and are subsequently remeasured to their fair value at each reporting date. The resulting gain or loss is recognized in profit or loss immediately unless the derivative is designated and effective as a hedging instrument, in which event the timing of the recognition in profit or loss depends on the nature of the hedge relationship.

A derivative with a positive fair value is recognised as a financial asset whereas a derivative with a negative fair value is recognised as a financial liability. Derivatives are not offset in the financial statements unless the Group has both legal right and intention to offset. A derivative is presented as a non-current asset or a non-current liability if the remaining maturity of the instrument is more than 12 months and it is not expected to be realised or settled within 12 months. Other derivatives are presented as current assets or current liabilities.

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.

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)

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.

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 adjusts the amounts recognised in its consolidated financial statements to reflect the adjusting events after the balance sheet date. If non-adjusting events after the balance sheet date have material influence on the economic decisions of users of the financial statements, they are disclosed in the notes to the consolidated financial statements.

Summary of Significant Accounting Policies (cont'd)

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.

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.

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

Summary of Significant Accounting Policies (cont'd)

2.15 Leases (cont'd)

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.

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 five principal segments: Beer, 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).

(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)

2.18 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.

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

	2018	2017
The Netherlands	**25%**	25%
Russia	**20%**	20%
Kazakhstan	**20%**	20%
Moldova	**12%**	12%
Georgia	**-**	-
Ukraine	**18%**	18%
Azerbaijan	**20%**	20%
Kyrgyzstan	**10%**	10%
Pakistan	**31%**	31%
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.

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)**

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

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

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.

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

The Group designates certain derivatives as hedging instruments in respect of foreign currency risk and interest rate risk in fair value hedges, cash flow hedges, or hedges of net investments in foreign operations as appropriate. Hedges of foreign exchange risk on firm commitments are accounted for as cash flow hedges.

At the inception of the hedge relationship, the Group documents the relationship between the hedging instrument and the hedged item, along with its risk management objectives and its strategy for undertaking various hedge transactions. Furthermore, at the inception of the hedge and on an ongoing basis, the Group documents whether the hedging instrument is effective in offsetting changes in fair values or cash flows of the hedged item attributable to the hedged risk, which is when the hedging relationships meet all of the following hedge effectiveness requirements:

- there is an economic relationship between the hedged item and the hedging instrument;
- the effect of credit risk does not dominate the value changes that result from that economic relationship; and
- the hedge ratio of the hedging relationship is the same as that resulting from the quantity of the hedged item that the Group actually hedges and the quantity of the hedging instrument that the entity actually uses to hedge that quantity of hedged item.

If a hedging relationship ceases to meet the hedge effectiveness requirement relating to the hedge ratio but the risk management objective for that designated hedging relationship remains the same, the Group adjusts the hedge ratio of the hedging relationship (i.e. rebalances the hedge).

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.

Foreign Currency Hedge of Net Investments in Foreign Operations

Group that is determined to be effective on the gain or loss arising from the hedging instrument related to the net investments in foreign subsidiaries operating in foreign countries is recognized directly in equity and the ineffective portion is recognized in the statement of profit or loss. In the case of disposal of a foreign subsidiary, the amount recognized in equity for the hedging instrument is recognized in profit or loss.

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 income statement 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.

2.24 Research and Development Expenses

Research expenditure is recognised as an expense as incurred. Costs incurred on development projects (relating to the design and testing of new or improved products) are recognised as intangible assets when it is probable that the project will be a success considering its commercial and technological feasibility, and only if the cost can be measured reliably. Other development expenditures are recognised as expenses as incurred. Development expenses recognised as expense in prior periods are not subject to capitalisation in subsequent periods.

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, 2018, Anadolu Efes has been tested for impairment 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 4,70% - 13,00% (December 31, 2017: between 1,90% and 3,50%) and after tax discount rate is between 10,80% and 25,90% (December 31, 2017: between 7,62% and 16,40%).

Brands

In 2018, impairment amounting TRL 103.894 has been recognized for trademarks of Anadolu Efes with indefinite useful lives acquired as a part of a business combination. The amount is the result of the reduction of the carrying amount of these brands to the recoverable amount (Note 14).

Provision for doubtful receivables

Allowance for doubtful receivables is recognized by using the expected credit loss defined in TFRS 9. Expected credit losses are calculated based on Group's future estimates and experience over the past years. 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)

Carry forward tax losses subject to deferred tax calculation

Carry forward 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).

Put Option Liability

The liability for the put option that has been measured by applying different valuation techniques and assumptions has been presented in "other non-current liabilities" in the consolidated balance sheet based on their remaining maturities (Note 20).

Assets used in renting activities

Çelik Motor, a subsidiary of the Group, recognizes assets used in renting activities at fair value on a prospective basis in the context of TAS 16, a revaluation model. The fair value of assets is determined based on the average sales prices in the market and sales prices of the vehicles sold through İkinciyeni.com in previous periods, the estimates made by Çelik Motor Management using independent data and valuation studies conducted by Türkiye Sınai ve Kalkınma Bankası A.Ş.. In this context, revaluations are made every six months utilizing reliable and independent data sources. As of December 31, 2018, valuation was also calculated under this policy and revaluation increase of TRL 94.066 after deferred tax was recognized under Revaluation and Remeasurement Gain (Loss). As of December 31, 2018, the net book value of the assets used in operational leasing before valuation amounts to TRL 1.510.453.

Assets that are carried at revalued amount and used for operational leasing are valued at a rate that will ensure that the assets do not differ from their fair value. Revaluation increases are recognized in the revaluation fund in the comprehensive income statement.

Accumulated depreciation on the revaluation date is netted at gross value of the assets used in operational leasing and the net amount equals the revalued amount of the asset used in the operational leasing.

In case of the disposal of the asset carried at fair value, the profit or loss (the difference between the net cash flow from the sale and the carrying amount of the asset) is transferred primarily to the revaluation fund related to that asset in the valuation fund and to the retained earnings. The balance is added to the profit or loss statement of the year during which the asset is disposed.

Residual values of assets used in operational lease

The Group management has significant assumptions regarding the technical team's experience in determining the second hand vehicle sales values at the end of the rental period of the vehicles located in property, plant and equipment and leased to the operator. The difference between the cost values of these vehicles and the second hand sales values is amortized over the term of the lease contracts. Accordingly, the management periodically reviews the value estimates to ensure that the estimated amounts are appropriate. If there is a difference between the assumptions and the actual results, it may leads to affect to the consolidated financial statements.

NOTE 3 - BUSINESS COMBINATIONS

Transactions for year of 2018

On March 29, 2018 after the required approvals from the legal authorities related with the alliance with Anheuser Busch InBev SA / NV (AB InBev), EBI's all beer operations in Russia, whose 100% shares are owned by Anadolu Efes, a subsidiary of the Group and AB InBev's all beer operations in Russia and Ukraine, has been merged under AB InBev Efes BV (AB InBev Efes) with %50-%50 ownership of Anadolu Efes and AB InBev. After this business combination, Anadolu Efes's Russian business and AB InBev's Russian and Ukrainian businesses started to operate together.

In August 2017, AB InBev Efes B.V. has been established in Netherlands by EBI with 100% ownership in order to facilitate the business combination. Thereafter, AB InBev has made an in kind capital contribution to AB InBev Efes with JSC Sun InBev, PJSC Sun InBev Ukraine and Bevmar GmbH entities' 100,00%, 98,34% and 100,00% shares respectively on March 29, 2018. At the same time, EBI has made an in kind capital contribution to AB InBev Efes with 100% shares of Efes Moscow and Euro-Asien on March 29, 2018. Moreover, AB InBev and EBI have made cash capital increase in AB InBev Efes with a total amount of thousand USD 500. After the cash and in kind capital contributions made by AB InBev and EBI, their ownership in AB InBev Efes become 50%-50%.

As a result of this merger, ABI InBev Efes's direct effective shareholding and voting rights have been 100,00%, 98,34% and 100,00% on JSC Sun InBev, PJSC Sun InBev Ukraine and Bevmar GmbH respectively (Anadolu Efes' share 50,00%, 49,17% and 50,00%). In accordance with the clauses of the shareholders agreement between EBI and AB InBev, EBI has acquired the control on JSC Sun InBev, PJSC Sun InBev Ukraine and Bevmar GmbH. Accordingly; JSC Sun InBev, PJSC Sun InBev Ukraine and Bevmar GmbH have been consolidated in consolidated financial statements of the Group for the period ended December 31, 2018.

Additionally, as a result of this merger ABI InBev Efes's direct effective shareholding and voting rights have been 100% in Efes Moscow and Euro-Asien. Accordingly, Anadolu Efes' share in these subsidiaries have been changed to 50,00% with retained control (Before this merger, the effective shareholding and voting rights were 100% for these two companies). In accordance with TFRS 10, as a result of the change in effective shareholding rates in Efes Moscow and Euro-Asien in consolidated financial statements of Anadolu Efes with retained control, TRL 586.736 amount has been booked as "Retained Earnings" under equity attributable to equity holders of the parent in consolidated financial statements of Anadolu Efes (Group share amounts to TRL 252.590).

Based upon the valuation report, the value of the assets that AB InBev has contributed in kind in AB InBev Efes as capital has been booked as thousand USD 1.049.170 in the financial statements of AB InBev Efes (equivalent of TRL 4.143.067). Additionally, AB InBev has made a cash capital contribution to AB InBev Efes amounting to thousand USD 250 as mentioned above (equivalent of TRL 987).

Based upon the valuation report, the value of the assets that EBI has contributed in kind in AB InBev Efes as capital has been booked as thousand USD 1.049.990 in the financial statements of AB InBev Efes (equivalent of TRL 4.146.305). Additionally, EBI has made a cash capital contribution to AB InBev Efes amounting to thousand USD 250 as mentioned above (equivalent of TRL 987).

After this merger, 50% of JSC Sun InBev's shareholder loan amounting to TRL 595.553 has been taken over by the EBI. 50% of Efes Russia's the shareholder loan amounting to TRL 327.097 has been taken over by Brandbev S.A.R.L which is an ABI InBev Group company.

In June 2018, AB Inbev made a cash payment of USD 39,4 million to EBI regarding to the commitments determined within the scope of this business combination (equivalent TRL 179.856).

Fair value appraisal of the identifiable assets, liabilities and contingent liabilities of the acquired companies according to TFRS 3 "Business Combinations" is in progress. TFRS 3 "Business Combinations" permits fair value appraisal works to be completed in one year period. Anadolu Efes has accounted the acquisition based on the carrying values of identifiable assets, liabilities and contingent liabilities on JSC Sun InBev, PJSC Sun InBev Ukraine and Bevmar GmbH's financial statements at the acquisition date in accordance with TFRS 3 "Business Combinations". The difference between the total consideration of business combination and Group's share in the carrying value of acquiree's identifiable assets, liabilities and contingent liabilities amounting to TRL 3.511.284. Provisional goodwill arising from acquisition is temporarily recorded as goodwill in the consolidated financial statements as of December 31, 2018.

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

NOTE 3 - BUSINESS COMBINATIONS (cont'd)

Transactions for the year of 2018 (cont'd)

The carrying value of the net assets of JSC Sun InBev, PJSC Sun InBev Ukraine and Bevmar GmbH derived from the financial statements as of the acquisition date are as follows:

	Consolidated (JSC Sun InBev, PJSC Sun InBev Ukraine, Bevmar GmbH)	**JSC Sun InBev**	**PJSC Sun InBev Ukraine**	**Bevmar GmbH**
Cash and Cash Equivalents	**13.759**	11.774	1.985	-
Trade and Other Receivables	**231.333**	203.884	27.449	-
Due from Related Parties	**26.259**	24.183	4.703	277.237
Inventories	**286.496**	232.342	54.154	-
Other Current Assets	**48.660**	25.439	23.222	-
Tangible Assets	**908.270**	635.092	273.178	-
Intangible Assets	**68.380**	66.200	2.180	-
Other Non - Current Assets	**281**	252	29	-
Deferred Tax Assets	**338.416**	286.932	51.484	-
Financial Liabilities to Related Parties	**(596.047)**	(873.201)	-	-
Financial Liabilities to Third Parties	**(120.293)**	-	(119.938)	(355)
Trade payables	**(748.718)**	(560.950)	(187.768)	-
Due to Related Parties	**(194.070)**	(129.307)	(67.230)	(244)
Other Liabilities	**(184.569)**	(123.948)	(60.621)	-
Carrying Value of Net Assets Acquired	**78.157**	**(201.308)**	**2.827**	**276.638**
As result of merger, AB InBev Efes's shareholding rights on companies		100,00%	98,34%	100,00%
Group's share in Net Assets	**78.110**	**(201.308)**	**2.780**	**276.638**

Total consideration	**4.143.067**
Shareholder loans transferred, net	**(134.228)**
Cash inflows due to commitments determined within the scope of the business combination	**(179.856)**
Impaired assets due to a business combination	**(239.589)**
Group's share in net assets	**(78.110)**
Provisional goodwill arising from acquisition (Note 15)	**3.511.284**

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.

NOTE 3 - BUSINESS COMBINATIONS (cont'd)

Transactions for year of 2017 (cont'd)

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.

NOTE 4 - SEGMENT REPORTING

The management monitors the operating results of its five business units separately for the purpose of making decisions about the resource allocation and performance assessment. The five operating segments are: beer, 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, 2018	Beer	Soft-Drinks	Automotive	Retailing	Other	Eliminations and Adjustments	Consolidated	Migros	Pro forma Consolidated with Migros (**)
Sales	8.066.678	10.623.245	3.857.525	1.179.682	254.502	(377)	23.981.255	18.717.358	42.069.622
Inter-segment sales	-	140	49.419	20.741	126.596	(196.896)	-	-	-
Total Sales	**8.066.678**	**10.623.385**	**3.906.944**	**1.200.423**	**381.098**	**(197.273)**	**23.981.255**	**18.717.358**	**42.069.622**
GROSS PROFIT(LOSS)	**3.463.551**	**3.526.789**	**694.597**	**247.902**	**147.849**	**(137.757)**	**7.942.931**	**5.248.537**	**13.146.415**
Operating expenses	(3.228.068)	(2.311.106)	(313.800)	(176.235)	(148.896)	146.552	(6.031.553)	(4.399.750)	(10.413.005)
Other operating income (expenses), net	128.989	39.093	(69.284)	(6.266)	(10.938)	(22.347)	59.247	(407.697)	(348.930)
Gain (loss) from the investments accounted through equity method (*)	(80.183)	(882)	(12.432)	(753)	(420.974)	-	(515.224)	-	(135.840)
OPERATING INCOME (LOSS)	**284.289**	**1.253.894**	**299.081**	**64.648**	**(432.959)**	**(13.552)**	**1.455.401**	**441.090**	**2.248.640**
Income (expense) from investing activities, net	183.669	(9.296)	4.378	(2.726)	53.650	(110.692)	118.983	(136.832)	101.684
Financial income (expense), net	(269.815)	(688.827)	(782.772)	(66.414)	(315.026)	(510)	(2.123.364)	(1.351.525)	(3.474.885)
INCOME (LOSS) BEFORE TAX FROM CONTINUING OPERATIONS	**198.143**	**555.771**	**(479.313)**	**(4.492)**	**(694.335)**	**(124.754)**	**(548.980)**	**(1.047.267)**	**(1.124.561)**
Tax (expense) income from continuing operations, net	(121.512)	(195.611)	331	(6.215)	2.148	(4.132)	(324.991)	211.830	(128.681)
NET INCOME (LOSS) FOR THE PERIOD FROM CONTINUING OPERATIONS	**76.631**	**360.160**	**(478.982)**	**(10.707)**	**(692.187)**	**(128.886)**	**(873.971)**	**(835.437)**	**(1.253.242)**
Attributable to:									
- Non-controlling interest	26.863	33.382	(177)	-	(2.075)	182.091	240.084	121	(139.187)
- Equity holders of the parent	49.768	326.778	(478.805)	(10.707)	(690.112)	(310.977)	(1.114.055)	(835.558)	(1.114.055)
Total Assets	**17.828.320**	**14.020.442**	**3.651.663**	**718.501**	**5.397.902**	**5.283.980**	**46.900.808**	**10.884.861**	**55.987.297**
Total Liabilities	**8.831.467**	**7.569.706**	**3.639.818**	**505.677**	**3.531.944**	**1.143.417**	**25.222.029**	**10.249.771**	**35.277.863**
Net debt	**1.804.900**	**2.632.568**	**2.825.124**	**243.025**	**2.824.742**	**(4)**	**10.330.355**	**2.801.131**	**13.131.488**
Purchases of tangible & intangible assets, assets used in renting activities and investment property	753.452	857.646	773.410	44.736	4.026	(929)	2.432.341	487.751	2.920.092
EBITDA	**1.128.235**	**1.870.575**	**432.918**	**111.226**	**19.758**	**(319)**	**3.562.393**	**1.217.399**	**4.752.557**
- Depreciation and amortization	685.873	598.630	103.848	31.920	30.721	13.233	1.464.225	295.083	1.759.308
- Provision for employee termination benefits	17.395	19.223	5.550	6.894	646	57	49.765	61.536	111.301
- Provision for vacation pay liability	10.700	1.031	265	6.133	376	1	18.506	11.993	30.499
- Other	49.795	(3.085)	11.742	878	-	(58)	59.272	407.697	466.969

(*) Loss recognized from Anadolu Etap which is accounted through equity method amounting TRL 80.183 is recorded under 'beer' segment; loss recognized from SSDSD amounting TRL 882 is recorded under 'soft-drinks' segment; loss recognized from Anadolu Landini amounting TRL 12.432 is recorded under 'automotive' segment; loss recognized from Aslancık amounting TRL 40.807, loss recognized from TOGG amounting TRL 783 and Migros amounting TRL 379.384 are recorded under 'other' segment; loss recognized from LLC Faber -Castell Anadolu amounting TRL 753 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, 2018.

(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	4.340.320	8.392.016	3.334.022	980.918	116.514	(104)	17.163.686	15.344.047	31.981.875
Inter-segment sales	-	127	37.742	26.895	122.760	(187.524)	-	-	-
Total Sales	4.340.320	8.392.143	3.371.764	1.007.813	239.274	(187.628)	17.163.686	15.344.047	31.981.875
GROSS PROFIT(LOSS)	2.057.076	2.772.311	560.045	217.871	116.493	(137.398)	5.586.398	4.081.966	9.621.026
Operating expenses	(1.752.637)	(1.913.052)	(290.495)	(153.982)	(153.990)	142.266	(4.121.890)	(3.554.016)	(7.663.927)
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	9.537.557	13.394.158	4.231.944	592.138	4.722.001	5.428.313	37.906.111	10.302.675	45.874.729
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	10.488.757
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 5 - CASH AND CASH EQUIVALENTS

The details of cash and cash equivalents are as follows:

	December 31, 2018	December 31, 2017
Cash	**5.317**	9.434
Time deposit	**4.226.317**	5.085.203
Demand deposit	**811.176**	548.723
Other cash and cash equivalents (*)	**226.276**	146.160
Cash and cash equivalents in the consolidated cash flow statement	**5.269.086**	5.789.520
Interest income accruals	**13.904**	10.795
	5.282.990	5.800.315

(*) 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, 2018, annual interest rates of the TRL denominated time deposits vary between 15,00% and 24,50% (December 31, 2017: 7,00% - 15,50%) and annual interest rates of the USD and EUR denominated and other time deposits vary between 0,2% and 18,00% (December 31, 2017: annual interest rates of the USD and EUR denominated and other time deposits vary between 0,2% - 8,75%).

As of December 31, 2018, cash and cash equivalents of AGHOL amount to TRL 110.235 (December 31, 2017: TRL 74.251).

As of December 31, 2018, there is no cash deposit pledged as collateral or no restricted deposit by the Group (December 31, 2017: None).

As of December 31, 2018, the Group has designated its bank deposits amounting to TRL 1.100.668, equivalent of thousand USD 195.145 and thousand EURO 12.281 for the future raw material purchases, operational and interest expense related payments (December 31, 2017: TRL 884.724, equivalent of thousand USD 215.230, thousand EUR 15.855).

NOTE 6 – FINANCIAL INVESTMENTS

	December 31, 2018	December 31, 2017
Time deposits	**31.439**	88.588
Investment fund	**6.883**	5.147
Credit card receivables	**2.039**	14.211
- Other	**367**	342
	40.728	108.288

As of December 31, 2018 time deposits with maturities over 3 months made for 31 and 361 days period, are denominated in USD and KZT and interest rates are between 1,00% and 4,50% for USD and 11,00% for KZT (As of December 31, 2017, the interest rate of deposits which are between 31 and 171 days in maturity denominated in USD is 1,00% and the interest rate of deposits denominated in TRL is in the range of 8,00% and 9,50%.).

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

NOTE 7 - BORROWINGS

	December 31, 2018	December 31, 2017
Bank borrowings	**3.184.503**	1.488.820
Current portion of long term borrowings	**3.643.106**	4.141.615
Financial leasing payables	**113.693**	48.001
Short term borrowings	**6.941.302**	5.678.436
Bank borrowings	**8.549.418**	8.206.059
Financial leasing payables	**162.986**	228.025
Long term borrowings	**8.712.404**	8.434.084
Total borrowings	**15.653.706**	14.112.520

As of December 31, 2018 AGHOL's total borrowings amount to TRL 1.644.887 (December 31, 2017: TRL 1.142.891).

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 31, 2018 and 2017 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.

Net book value of property, plant and equipment obtained by financial leasing of the Group is TRL 43.225 (December 31, 2017: TRL 50.345). Sale and leaseback process have been applied for the property, plant and equipment amounting TRL 42.289 (December 31, 2017: TRL 49.239) acquired by financial leasing in 2018. The Group has continued to record these tangible assets based on previous net book values assuming no sales and leaseback transactions.

The movement of borrowings as of December 31, 2018 and 2017 is as follows:

	December 31, 2018	December 31, 2017
Opening balance	**14.112.520**	10.234.194
Interest expense	**1.243.994**	623.220
Interest paid	**(1.215.269)**	(562.768)
Addition through business combination	**418.554**	-
Shareholder loans transferred as a result of business combination	**163.549**	-
Proceeds from borrowings	**11.815.989**	9.413.633
Repayments of borrowings	**(15.612.351)**	(6.979.856)
Foreign exchange gain (loss), net	**4.256.305**	1.285.503
Currency translation differences	**413.085**	87.210
Capitalised interest	**57.330**	11.384
Closing balance	**15.653.706**	14.112.520

Net interest expense on cross currency swap contracts for the year ended as of December 31, 2018 is TRL 44.990 (December 31, 2017: None).

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

NOTE 7 - BORROWINGS (cont'd)

	December 31, 2018			December 31, 2017		
Short term	**Amount**	**Fixed interest rate**	**Floating interest rate**	Amount	Fixed interest rate	Floating interest rate
Borrowing in Turkish Lira	**2.515.681**	**11,7% - 37,5%**	**-**	1.263.531	12,6% - 16,8%	TRLibor +2,50%
Borrowing in foreign currency (EUR)	**3.030.888**	**1,0% - 8,0%**	**Euribor + (0,9%-5,1%)**	1.863.506	1,8% - 4,4%	Euribor + (0,8%-5,1%)
Borrowing in foreign currency (USD)	**608.226**	**3,0% - 5,0%**	**Libor + (1,0% - 5,8%)**	2.438.077	3,4% - 6,6%	Libor + (1,0% - 5,0%)
Borrowing in foreign currency (Other)	**670.827**	**6,0% - 21,5%**	**Kibor + (-0,1%-0,5%) & Mosprime + (2,6%)**	65.322	6,0%	Kibor + (0,2%-0,5%)
Financial leasing payables in Turkish Lira	**84.752**	**12,6% - 28,0%**	**-**	23.706	13,0% - 14,1%	-
Financial leasing payables in foreign currency (EUR)	**29.118**	**2,8% - 3,7%**	**-**	22.702	3,7%	-
Financial leasing payables in foreign currency (Other)	**1.810**	**-**	**-**	1.592	-	-
	6.941.302			5.678.436		
Long term	**Amount**	**Fixed interest rate**	**Floating interest rate**	Amount	Fixed interest rate	Floating interest rate
Borrowing in Turkish Lira	**759.919**	**11,7% - 29,0%**	**-**	371.602	13,3% - 17,0%	-
Borrowing in foreign currency (EUR)	**1.368.410**	**1,5% - 5,0%**	**Euribor + (1,6%-5,1%)**	2.571.675	1,1% - 3,8%	Euribor + (1,5%-5,1%)
Borrowing in foreign currency (USD)	**6.416.056**	**3,4% - 4,4%**	**Libor + (3,9% - 5,0%)**	5.243.379	3,4% - 4,5%	Libor + (3,9% - 5,0%)
Borrowing in foreign currency (Other)	**5.032**	**6,0%**	**-**	19.403	6,0%	-
Financial leasing payables in Turkish Lira	**69.107**	**12,5% - 26,0%**	**-**	134.003	13,0% - 14,1%	-
Financial leasing payables in foreign currency (EUR)	**91.556**	**2,8% - 3,7%**	**-**	90.298	3,7%	-
Financial leasing payables in foreign currency (Other)	**2.324**	**-**	**-**	3.724	-	-
	8.712.404			8.434.084		
	15.653.706			14.112.520		

Repayments schedules of long-term borrowings are as follows:

	December 31, 2018	December 31, 2017
1-2 years	**1.290.935**	2.166.793
2-3 years	**800.333**	795.515
3-4 years	**2.841.735**	613.950
4-5 years	**860.094**	2.071.645
5 years and more	**2.919.307**	2.786.181
	8.712.404	8.434.084

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

NOTE 8 - TRADE RECEIVABLES AND TRADE PAYABLES

8.1 Trade Receivables, Third Parties

	December 31, 2018	December 31, 2017
Trade receivables	**2.755.054**	1.943.553
Post-dated cheques and notes receivables	**121.991**	175.986
Less: provision for doubtful trade receivables	**(131.901)**	(69.925)
	2.745.144	2.049.614

As of December 31, 2018, the Group has long term trade receivables from third parties amounting to TRL 1.437 (December 31, 2017: TRL 5.851).

Movement of provision for doubtful trade receivables is as follows:

	December 31, 2018	December 31, 2017
Balance at January 1	**69.925**	48.982
Provisions (Note 26.2)	**36.222**	25.246
Reversal of provision (including collections)	**(3.638)**	(4.265)
Recorded due to business combination	**26.429**	-
Write-off from doubtful receivables	**(6.579)**	(1.383)
Currency translation differences	**9.542**	1.345
Balance at the end of the period	**131.901**	69.925

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, 2018	December 31, 2017
- Less than a year	**328.493**	398.688
- Between one and five years	**145.262**	363.820
- More than five years	**-**	29.933
	473.755	792.441

8.2 Trade Payables, Third Parties

	December 31, 2018	December 31, 2017
Short-term trade payables	**4.148.914**	2.230.878
Long-term trade payables	**44.207**	35.180
	4.193.121	2.266.058

(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, 2018	December 31, 2017
Receivables from tax office	**54.827**	21.673
Due from personnel	**16.612**	15.653
Deposits and guarantees given	**6.827**	10.833
Other	**40.674**	59.795
	118.940	107.954

9.2 Other Long Term Receivables, Third Parties

	December 31, 2018	December 31, 2017
Deposits and guarantees given	**51.283**	22.763
Other	**5.485**	2.919
	56.768	25.682

9.3 Other Short Term Payables, Third Parties

	December 31, 2018	December 31, 2017
Taxes payable	**1.155.767**	670.638
Deposits and guarantees taken	**262.906**	204.491
Other	**96.822**	7.683
	1.515.495	882.812

As of December 31, 2018 the non-current portion of other payables to third parties consists of deposits and guarantees taken amounting TRL 392.368 (December 31, 2017: TRL 349.032).

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

NOTE 10 – INVENTORIES

	December 31, 2018	December 31, 2017
Raw materials	**968.353**	534.013
Work-in-process	**175.974**	120.186
Finished and trade goods	**1.066.959**	877.610
Packaging materials	**154.802**	119.394
Bottles and cases	**86.030**	59.223
Supplies	**150.194**	120.401
Ongoing real estate projects (*)	**435.999**	225.058
Other inventories	**148.946**	98.042
Provisions for impairment (-)	**(52.247)**	(31.530)
	3.135.010	2.122.397

(*) 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 in Çankaya district of Ankara province and it includes capitalized financial expense amounting TRL 80.914 in total of which TRL 57.330 belongs to January 1 – December 31, 2018 (December 31, 2017: TRL 23.584)

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

	December 31, 2018	December 31, 2017
Balance at January 1	**31.530**	20.660
Provision	**30.426**	16.651
Provisions no longer required (-)	**(20.981)**	(3.070)
Recorded due to business combination	**16.950**	-
Inventories written-off (-)	**(5.350)**	(3.239)
Currency translation differences	**(328)**	528
Balance at the end of the period	**52.247**	31.530

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

NOTE 11 - INVESTMENTS ACCOUNTED THROUGH EQUITY METHOD

Joint Ventures

			December 31, 2018		December 31, 2017	
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	**1.884.617**	**50,00**	2.297.857	50,00
Anadolu Landini Traktör Üretim ve Pazarlama A.Ş. (Anadolu Landini)	Tractor production	Turkey	**10.421**	**50,00**	1.603	50,00
Aslancık	Production of electricity	Turkey	**(54.073)**	**33,33**	(13.266)	33,33
LLC Faber-Castell Anadolu	Trading of all kind of stationery	Russia	**-**	**28,44**	667	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	**71.195**	**17,09**	46.309	14,35
Syrian Soft Drink Sales & Dist. LLC (SSDSD)	Distribution and sales of Coca-Cola products	Syria	**-**	**10,82**	-	10,82
Türkiye'nin Otomobili Girişim Grubu Sanayi ve Ticaret A.Ş. (TOGG)	Development, production and trade of all kind of electrical motor vehicles	Turkey	**8.717**	**19,00**	-	-
			1.920.877		2.333.170	

	January 1 - December 31, 2018	January 1 - December 31, 2017
Entity	**Group's interest in net income/ (loss)**	
Migros (*)	**(379.384)**	179.725
Anadolu Landini	**(12.432)**	(148)
Aslancık	**(40.807)**	(12.574)
LLC Faber-Castell Anadolu	**(753)**	(734)
Anadolu Etap (**)	**(80.183)**	(29.941)
SSDSD	**(882)**	(421)
TOGG	**(783)**	-
	(515.224)	135.907

(*) Shares of Migros are currently quoted in BİST.
(**) Anadolu Efes and Burlingtown LLP, among the shareholders, participated in capital increase of Anadolu Etap that has been carried out in June and November in 2018. Özgörkey Holding didn't participate in capital increase. As a result of the capital increase, the share of Anadolu Efes has increased from 33,33% to 39,70%, hence, the final share of the company has been increased to 17,09%.

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

	December 31, 2018	December 31, 2017
Anadolu Landini		
Total Assets	**194.532**	77.942
Total Liabilities	**173.691**	74.737
Net Assets	**20.841**	3.205
Group's share in net assets	**10.421**	1.603

	December 31, 2018	December 31, 2017
Revenue	**107.498**	-
Net loss	**(24.864)**	(296)
Group's share in net loss	**(12.432)**	(148)

(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 joint venture Migros is as follows:

	December 31, 2018	December 31, 2017
Migros		
Current Assets	4.474.261	3.776.275
Non-Current Assets	6.410.600	6.526.400
Total Assets	**10.884.861**	10.302.675
Short-Term Borrowings	1.229.090	1.038.037
Other Current Liabilities	5.445.829	4.478.059
Long-Term Borrowings	3.341.007	2.874.437
Other Non-Current Liabilities	233.845	384.994
Total Liabilities	**10.249.771**	8.775.527
Net Assets	**635.090**	1.527.148
Attributable to:		
Non-controlling interests	2.186	56.654
Net assets of the equity holders of the parent	**632.904**	1.470.494
Group's share in net assets	**1.884.617**	2.297.857

	December 31, 2018	December 31, 2017
Revenue	**18.717.358**	15.344.047
Net (loss) / profit	(835.437)	509.036
Non-controlling interests	121	(3.670)
Equity holders of the parent	**(835.558)**	512.706
Acquisition accounting and fair value adjustments	76.790	(153.256)
Net (loss) / (profit) per consolidation	**(758.768)**	359.450
Group's share in net (loss) / profit	**(379.384)**	179.725

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

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

Joint Ventures (cont'd)

The movement of carrying value of the joint venture Migros in the consolidated financial statements as of December 31, 2018 and 2017 is as follows:

	December 31, 2018	December 31, 2017
Balance at the beginning of the period	**2.297.857**	2.104.941
Group's share in net (loss)/income (*)	**(379.384)**	179.725
Treasury shares (**)	**(62.718)**	-
Recorded due to the business combination (**)	**22.468**	-
Group's share in currency translation differences	**6.685**	12.943
Group's share in remeasurement fund	**(291)**	248
Balance at the end of the period	**1.884.617**	2.297.857

(*) 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 stated 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.

(**) Migros, a joint venture of the Group, merged with its subsidiary Kipa on August 31, 2018. As a result of the merger, the public shares of Kipa, which have been recorded within non-controlling interests line in the consolidated financial statements of Migros, have been transferred to retained earnings or losses and the share of Group amounts to TRL 22.623. In the meantime, due to the merger transaction, Migros shares with a nominal value of TRL 2.962 corresponding to the former Kipa share with a nominal value of TRL 48.998 has been taken over by Migros in exchange for a total of TRL 125.435 as separation fund and the share of the Group amounts to TRL 62.718.

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

	December 31, 2018	December 31, 2017
Aslancık		
Total Assets	**595.008**	454.386
Total Liabilities	**625.619**	490.579
Net Assets	**(30.611)**	(36.193)
Fair value adjustment	**(131.625)**	(3.523)
Net assets included in consolidation	**(162.236)**	(39.716)
Group's share in net assets	**(54.073)**	(13.266)

	December 31, 2018	December 31, 2017
Revenue	**113.984**	82.612
Net loss	**(122.434)**	(37.726)
Group's share in net loss of the joint venture	**(40.807)**	(12.574)

(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 LLC Faber-Castell Anadolu is as follows:

	December 31, 2018	December 31, 2017
LLC Faber-Castell Anadolu		
Total Assets	**16.874**	10.782
Total Liabilities	**17.990**	9.448
Net Assets	**(1.116)**	1.334
Group's share in net assets (*)	**-**	667

	December 31, 2018	December 31, 2017
Revenue	**24.814**	18.888
Net loss	**(2.620)**	(1.468)
Group's share in net loss of the joint venture	**(753)**	(734)

(*) Group's interest in Faber Castell Anadolu LLC, a joint venture of the Group, is calculated as negative balance, therefore share in net assets of investments accounted through equity method is adjusted in an amount that make balance of Faber Castell Anadolu LLC equal to zero.

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

	December 31, 2018	December 31, 2017
Anadolu Etap		
Total Assets	**1.240.684**	1.212.852
Total Liabilities	**1.061.349**	1.073.925
Net Assets	**179.335**	138.927
Group's share in net assets	**71.195**	46.309

	December 31, 2018	December 31, 2017
Net loss	**(201.976)**	(89.823)
Group's share in net loss of the joint venture	**(80.183)**	(29.941)

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

NOTE 12 - INVESTMENT PROPERTY

	December 31, 2018	December 31, 2017
Cost		
Balance as of January 1	**405.393**	405.137
Additions	**6**	294
Disposals (-) (**)	**(23.672)**	(20.728)
Currency translation differences	**29.148**	21.354
Transfers (*)	**(24)**	(664)
Balance as of December 31	**410.851**	405.393
Accumulated depreciation		
Balance as of January 1	**97.452**	82.643
Depreciation charge for the period (***)	**8.726**	7.939
Disposals (-)	**(4.902)**	(2.578)
Currency translation differences	**13.132**	9.448
Balance as of December 31	**114.408**	97.452
Net book value	**296.443**	307.941

(*) Investment properties amounting TRL 24 has been transferred to property, plant and equipment (As of December 31, 2017, TRL 664 of investment properties had been transferred to inventories).

(**) As of December 31, 2018 disposals from investment properties mainly arise from the sale of a part of the investment property of AND Anadolu Gayrimenkul and sale of AGHOL's investment property in Şişli (As of December 31, 2017 disposals arise 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, 2018 TRL 4.396 (December 31, 2017: TRL 4.081) of the depreciation expenses has been added to cost of sales, TRL 4.330 (December 31, 2017: TRL 3.517) has been added to other expenses (As of December 31, 2017 TRL 341 has been added to general administrative expenses).

As at December 31, 2018 there are mortgages on investment property amounting TRL 530.198 (December 31, 2017: TRL 384.491) 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, 2018 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, 2018	716.373	3.119.270	7.260.781	204.012	1.371.923	2.005.359	174.083	178.397	15.030.198
Additions	1.143	7.505	136.994	46.232	197.005	334.269	3.760	932.997	1.659.905
Due to business combination	1.435	234.872	358.545	-	14.648	214.256	379	84.135	908.270
Disposals (-)	(6.262)	(13.665)	(212.265)	(67.611)	(91.634)	(269.792)	(4.955)	(221)	(666.405)
Currency translation differences	86.612	599.161	1.295.404	54.988	24.713	380.844	282	97.947	2.539.951
Transfers (*)	4.196	127.245	336.048	4.286	34.131	232.281	9.224	(765.003)	(17.592)
December 31, 2018	803.497	4.074.388	9.175.507	241.907	1.550.786	2.897.217	182.773	528.252	19.454.327
Accumulated depreciation									
January 1, 2018	105.376	726.389	3.625.166	105.658	964.496	1.050.731	93.073	2.721	6.673.610
Depreciation charge for the period (**)	12.409	142.732	551.059	30.244	165.675	417.605	13.627	-	1.333.351
Disposals (-)	(248)	(3.854)	(195.665)	(34.441)	(87.984)	(244.856)	(3.361)	-	(570.409)
Currency translation differences	12.391	107.148	581.952	34.234	13.330	205.661	236	-	954.952
Transfers (*)	-	(200)	164	-	2	34	-	-	-
Impairment / (impairment reversal), net	-	-	9.836	-	-	17.761	-	-	27.597
December 31, 2018	129.928	972.215	4.572.512	135.695	1.055.519	1.446.936	103.575	2.721	8.419.101
Net carrying amount	673.569	3.102.173	4.602.995	106.212	495.267	1.450.281	79.198	525.531	11.035.226

(*) TRL 17.616 of PP&E is transferred to other intangible assets under intangible assets, TRL 24 of investment properties is transferred to PP&E.
(**) TRL 815.861 of depreciation expenses has been added to cost of sales, TRL 439.560 to marketing expenses, TRL 76.503 to general administrative expenses, TRL 2.622 to other expenses and TRL 546 to research and development expenses. Depreciation amounting TRL (3.462) is related to inventories and TRL 1.721 is reflected in the construction in progress.

As at December 31, 2018, there are mortgages on PP&E amounting TRL 120.149 (December 31, 2017: TRL 104.763) for the loans that CCİ and GUE, the Group's subsidiaries borrowed. As at December 31, 2018, TRL 515.268 of the PP&E is pledged (December 31, 2017: TRL 398.335) 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 42.289 and continued to record these PP&Es by previous net book values assuming no leaseback transactions (December 31, 2017: Adel - TRL 30.716, Çelik Motor - TRL 18.523).

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

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

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.

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

NOTE 14 - INTANGIBLE ASSETS

Movements of intangible assets for the year ended on December 31, 2018 are as follows:

	Bottling contracts	License agreements	Brands	Other intangible assets	Total
Cost					
January 1, 2018	**8.378.797**	**1.352.039**	**426.149**	**432.925**	**10.589.910**
Additions	**-**	**-**	**-**	**110.539**	**110.539**
Due to business combination	**-**	**-**	**54.411**	**13.969**	**68.380**
Disposals (-)	**-**	**-**	**-**	**(5.390)**	**(5.390)**
Currency translation differences	**847.875**	**183.115**	**84.352**	**31.343**	**1.146.685**
Transfers (*)	**-**	**-**	**-**	**17.616**	**17.616**
December 31, 2018	**9.226.672**	**1.535.154**	**564.912**	**601.002**	**11.927.740**
Accumulated amortization					
January 1, 2018	**-**	**19.224**	**-**	**227.073**	**246.297**
Amortization charge for the period (**)	**-**	**32**	**-**	**58.496**	**58.528**
Disposals (-)	**-**	**-**	**-**	**(2.661)**	**(2.661)**
Currency translation differences	**-**	**20**	**8.459**	**15.182**	**23.661**
Impairment	**-**	**289.233**	**103.894**	**-**	**393.127**
December 31, 2018	**-**	**308.509**	**112.353**	**298.090**	**718.952**
Net carrying amount	**9.226.672**	**1.226.645**	**452.559**	**302.912**	**11.208.788**

(*) TRL 17.616 of PP&E is transferred to other intangible assets.
(**) TRL 15.101 of the depreciation charge for the period has been added to cost of sales, TRL 5.962 has been added to marketing expenses, TRL 35.348 has been added to general administrative expenses and TRL 419 has been added to research and development expenses. Depreciation amounting TRL 118 is related to inventories, TRL 1.580 is related to construction in progress.

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	379.539	353.633	10.060.079
Additions	-	-	-	54.818	54.818
Disposals (-)	-	-	-	(7.675)	(7.675)
Currency translation differences	251.268	152.661	46.610	13.793	464.332
Transfers (*)	-	-	-	18.356	18.356
December 31, 2017	8.378.797	1.352.039	426.149	432.925	10.589.910
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	426.149	205.852	10.343.613

(*) 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.
(***) As a result of the restatement explained in details in Note 2, TRL 161.272 has been restated retrospectively.

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

NOTE 15 - GOODWILL

Movements of the goodwill for the years ended December 31, 2018 and 2017 are as follows:

	December 31, 2018	December 31, 2017
At January 1	**1.834.897**	1.669.307
Due to business combination (Note 3)	**3.511.284**	-
Currency translation differences	**545.374**	165.590
At December 31	**5.891.555**	1.834.897

As of December 31, 2018 and 2017, operating segment distributions of goodwill are presented below:

	Beverage	**Automotive**	**Total**
2018	**5.888.494**	**3.061**	**5.891.555**
2017	1.831.836	3.061	1.834.897

NOTE 16 - GOVERNMENT INCENTIVES AND GRANTS

As of December 31, 2018, 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, 2017: TRL 205.441) with a total tax advantage of TRL 41.209 (December 31, 2017: TRL 39.198). Tax advantage calculated from the beginning date of the incentives by considering the future advantages is amounting to TRL 2.119 (December 31, 2017: TRL 2.119).

The cash support collected from TUBİTAK in 2018 regarding the R&D activities of Anadolu Isuzu, the subsidiary of the Group, is TRL 485 (December 31, 2017: TRL 675). As of December 31, 2018, Anadolu Isuzu's R&D discount amount due to expenses related to R&D activities to be used for tax calculation is TRL 101.193. 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, 2017: TRL 41.480). 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. According to the investment incentive certificate Anadolu Isuzu has spent a total of TRL 5.607 as of December 31, 2018 and will be able 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, 2017: 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, 2018	December 31, 2017
Social security and withholding tax liabilities	**72.070**	64.692
Payables to personnel	**42.788**	29.814
	114.858	94.506

17.2 Short Term Provision for Employee Benefits

The provisions for employee benefits as of December 31, 2018 and 2017 are as follows:

	December 31, 2018	December 31, 2017
Short-term	**130.899**	127.731
Provision for bonus	**47.531**	58.784
Provision for vacation pay liability	**47.866**	28.408
Other short-term employee benefits	**34.848**	38.087
Provision for wage/salary differences of collective bargaining agreement	**-**	2.452
Provision for employee termination benefits	**654**	-
Long-term	**192.358**	167.865
Provision for employee termination benefits	**182.070**	157.904
Provision for incentive plan	**10.288**	9.961
	323.257	295.596

The movement of provision for bonus is as follows:

	December 31, 2018	December 31, 2017
Balance at January 1	**58.784**	66.011
Charge for the period (net)	**117.337**	139.603
Payments (-)	**(163.158)**	(150.989)
Currency translation differences	**11.341**	4.159
Due to business combination	**23.227**	-
Balance at the end of the period	**47.531**	58.784

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

	December 31, 2018	December 31, 2017
Balance at January 1	**157.904**	146.065
Interest expense	**5.428**	7.527
Charge for the period (net)	**47.800**	29.462
Payments (-)	**(34.079)**	(33.984)
Actuarial losses	**5.387**	8.834
Currency translation differences	**284**	-
Balance at the end of the period	**182.724**	157.904

(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, 2018	December 31, 2017
Balance at January 1	**9.961**	9.332
Interest expense	**334**	831
Charge for the period (net)	**23.405**	18.749
Payments (-)	**(23.412)**	(19.496)
Actuarial losses	**-**	543
Currency translation differences	**-**	2
Balance at the end of the period	**10.288**	9.961

Actuarial loss from defined benefit plans, included in other short-term employee benefits and provision for employee termination benefits, amounting to TRL 4.604 was reflected to consolidated statements of other comprehensive income (December 31, 2017: TRL 9.282).

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 5,434/year at December 31, 2018 and TRL 4,732/year December 31, 2017) 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, 2018 and 2017 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, 2018 discount rate (yearly) used in calculations is between 4,13%-4,46% (December 31, 2017: 2,95%-4,55%).

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 6,018 effective from January 1, 2019 (January 1, 2018: TRL 5,002) 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, 2018 and 2017 are as follows:

	December 31, 2018	December 31, 2017
Provision for litigations	**18.698**	9.452
Warranty provisions (*)	**11.434**	13.429
Other provisions	**19.642**	1.007
	49.774	23.888

(*) 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.

The movement of warranty provision is as follows:

	December 31, 2018	December 31, 2017
Balance at January 1	**13.429**	13.595
Charge for the period (net)	**10.433**	13.787
Payments (-)	**(12.428)**	(13.953)
Balance at the end of the period	**11.434**	13.429

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

NOTE 18 - COMMITMENTS

As of December 31, 2018 and December 31, 2017 letter of guarantees, pledges and mortgages (GPMs) are as follows:

December 31, 2018	**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	**1.649.692**	313.751	181.375	30.877	27	42.879	2.667.000	86.307
B. Total amount of GPMs given in favor of subsidiaries included in full consolidation	**930.515**	6.360	58.500	85.121	-	-	2.222.331	18.987
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	**231.419**	14.559	23.704	15.288	-	-	-	-
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	**231.419**	14.559	23.704	15.288	-	-	-	-
iii. Total amount of GPMs given in favor of third party companies not in the scope of C above	**-**	-	-	-	-	-	-	-
	2.811.626	334.670	263.579	131.286	27	42.879	4.889.331	105.294

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

As of December 31, 2018, the ratio of other GPMs over the Group's equity is 1,1%. (December 31, 2017: 0,7%).

CCBPL, a subsidiary of the Group 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, 2018, CCBPL has USD 4,5 million sugar purchase commitment to the Banks until the end of April 2019 and has USD 25,3 million sugar purchase commitment to the Banks until the end of December 2019 and has USD 17 million resin purchase commitment to the Banks until the end of November 2019.

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.

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.

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.

GUE, which is a subsidiary of the Group, 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, 2018, the remaining amount of the related loan is thousand USD 95.950.

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, 2018, the balance of the loan is thousand USD 71.111 and the warranty per the Group is thousand USD 23.704 (December 31, 2017: thousand USD 88.889). The Company, has acted as a guarantor in the proportion of its capital (33,33%) to Aslancık's finance loan amounting to thousand EURO 23.364. As of December 31, 2018, the balance of the loan is thousand EURO 23.364 and the warranty per the Group is thousand EURO 7.788.

As of December 31, 2018 the obligation of TRL 12.416 (Note 20.4) results from the buying option carried, for the purchase of 12,5% of Turkmenistan CC shares from Day Investment Ltd., with a consideration of USD 2.360 thousand 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 Investment Ltd. 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 of share purchase (December 31, 2017: TRL 8.902) (Note 20.4).

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, 2016 and 2021, ER has an option to sell (and CCİ will have an obligation to buy) its remaining 19,97% participatory shares in Waha B.V. This obligation is recorded as put option liability in the Group's consolidated financial statements. Based on the contract, fair value of the put option liability amounting to TRL 198.020 is calculated using the following period financial budget estimation for earnings before interest and tax, by using the conditions underlined in the contract (December 31, 2017: TRL 117.572).

Kartal Gayrimenkul, the subsidiary of the Group, in accordance with the contract terms based on the guarantorship agreements and in the case of the customer does not make loan payments on time, commits to pay the unpaid installments to the bank and all other installments that have not become due yet with its interest and expenses. The total limit committed by Kartal Gayrimenkul, the subsidiary of the Group, in guarantorship agreements amounts to TRL 249.000. As of December 31, 2018, there are no defaulting installments (December 31, 2017: None).

In line with Kartal Gayrimenkul's preliminary sales contract regarding AND Pastel housing project started in İstanbul Province Kartal District; if Kartal Gayrimenkul is late upon delivery of the relevant real estate, if the delay exceeds the expected due date by 180 days then Kartal Gayrimenkul is obliged to pay the monthly delay penalty of 0,1% of the price paid by the buyer in accordance with the contract until then. This obligation is valid except the force majeure. As of December 31, 2018, Kartal Gayrimenkul has no penalty for delay (December 31, 2017: None).

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

NOTE 19 – PREPAID EXPENSES

19.1 Short-term Prepaid Expenses

	December 31, 2018	December 31, 2017
Prepaid expenses	**416.100**	339.445
Advances given	**152.752**	121.803
	568.852	461.248

19.2 Long-term Prepaid Expenses

	December 31, 2018	December 31, 2017
Prepaid expenses	**410.447**	300.576
Advances given	**14.758**	54.312
	425.205	354.888

NOTE 20 - OTHER ASSETS AND LIABILITIES

20.1 Other Current Assets

	December 31, 2018	December 31, 2017
Assets used in renting activities	**328.683**	414.094
VAT receivable	**549.577**	438.261
Other current assets	**73.885**	21.789
	952.145	874.144

Movements of current assets used in renting activities for periods ended December 31, 2018 and 2017 are as follows:

Current Assets Used in Renting Activities

	December 31, 2018	December 31, 2017
Cost		
Balance at January 1	**420.585**	374.985
Additions	**490.911**	403.389
Disposals	**(1.280.172)**	(921.145)
Transfers	**718.275**	563.356
Revaluation decreases	**(17.463)**	-
Balance at the end of the period	**332.136**	420.585
Accumulated depreciation		
Balance at January 1	**6.491**	5.386
Depreciation charge for the period (*)	**94**	94
Disposals	**(57.650)**	(52.299)
Transfers	**54.518**	53.310
Balance at the end of the period	**3.453**	6.491
Net carrying amount	**328.683**	414.094

(*) 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, 2018	December 31, 2017
Assets used in renting activities	**1.302.368**	1.715.251
VAT receivable and other taxes	**81.584**	66.038
Other non-current assets	**18.654**	27
	1.402.606	1.781.316

Movements of non-current assets used in renting activities for the year ended December 31, 2018 and 2017 are as follows:

Non-Current Assets Used in Renting Activities

	December 31, 2018	December 31, 2017
Cost		
Balance at January 1	**1.795.616**	1.532.948
Additions	**176.296**	826.207
Transfers (Note 20.1) (**)	**(718.275)**	(563.539)
Revaluation increases	**138.061**	-
Balance at the end of the period	**1.391.698**	1.795.616
Accumulated depreciation		
Balance at January 1	**80.365**	71.094
Depreciation charge for the period (*)	**63.483**	62.654
Transfers (Note 20.1) (**)	**(54.518)**	(53.383)
Balance at the end of the period	**89.330**	80.365
Net carrying amount	**1.302.368**	1.715.251

(*) All depreciation expenses are included in the cost of sales.
(**) As of December 31, 2017 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, 2018	December 31, 2017
Other payables	**24.116**	15.315
Put option liability (Note 18)	**12.416**	8.902
	36.532	24.217

20.4 Other Non-Current Liabilities

	December 31, 2018	December 31, 2017
Put option liability (Note 18)	**198.020**	117.572
Deferred VAT and other taxes	**63.933**	46.477
Other	**8.355**	1.463
	270.308	165.512

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

NOTE 21 - DEFERRED INCOME

21.1 Short-term Deferred Income

	December 31, 2018	December 31, 2017
Advances taken (*)	**392.276**	432.937
Other deferred income	**86.829**	48.105
	479.105	481.042

(*) TRL 323.474 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 (December 31, 2017: TRL 307.011 cash, TRL 43.786 notes).

21.2 Long-term Deferred Income

	December 31, 2018	December 31, 2017
Other deferred income	**27.580**	21.508
	27.580	21.508

NOTE 22 - EQUITY

Share Capital / Adjustments to Share Capital and Equity Instruments

As of December 31, 2018 and 2017, the Company's shareholders and their respective shareholding percentages are stated in Note 1 - Organization and Nature of Activities of the Group.

Movements of paid capital for the year ended December 31, 2018 and 2017 are as follows (the amounts are historical):

	December 31, 2018		December 31, 2017	
	Number of shares	**Amount**	Number of shares	Amount
Balance at the beginning of the period	**243.534.518**	**243.535**	182.000.000	182.000
-Capital increase	**-**	**-**	61.534.518	61.535
Balance at the end of the period	**243.534.518**	**243.535**	243.534.518	243.535

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.. Class A shares are all bearer type shares; belonging to AG Sınai Yatırım ve Yönetim A.Ş. and also Yazıcılar Families, Özilhan Families and publicly traded shares are included in Class A.

AG Sınai Yatırım ve Yönetim A.Ş. (Management Company) which is an associate of İzzet Türkan Özilhan Yönetim ve Danışmanlık A.Ş. and Kamil Yazıcı Yönetim ve Danışma A.Ş. by 50% share each is a management company established to manage AGHOL and the subsidiaries of AGHOL. AG Sınai Yatırım ve Yönetim A.Ş. is indirectly managed by S. Kamil Yazıcı Family and İzzet Özilhan Family through equal shareholding and equal representation principle.

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

NOTE 22 – EQUITY (cont'd)

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

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 2018, other sources which may be subject to dividend distribution amount to TRL 1.652.795.

	December 31, 2018	December 31, 2017
Restricted reserves allocated from net profit	**909.511**	909.511
- Legal reserves	**89.844**	89.844
- Gain on sales of real estate and associates (*)	**819.667**	819.667

(*) 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, 2018 and 2017 the summary of equity reserves, extraordinary reserves, other profit reserves and retained earnings are as follows:

	December 31, 2018	December 31, 2017
Equity reserves	**2.422**	2.422
Extraordinary reserves	**1.600.425**	1.625.425
Other profit reserves	**5.119**	5.119
Retained earnings	**859.880**	611.385
	2.467.846	2.244.351

Non-Controlling Interest

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

NOTE 23 - SALES AND COST OF SALES

	December 31, 2018	December 31, 2017
Domestic revenues	**11.141.416**	9.521.145
Foreign revenues	**12.839.839**	7.642.541
Total sales, net	**23.981.255**	17.163.686

Cost of Sales (-)		
Current year purchases and net change in inventory	**12.984.090**	9.398.421
Depreciation and amortization expenses of tangible and intangible assets and assets used in renting activities	**898.935**	652.419
Personnel expenses	**795.086**	587.778
Utilities and communication expenses	**428.137**	254.558
Other expenses	**932.076**	684.112
Total Cost of Sales	**16.038.324**	11.577.288
Gross Profit	**7.942.931**	5.586.398

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

NOTE 24 - OPERATING EXPENSES

	December 31, 2018	December 31, 2017
General administrative expenses		
Personnel expenses	**817.155**	615.122
Consultancy and services rendered expenses	**420.751**	162.576
Depreciation and amortization expenses of tangible and intangible assets and investment properties	**111.851**	85.490
Rent expenses	**90.489**	60.439
Taxes and duties	**81.950**	29.869
Utilities and communication expenses	**40.867**	24.600
Insurance expenses	**19.371**	17.162
Maintenance and repair expenses	**13.734**	16.593
Other expenses	**230.249**	164.282
	1.826.417	1.176.133

	December 31, 2018	December 31, 2017
Marketing expenses		
Advertisement and promotion expenses	**1.282.965**	938.193
Transportation and distribution expenses	**1.218.564**	686.542
Personnel expenses	**801.825**	623.901
Depreciation and amortization expenses on tangible and intangible assets	**445.522**	332.821
Repair and maintenance expenses	**50.269**	37.541
Rent expenses	**46.842**	36.775
Utilities and communication expenses	**45.454**	34.927
Other expenses	**309.214**	250.331
	4.200.655	2.941.031

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, 2018	December 31, 2017
Depreciation and amortization expenses		
Cost of sales	**898.935**	652.419
Marketing expenses	**445.522**	332.821
General administrative expenses	**111.851**	85.490
Other operating expenses	**6.952**	16.048
Research and development expenses	**965**	1.059
	1.464.225	1.087.837

Depreciation and amortization amounting TRL 3.301 is reflected in construction in progress and TRL (3.344) is reflected in inventories (As of December 31, 2017 respectively: TRL 1.538 and TRL 1.923).

(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, 2018	December 31, 2017
Personnel expenses		
General administrative expenses	**817.155**	615.122
Marketing expenses	**801.825**	623.901
Cost of sales	**795.086**	587.778
Research and development expenses	**1.212**	1.317
	2.415.278	1.828.118

NOTE 26 - OTHER OPERATING INCOME/EXPENSES

26.1 Other Operating Income

	December 31, 2018	December 31, 2017
Foreign exchange gains arising from trading activities	**301.611**	149.434
Income from scrap and other materials	**51.556**	32.433
Rent income	**24.119**	14.232
Rediscount gain from trading activities	**17.527**	7.702
Insurance compensation income	**2.693**	2.638
Other	**293.406**	170.515
	690.912	376.954

26.2 Other Operating Expenses

	December 31, 2018	December 31, 2017
Foreign exchange losses arising from trading activities	**389.764**	161.061
Donations	**44.868**	6.749
Provision for doubtful receivables (Note 8)	**36.222**	25.246
Rediscount loss from trading activities	**12.963**	12.348
Depreciation and amortization expense on tangible and intangible assets	**6.952**	16.048
Other	**140.896**	76.457
	631.665	297.909

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

NOTE 27 - INCOME/EXPENSES FROM INVESTING ACTIVITIES

27.1 Income from Investing Activities

	December 31, 2018	December 31, 2017
Transfer of currency translation differences recognized in other comprehensive expenses in the prior period to the profit of loss statement	**169.937**	-
Gain on sale of property, plant and equipment	**118.323**	34.785
Rent income	**3.899**	4.525
Dividend income	**15**	17
Gain on sale of joint ventures (*)	**-**	21.280
Gain from liquidation of subsidiary	**-**	19.145
	292.174	79.752

(*) 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 .

27.2 Expenses from Investing Activities

	December 31, 2018	December 31, 2017
Provision for impairment on intangible assets (Note 14)	**103.894**	19.614
Provision for impairment on tangible assets (Note 13)	**27.597**	75.547
Loss on sale of tangible & intangible assets	**25.132**	13.483
Cost of relocating property, plant and equipment	**15.706**	-
Loss on sale of intangible assets	**57**	-
Loss on sale of marketable securities	**-**	41
Other	**805**	6.830
	173.191	115.515

NOTE 28 - FINANCIAL INCOME

	December 31, 2018	December 31, 2017
Foreign exchange gain	**3.188.014**	1.155.186
Interest income	**354.203**	176.175
Derivative transactions income	**46.792**	438
	3.589.009	1.331.799

NOTE 29 - FINANCIAL EXPENSES

	December 31, 2018	December 31, 2017
Foreign exchange loss	**4.380.608**	2.144.756
Interest expense	**1.243.994**	623.220
Loss on derivative transactions	**17.090**	2.312
Revaluation expense of put option liability	**-**	8.431
Other expense	**70.681**	39.924
	5.712.373	2.818.643

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

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 22% in Turkey (2017: 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 22% (2017: 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, 2018 are calculated with 22% tax rate for the temporary differences which will be realized in 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, 2018	December 31, 2017
Current income tax assets	**189.152**	132.368
Income tax payable (-)	**(18.036)**	(7.826)
Net tax (liability) / asset	**171.116**	124.542

30.2 Deferred Tax Assets and Liabilities

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

	December 31, 2018	December 31, 2017
Deferred tax asset	**1.148.241**	551.155
Deferred tax liability (-)	**(2.096.149)**	(1.915.078)
Total deferred tax asset/(liability), net	**(947.908)**	(1.363.923)

(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)

Movement of net deferred tax liabilities as of the year ended on December 31, 2018 is as follows:

	Balance December 31 ,2017	**Recorded to profit or loss**	**Balance December 31, 2018**
Property, plant and equipment, intangibles, investment property, assets used in renting activities	**(2.180.213)**	**(208.725)**	**(2.388.938)**
Tax losses carried forward	**646.038**	**403.300**	**1.049.338**
Employee termination benefit and other employee benefits	**36.566**	**19.195**	**55.761**
Inventories	**73.861**	**7.443**	**81.304**
Investment incentive	**51.827**	**14.086**	**65.913**
Receivables and payables	**28.873**	**166.625**	**195.498**
Derivative financial instruments	**(28.448)**	**13.465**	**(14.983)**
Other	**7.573**	**626**	**8.199**
Net deferred tax liability	**(1.363.923)**	**416.015**	**(947.908)**
Added through business combination	**-**	**(338.436)**	**-**
Currency translation difference	**-**	**169.639**	**-**
Recognised in other comprehensive income	**-**	**(299.700)**	**-**
	(1.363.923)	**(52.482)**	**(947.908)**

The 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)

Carried forward tax losses of Efes Moscow, JSC Sun InBev, PJSC Sun InBev Ukraine and Coca-Cola Beverages Pakistan Limited can be carried forward indefinitely according to local tax regulations.

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

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

30.3 Tax Expense

	December 31, 2018	December 31, 2017
Current period tax expense (-)	**(272.509)**	(166.657)
Deferred tax (expense)/income	**(52.482)**	115.441
	(324.991)	(51.216)

	December 31, 2018	December 31, 2017
Profit/(loss) before tax from continuing operations	**(548.980)**	156.853
Gain (loss) from investments accounted through equity method	**515.224**	(135.907)
Taxable income	**(33.756)**	20.946
Tax ratio used by the parent company 22% (2017: 20%)	**7.426**	(4.189)
Tax ratio of the companies using different ratio	**129**	(17.479)
Non-taxable income (-)	**15.928**	21.351
Carry forward tax losses that are not subject to deferred tax	**(7.026)**	(10.697)
Non-deductible expenses	**(28.456)**	(13.472)
Deferred tax effect of translation difference on non-monetary items	**(37.846)**	(15.246)
Impact of tax base increase regarding law no 7143	**(126.901)**	-
Effect of deferred tax asset on non-recognized income	**(12.459)**	-
Cancellation of tax losses	**(69.578)**	(1.484)
Other	**(66.208)**	(10.000)
	(324.991)	(51.216)

NOTE 31 - EARNINGS PER SHARE

	December 31, 2018	December 31, 2017
Net (loss) profit	**(1.114.055)**	(130.050)
Weighted average number of shares	**243.534.518**	243.534.518
- Earnings (Loss) per share from continuing operations (full TRL)	**(4,57)**	(0,53)
- Earnings (Loss) per share (full TRL)	**(4,57)**	(0,53)

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

NOTE 32 - RELATED PARTY BALANCES AND TRANSACTIONS

32.1 Trade and Other Receivables from Related Parties

	December 31, 2018	December 31, 2017
Migros Group Companies (1) (*)	**207.907**	176.493
Anadolu Landini (1)	**52.243**	74.613
LLC Faber-Castell Anadolu (Russia) (1)	**1.917**	1.250
Anadolu Eğitim ve Sosyal Yardım Vakfı Sağlık Tes. İkt. İşl. (4)	**1.371**	1.207
Other	**10.491**	6.026
	273.929	259.589

(*) Migros Group Companies consist of Migros, Kipa Ticaret A.Ş. which merged with Migros as of August 31, 2018, Sanal Merkez Ticaret A.Ş., Ramstore Kazakhstan LLC, Ramstore Macedonıa DOO and Ramstore Bulgarıa E.A.D..

As of December 31, 2018 there is no amount in long term portion of trade receivables from related parties (December 31, 2017: None).

As of December 31, 2018 other receivables from related parties amounts to TRL 20.595 (December 31, 2017: None).

32.2 Trade Payables to Related Parties

	December 31, 2018	December 31, 2017
Anadolu Landini (1)	**6.142**	-
Migros Group Companies (1)	**651**	657
Other	**554**	69
	7.347	726

As of December 31, 2018 there is no long term trade payables due to related parties (December 31, 2017: 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

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, 2018, the Group has not provided for any doubtful receivables, relating to amounts due from related parties (December 31, 2017: 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, 2018 and 2017 are as follows:

	December 31, 2018	December 31, 2017
Sales of goods and services, net		
Migros Group Companies (1)	**624.434**	523.954
Anadolu Landini (1)	**10.383**	68.011
AEP Anadolu Etap Penkon Gıda ve Tarım Ürün. San. Ve Tic. A.Ş. (1)	**6.732**	3.868
Anadolu Efes Spor Kulübü (4)	**3.595**	3.264
Anadolu Eğitim ve Sosyal Yardım Vakfı Sağlık Tes. İkt. İşl. (4)	**1.863**	2.080
Other	**4.087**	2.078
	651.094	603.255

	December 31, 2018	December 31, 2017
Purchases of goods, property, plant & equipment and other charges		
Anadolu Efes Spor Kulübü (4)	**63.741**	51.033
Anadolu Eğitim ve Sosyal Yardım Vakfı (4)	**42.973**	5.819
Migros Group Companies (1)	**7.572**	5.937
Other	**2.354**	4.275
	116.640	67.064

	December 31, 2018	December 31, 2017
Various sales included in other income (includes dividends received)		
Anadolu Landini (1)	**11.298**	882
Migros Group Companies (1)	**454**	221
Other	**506**	420
	12.258	1.523

(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)

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, 2018 and 2017 are as follows:

	December 31, 2018	December 31, 2017
Short term benefits provided to key management personnel	**95.451**	61.772
Post-employment benefits	**5.719**	1.422
Total gain	**101.170**	63.194
Social Security employer share	**2.256**	1.390

Other

The Company and its subsidiaries other than McDonald's 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, 2018, donations amount to TRL 42.973 (December 31, 2017: TRL 5.831).

(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, 2018 and 2017 details of maximum credit risk exposure and aging of assets overdue but not impaired are stated below:

December 31, 2018	**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)	**273.929**	**2.746.581**	**20.595**	**175.708**	**5.082.836**	**186.177**	**228.315**
- Maximum credit risk secured by guarantees	66.023	1.600.356	-	-	-	-	-
A. Net carrying amount of financial assets that are neither past due nor impaired	269.207	2.510.725	20.595	164.526	5.082.836	186.177	228.315
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	4.722	233.448	-	11.182	-	-	-
- Under guarantee	-	81.695	-	-	-	-	-
D. Net carrying amount of financial assets impaired	-	2.408	-	-	-	-	-
- Past due (gross carrying value)	-	134.309	-	-	-	-	-
- Impaired (-)	-	(131.901)	-	-	-	-	-
- Net carrying amount of financial assets under guarantee	-	2.408	-	-	-	-	-
- 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, 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	-	-	-	-	-	-	-

December 31, 2018	**Trade Receivables**	**Other Receivables**	**Deposits**
Past due between 1-30 days	**160.446**	-	-
Past due between 1-3 months	**46.416**	-	-
Past due between 3-12 months	**13.478**	-	-
Past due for more than 1 year	**13.108**	-	-

December 31, 2017	Trade Receivables	Other Receivables	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	-	-

(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, 2017	Average exchange buying rate in the period	Exchange buying rate at December 31, 2018
USD/TRL	Turkey	3,7719	4,8301	5,2609
EUR/TRL	Turkey	4,5155	5,6789	6,0280

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. Anadolu Efes's foreign currency liability consists of mainly long term liabilities. Accordingly, in the short term foreign currency risk that may arise from fluctuation of foreign currencies are relatively limited. 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).

Efes Breweries International NV, the subsidiary of the Group, has a cross currency swap agreement on April 12, 2018 in order to hedge foreign currency risk arising from Russian Ruble receivables arising from shareholder loans which was taken over following the business combination mentioned in Note 3 amounting to TRL 361.501.

As of December 31, 2018, CCI, the subsidiary of the Group, has a cross currency swap contract with a total amount of USD 150 million (nominal amount: 219.135 TRL) signed on January 16, 2018 and due on September 19, 2024, for the probability of arising exchange rate exposure in the long term (December 31, 2017: None).

The Company has a cross currency swap contract with a total amount of EURO 25 million (nominal amount: 150.900 TRL) signed on December 5, 2018, December 7, 2018 and December 21, 2018 and due on May 12, 2021, for the probability of arising exchange rate exposure in the long term (December 31, 2017: None).

(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, 2018	TRL Equivalent (Functional currency)	Thousand USD	Thousand EUR	Other TRL
1. Trade receivables	240.047	13.633	21.269	40.116
2a. Monetary financial assets (cash and cash equivalents included)	1.931.627	311.073	34.710	85.871
2b. Non - monetary financial assets	10.362	-	1.719	-
3. Other	27.750	1.187	3.547	126
4. Current assets (1+2+3)	**2.209.786**	**325.893**	**61.245**	**126.113**
5. Trade receivables	-	-	-	-
6a. Monetary financial assets	-	-	-	-
6b. Non - monetary financial assets	-	-	-	-
7. Other	4.564	201	580	10
8. Non - current assets (5+6+7)	**4.564**	**201**	**580**	**10**
9. Total assets (4+8)	**2.214.350**	**326.094**	**61.825**	**126.123**
10. Trade payables	894.599	105.085	34.098	136.216
11. Short - term borrowings and current portion of long - term borrowings	3.669.836	116.730	506.922	-
12a. Monetary other liabilities	5.565	199	750	-
12b. Non - monetary other liabilities	16.655	2.454	373	1.499
13. Current liabilities (10+11+12)	**4.586.655**	**224.468**	**542.143**	**137.715**
14. Trade payables	5.338	-	885	3
15. Long - term borrowings	7.978.335	1.239.021	242.198	-
16a. Monetary other liabilities	-	-	-	-
16b. Non - monetary other liabilities	198.023	37.641	-	-
17. Non - current liabilities (14+15+16)	**8.181.696**	**1.276.662**	**243.083**	**3**
18. Total liabilities (13+17)	**12.768.351**	**1.501.130**	**785.226**	**137.718**
19. Off balance sheet derivative items' net asset / (liability) position (19a-19b)	**6.089.083**	**761.079**	**345.906**	**-**
19a. Total hedged assets	6.195.353	781.279	345.906	-
19b. Total hedged liabilities	106.270	20.200	-	-
20. Net foreign currency asset / (liability) position (9-18+19)	**(4.464.918)**	**(413.956)**	**(377.495)**	**(11.595)**
21. Monetary items net foreign currency asset / (liability) position (=1+2a+5+6a-10-11-12a-14-15-16a)	**(10.381.999)**	**(1.136.329)**	**(728.874)**	**(10.232)**
22. Total fair value of financial instruments used to manage the foreign currency position	-	-	-	-

(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, 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	-	-	-	-

Information related to export and import as of December 31, 2018 and 2017 are as follows:

	2018	2017
Total Export Amount	**1.145.926**	438.702
Total Import Amount	**4.500.623**	3.353.015

(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, 2018 (*)	
	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	(618.174)	618.174
2- USD denominated hedging instruments(-)	400.396	(400.396)
3- Net effect in USD (1+2)	**(217.778)**	**217.778**
Change in the EUR against TRL by 10% +/-:		
4- Euro denominated net asset / liability	(436.065)	436.065
5- Euro denominated hedging instruments(-)	208.512	(208.512)
6- Net effect in Euro (4+5)	**(227.553)**	**227.553**
Change in the other foreign currencies against TRL by 10% +/-:		
7- Other foreign currency denominated net asset / liability	(1.159)	1.159
8- Other foreign currency hedging instruments(-)	-	-
9- Net effect in other foreign currency (7+8)	**(1.159)**	**1.159**
TOTAL (3+6+9)	**(446.490)**	**446.490**

	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

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

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 Hedge of Net Investments in Foreign Operations

Anadolu Efes, the subsidiary of the Group, designated denominated bond issued amounting to USD 500 Million as of January 1, 2018 and EURO 100 Million as of April 1, 2018 as a hedging instrument in order to hedge its foreign currency risk arising from the translation of net assets of its subsidiary located in Netherlands, Efes Breweries International (whose main activity is facilitating foreign investments in breweries).

As of April 1, 2018, CCİ, the subsidiary of the Group, designated USD 281 Million out of USD denominated bond issued amounting to USD 500 Million as a hedging instrument in order to hedge its foreign currency risk arising from the translation of net assets of its subsidiary located in Netherlands, CCI Holland and Waha B.V.

The Company designated loans amounting to EURO 253 Million as of April 1, 2018 as a hedging instrument in order to hedge its foreign currency risk arising from the translation of net assets of its subsidiary located in Netherlands, Efes Breweries International (whose main activity is facilitating foreign investments of Anadolu Efes in breweries). As a result of change in the Company's risk policy EURO 100 million of EURO 253 million loans has been discontinued from hedging net investments in foreign operations as of December 5, 2018. It is decided to designate different derivate financial instruments for the related EURO 100 million.

The effective part of the change in the value of the bonds and loans designated as hedging of net investments amounting to TRL 1.520.855 (TRL 1.192.092 - including deferred tax effect) is recognized as "Gains (Losses) on Hedge" under Equity and to "Other Comprehensive Income (Loss) Related with Hedges of Net Investment in Foreign Operations" under Other Comprehensive Income (December, 31 2017: None).

(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 is USD 43 Million as of December 31, 2018 (December 31, 2017: 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, 2018**	December 31, 2017
Financial instruments with fixed interest rate		
Financial assets		
- Time deposits	**4.271.660**	5.184.586
Financial liabilities	**11.527.925**	10.954.408
Financial instruments with floating interest rate		
Financial liabilities	**4.125.781**	3.158.112

At December 31, 2018, 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, 2019 which is the following reporting period, would be:

	Effect on profit before tax	
Interest Increase	**December 31, 2018**	December 31, 2017
1% increase	**(10.221)**	(7.853)

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, 2018

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	**20.179.468**	**22.817.049**	**6.647.731**	**5.410.160**	**7.570.476**	**3.188.682**
Borrowings and financial leasing payables	15.653.706	18.287.235	3.059.924	4.679.496	7.366.253	3.181.562
Trade payable and due to related parties	4.200.468	4.204.520	3.472.949	718.248	6.203	7.120
Put option liability	210.436	210.436	-	12.416	198.020	-
Employee benefit obligations	114.858	114.858	114.858	-	-	-

(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, 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	-	-	-

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, 2018	**Level 1**	**Level 2**	**Level 3**
Derivative financial assets	**186.177**	**-**	**186.177**	**-**
Derivative financial liabilities	**44.393**	**-**	**44.393**	**-**
Put option liability	**210.436**	**12.416**	**-**	**198.020**

	December 31, 2017	Level 1	Level 2	Level 3
Derivative financial assets	95.093	-	95.093	-
Derivative financial liabilities	-	-	-	-
Put option liability	126.474	8.902	-	117.572

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, 2018, CCİ has 4 aluminum swap transactions with a total nominal amount of TRL 153.639 (December 31, 2017: TRL 427) for 14.234 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, 2018, CCİ does not have any option transactions to hedge its financial risk arising from the cash flows due to aluminum purchasing (December 31, 2017: 2 option transactions for the right to purchase 216 tonnes of aluminum at USD 1.650 per tonne).

As of December 31, 2018, CCİ has a derivative financial instrument with a structured cross currency swap contract amounting to USD 150 million signed on January 16, 2018 and due on September 19, 2024, for the probability of arising exchange rate exposure in the long term. Spot intrinsic total value of the options under this transaction is TRL 219.135 (December 31, 2017: None).

As of December 31, 2018, Anadolu Efes has 21 aluminum swap transactions with a total nominal amount of TRL 18.676 (December 31, 2017: None) for 1.775 tones. The total of these aluminium swap contracts is designated as hedging instruments in cash flow hedges related to forecasted cash flow, for the high probability purchases of production material exposed to commodity price risk.

As of December 31, 2018, Anadolu Efes has foreign currency forward transactions with a nominal amount of TRL 100.942 amounting to USD 2 million and EUR 15 million (December 31, 2017: None).

Efes Breweries International NV has a cross currency swap agreement on April 12, 2018 in order to hedge foreign currency risk arising from Russian Ruble receivables arising from shareholder loans which was taken over following the business combination mentioned in Note 3 amounting to TRL 361.501.

Efes Breweries International NV has executed an interest rate swap agreement on June 8, 2015 in order to mitigate interest rate risk of loan amounting to TRL 226.219 (equivalent of USD 43 million) with maturity of June 6, 2020 and variable interest rate.

As of December 31, 2018, Adel, a subsidiary of the Group has a participating forward transaction with a nominal amount of TRL 106.270 amounting to USD 20,2 million (December 31, 2017: None).

As of December 31, 2018, the Company has foreign currency forward transactions amounting to EUR 25 million with a nominal amount of TRL 150.900 (December 31, 2017: None).

Fair value of derivative financial instruments as of December 31, 2018 is as follows:

		December 31, 2018		December 31, 2017	
		Fair values		Fair values	
	Contract amount	**Assets**	**Liabilities**	Assets	Liabilities
Derivatives held for hedging:					
Receivables from operating leases	**416.043**	**139.167**	**-**	94.757	-
Cross currency swaps	**361.501**	**44.263**	**-**	-	-
Interest rate swaps	**226.219**	**2.747**	**-**	-	-
Commodity swap transactions	**172.295**	**-**	**13.485**	152	-
Currency forward transactions	**207.212**	**-**	**27.552**	184	-
Currency swap transactions	**150.900**	**-**	**3.356**	-	-
	1.534.170	**186.177**	**44.393**	95.093	-
Short term		**102.996**	**41.037**	64.521	-
Long term		**83.181**	**3.356**	30.572	-
		186.177	**44.393**	95.093	-

(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, 2018			
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**	**55.174**	**6.423.204**	**143.463**

	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	5.587.763	82.615

Summary financial information for the related subsidiary is presented below:

Summary consolidated statement of financial position:	**Anadolu Efes**	Anadolu Efes
	December 31, 2018	December 31, 2017
Current assets	10.289.601	9.097.981
Non-current assets	28.636.511	20.431.651
Total assets	**38.926.112**	29.529.632
Short-term borrowings	2.355.115	3.045.478
Other current liabilities	5.424.550	2.773.176
Long-term borrowings	6.873.565	5.464.012
Other non-current liabilities	2.938.876	2.581.371
Total liabilities	**17.592.106**	13.864.037
Net assets	**21.334.006**	15.665.595
Attributable to:		
Non-controlling interests	10.055.334	5.853.895
Net assets of the equity holders of the parent	**11.278.672**	9.811.700

Summary consolidated statement of profit or loss:	**Anadolu Efes**	Anadolu Efes
	December 31, 2018	December 31, 2017
Revenue	18.689.686	12.732.359
Net income	315.110	305.889
Non-controlling interests	218.228	156.469
Equity holders of the parent	**96.882**	149.420

(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, 2018	December 31, 2017
Cash flows from operating activities	2.818.246	2.190.025
Cash flows used in investing activities	(1.372.787)	(788.653)
Cash flows from (used in) financing activities	(4.115.991)	1.085.374
Effect of currency translation differences	2.027.706	172.436
Net increase in cash and cash equivalents	**(642.826)**	2.659.182
Cash and cash equivalent at the beginning of the period	5.399.185	2.740.003
Total cash and cash equivalent at the end of the period	**4.756.359**	5.399.185

NOTE 36 - EVENTS AFTER THE REPORTING PERIOD

1) The capital of Aslancık, a joint venture of the Company, was increased to TRL 228.600 on February 4, 2019 with an increase of TRL 63.600. All shareholders have participated in the capital increase in proportion to their shares and the capital increase amount paid by the Company is TRL 21.200.

2) The Company applied to the CMB on January 10, 2019 for the merger through facilitated merger method with Anadolu Termik, a 100% owned subsidiary and the application was approved on February 8, 2019. The merger was registered on February 21, 2019.

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