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

ANADOLU EFES BİRACILIK VE MALT SANAYİİ ANONİM ŞİRKETİ

CONSOLIDATED FINANCIAL STATEMENTS AS OF 31 DECEMBER 2018 TOGETHER WITH INDEPENDENT AUDITOR'S REPORT

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

INDEPENDENT AUDITOR'S REPORT

To the General Assembly of Anadolu Efes Biracılık ve Malt Sanayii A.Ş.

A) Report on the Audit of the Financial Statements

1) Opinion

We have audited the consolidated financial statements of Anadolu Efes Biracılık ve Malt Sanayii 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 other 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 Matter

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

Key Audit Matter	How the 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") and its subsidiary, Coca-Cola İçecek A.Ş. ("Coca-Cola"), has expanded their operations with business combinations. As a result of the business combinations, the share of goodwill and intangible assets in total assets has reached to 44% in the consolidated financial statements. The Group management performs annual impairment testing of its cash generating units to which goodwill has been allocated and its intangible assets with indefinite useful lives in accordance with its accounting policies. The recoverable amount of cash generating units and intangible assets with indefinite useful lives is determined based on value in use. Recoverable amount is determined based on discounted projected cash flows by using key management estimates; such as, revenue increase, discount rate, long-term growth rate and inflation rate. Considering that impairment testing includes significant estimates and assumptions and the significance of these assets on 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. The related disclosures including the accounting policies for impairment testing of goodwill and intangible assets with indefinite useful lives are disclosed in Notes 2 ve 16.	The audit procedures applied including but not limited to the following are: • Evaluating whether cash generating units are correctly identified by the Group management • 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 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 • Evaluating the appropriateness of related disclosures regarding to Intangible Assets with Indefinite Useful Lives and Goodwill in Notes 16 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.

- 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.

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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 28 February 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.

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 Koray Öztürk.

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

Koray Öztürk
Partner

İstanbul, 28 February 2019

CONSOLIDATED FINANCIAL STATEMENTS AS AT DECEMBER 31, 2018

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CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT DECEMBER 31, 2018

(Currency– Unless otherwise indicated thousands of Turkish Lira (TRL))

		Audited	
	Notes	**Current Period 31 December 2018**	Restated (Note 2) Previous Period 31 December 2017
ASSETS			
Cash and Cash Equivalents	6	**4.770.052**	5.409.622
Financial Investments	9	**21.163**	88.588
Trade Receivables	10	**2.413.804**	1.530.645
- Trade Receivables Due from Related Parties	*30*	***230.018***	*158.085*
- Trade Receivables Due from Third Parties		***2.183.786***	*1.372.560*
Other Receivables	11	**102.028**	103.368
- Other Receivables from Related Parties	*30*	***28.377***	-
- Other Receivables from Third Parties		***73.651***	*103.368*
Derivative Financial Assets	8	**-**	152
Inventories	12	**1.943.100**	1.179.231
Prepaid Expenses	13	**496.865**	399.150
Current Tax Assets	28	**168.428**	115.653
Other Current Assets	20	**374.161**	271.572
- Other Current Assets from Third Parties		***374.161***	*271.572*
Current Assets		**10.289.601**	9.097.981
Financial Investments		**792**	767
Trade Receivables	10	**1.437**	1.212
- Trade Receivables Due from Third Parties		***1.437***	*1.212*
Other Receivables	11	**52.866**	22.338
- Other Receivables from Third Parties		***52.866***	*22.338*
Derivative Financial Assets	8	**47.010**	-
Investments in Subsidiaries, Joint Ventures and Associates	4	**71.195**	46.309
Investment Property	14	**113.362**	101.894
Property, Plant and Equipment	15	**10.049.742**	7.485.235
Intangible Assets		**16.959.421**	12.082.868
- Goodwill	*16*	***5.897.466***	*1.840.808*
- Other Intangible Assets	*16*	***11.061.955***	*10.242.060*
Prepaid Expenses	13	**407.495**	335.835
Deferred Tax Asset	28	**867.100**	307.406
Other Non-Current Assets	20	**66.091**	47.787
Non-Current Assets		**28.636.511**	20.431.651
TOTAL ASSETS		**38.926.112**	29.529.632

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

CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT DECEMBER 31, 2018

(Currency– Unless otherwise indicated thousands of Turkish Lira (TRL))

		Audited	
	Notes	**Current Period 31 December 2018**	Restated (Note 2) Previous Period 31 December 2017
LIABILITIES			
Current Borrowings	7	**830.699**	89.359
- Current Borrowings from Related Parties	*30*	***328.327***	-
- Current Borrowings from Third Parties		***502.372***	*89.359*
Current Portion of Non-Current Borrowings	7	**1.524.416**	2.956.119
- Current Portion of Non-Current Borrowings from Related Parties	*30*	***196.784***	-
- Current Portion of Non-Current Borrowings from Third Parties		***1.327.632***	*2.956.119*
Trade Payables	10	**3.600.610**	1.676.381
- Trade Payables to Related Parties	*30*	***282.578***	*52.423*
- Trade Payables to Third Parties		***3.318.032***	*1.623.958*
Employee Benefit Obligations	18	**77.035**	66.362
Other Payables	11	**1.472.436**	851.122
- Other Payables to Third Parties		***1.472.436***	*851.122*
Derivative Financial Liabilities	8	**29.832**	-
Deferred Income	13	**58.592**	33.169
Current Tax Liabilities		**17.051**	6.498
Current Provisions	19	**132.469**	115.429
- Current Provisions for Employee Benefits		***113.218***	*114.532*
- Other Current Provisions		***19.251***	*897*
Other Current Liabilities	20	**36.525**	24.215
Current Liabilities		**7.779.665**	5.818.654
Long-Term Borrowings	7	**6.873.565**	5.464.012
Trade Payables	10	**44.207**	35.180
- Trade Payables to Third Parties		***44.207***	*35.180*
Other Payables	11	**391.376**	347.171
- Other Payables to Third Parties		***391.376***	*347.171*
Deferred Income	13	**975**	1.331
Non-Current Provision		**143.175**	124.086
- Non-Current Provision for Employee Benefits	*19*	***143.175***	*124.086*
Deferred Tax Liabilities	28	**2.088.835**	1.908.091
Other Non-Current Liabilities	20	**270.308**	165.512
Non-Current Liabilities		**9.812.441**	8.045.383
Equity Attributable to Equity Holders of the Parent	21	**11.278.672**	9.811.700
Issued Capital		**592.105**	592.105
Inflation Adjustment on Capital		**63.583**	63.583
Share Premium (Discount)		**2.765.214**	3.042.134
Put Option Revaluation Fund Related with Non-controlling Interests		**6.773**	20.275
Other Accumulated Comprehensive Income (Loss) that will not be Reclassified in Profit or Loss		**(23.464)**	(24.467)
-Revaluation and Remeasurement Gain/Loss		***(23.464)***	*(24.467)*
Other Accumulated Comprehensive Income (Loss) that will be Reclassified in Profit or Loss		**3.438.316**	2.390.553
- Currency Translation Differences		***4.113.182***	*2.361.784*
- Gains (Losses) on Hedge		***(674.866)***	*28.769*
Restricted Reserves Appropriated from Profits	21	**342.931**	317.921
Prior Years' Profits or Losses		**3.996.332**	3.260.176
Current Period Net Profit or Losses		**96.882**	149.420
Non-Controlling Interests	4	**10.055.334**	5.853.895
Total Equity		**21.334.006**	15.665.595
TOTAL LIABILITIES		**38.926.112**	29.529.632

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

CONSOLIDATED INCOME STATEMENT FOR THE YEAR ENDED DECEMBER 31, 2018
(Currency– Unless otherwise indicated thousands of Turkish Lira (TRL))

		Audited	
		Current Period 1 January- 31 December 2018	Restated (Note 2) Previous Period 1 January- 31 December 2017
	Notes		
Revenue	5, 22	**18.689.686**	12.732.359
Cost of Sales	22	**(11.704.576)**	(7.906.500)
GROSS PROFIT (LOSS)		**6.985.110**	4.825.859
General Administrative Expenses	23	**(1.580.767)**	(955.534)
Sales, Distribution and Marketing Expenses	23	**(3.944.482)**	(2.701.297)
Other Income from Operating Activities	25	**554.348**	314.237
Other Expenses from Operating Activities	25	**(408.249)**	(231.316)
PROFIT (LOSS) FROM OPERATING ACTIVITIES		**1.605.960**	1.251.949
Investment Activity Income	26	**231.251**	46.063
Investment Activity Expenses	26	**(167.571)**	(110.016)
Income/ (Loss) from Associates	4	**(81.065)**	(30.362)
PROFIT (LOSS) BEFORE FINANCING INCOME (EXPENSE)		**1.588.575**	1.157.634
Finance Income	27	**3.093.380**	1.105.188
Finance Expenses	27	**(4.052.020)**	(1.779.421)
PROFIT (LOSS) FROM CONTINUING OPERATIONS		**629.935**	483.401
Tax (Expense) Income, Continuing Operations		**(314.825)**	(177.512)
- Current Period Tax Income (Expense)	*28*	***(261.271)***	*(157.578)*
- Deferred Tax Income (Expense)	*28*	***(53.554)***	*(19.934)*
PROFIT/(LOSS)		**315.110**	305.889
Profit/(Loss) Attributable to			
- Non-Controlling Interest	*4*	***218.228***	*156.469*
- Owners of Parent		***96.882***	*149.420*
Earnings / (Loss) Per Share (Full TRL)	29	**0,1636**	0,2524

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– Unless otherwise indicated thousands of Turkish Lira (TRL))

		Audited	
	Notes	**Current Period 1 January- 31 December 2018**	Restated (Note 2) Previous Period 1 January- 31 December 2017
PROFIT/(LOSS)		**315.110**	305.889
OTHER COMPREHENSIVE INCOME			
Other Comprehensive Income that will not be Reclassified to Profit or Loss		**1.277**	(3.378)
Gains (Losses) on Remeasurements of Defined Benefit Plans	**19**	**1.603**	(4.470)
Taxes Relating to Components of Other Comprehensive Income that will not be reclassified to profit or loss		**(326)**	1.092
- Deferred Tax Income (Expense)		***(326)***	*1.092*
Other Comprehensive Income that will be Reclassified to Profit or Loss		**2.058.576**	896.416
Currency Translation Differences		**2.850.318**	945.422
Other Comprehensive Income (Loss) on Cash Flow Hedge		**216.312**	(61.578)
Other Comprehensive Income (Loss) Related with Hedges of Net Investment in Foreign Operations	**31**	**(1.229.608)**	-
Taxes Relating to Components of Other Comprehensive Income that will be reclassified to profit or loss		**221.554**	12.572
- Deferred Tax Income (Expense)		***221.554***	*12.572*
OTHER COMPREHENSIVE INCOME (LOSS)		**2.059.853**	893.038
TOTAL COMPREHENSIVE INCOME (LOSS)		**2.374.963**	1.198.927
Total Comprehensive Income Attributable to			
- Non-Controlling Interest		***1.229.315***	*346.883*
-Owners of Parents		***1.145.648***	*852.044*

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

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

(Currency– Unless otherwise indicated thousands of Turkish Lira (TRL))

							Other Accumulated Comprehensive Income that will not be reclassified in Profit or Loss	Other Accumulated Comprehensive Income that will be reclassified in Profit or Loss				Retained Earnings				
		Notes	Issued Capital	Inflation Adjustment on Capital	Share Premium/ Discount	Put Option Revaluation Fund Related with Non-controlling Interests	Revaluation and Remeasurement Gain/ (Loss) (**)	Currency Translation Differences	Gains (Losses) on Hedge	Restricted Reserves Appropriated from Profits	Other Reserves	Prior Years' Profits or Losses	Current Period Net Profit or Loss	Equity Attributable to Equity Holders of the Parent	Non-Controlling Interests	Total Equity
Restated (Not 2) Previous period (1 January – 31 December 2017)	**Beginning Balances**		592.105	63.583	3.137.684	19.923	(20.249)	1.783.517	58.325	303.414	(235.742)	3.630.736	(70.795)	9.262.501	5.554.521	14.817.022
	Other Adjusments	2	-	-	-	-	-	(158.131)	-	-	235.742	(235.742)	-	(158.131)	-	(158.131)
	Restated Balances		592.105	63.583	3.137.684	19.923	(20.249)	1.625.386	58.325	303.414	-	3.394.994	(70.795)	9.104.370	5.554.521	14.658.891
	Transfers		-	-	(8.686)	-	-	-	-	14.507	-	(76.616)	70.795	-	-	-
	Total Comprehensive Income (Loss)		-	-	-	-	(4.218)	736.398	(29.556)	-	-	-	149.420	852.044	346.883	1.198.927
	Profit (Loss)		-	-	-	-	-	-	-	-	-	-	*149.420*	*149.420*	*156.469*	*305.889*
	Other Comprehensive Income (Loss)		-	-	-	-	*(4.218)*	*736.398*	*(29.556)*	-	-	-	-	*702.624*	*190.414*	*893.038*
	Dividends		-	-	(86.864)	-	-	-	-	-	-	(58.202)	-	(145.066)	*(48.719)*	*(193.785)*
	Increase (Decrease) from Other Changes (*)		-	-	-	352	-	-	-	-	-	-	-	352	1.210	1.562
	Ending Balances		592.105	63.583	3.042.134	20.275	(24.467)	2.361.784	28.769	317.921	-	3.260.176	149.420	9.811.700	5.853.895	15.665.595
Current Period (1 January – 31 December 2018)	**Beginning Balances**		**592.105**	**63.583**	**3.042.134**	**20.275**	**(24.467)**	**2.361.784**	**28.769**	**317.921**	**-**	**3.260.176**	**149.420**	**9.811.700**	**5.853.895**	**15.665.595**
	Transfers		**-**	**-**	**(25.010)**	**-**	**-**	**-**	**-**	**25.010**	**-**	**149.420**	**(149.420)**	**-**	**-**	**-**
	Total Comprehensive Income (Loss)		**-**	**-**	**-**	**-**	**1.003**	**1.751.398**	**(703.635)**	**-**	**-**	**-**	**96.882**	**1.145.648**	**1.229.315**	**2.374.963**
	Profit (Loss)		**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	***96.882***	***96.882***	***218.228***	***315.110***
	Other Comprehensive Income (Loss)		**-**	**-**	**-**	**-**	***1.003***	***1.751.398***	***(703.635)***	**-**	**-**	**-**	**-**	***1.048.766***	***1.011.087***	***2.059.853***
	Capital Increase		**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**42.890**	**42.890**
	Increase (Decrease) through Changes in Ownership Interests in Subsidiaries that do not result in loss of control	3	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**586.736**	**-**	**586.736**	**(823.202)**	**(236.466)**
	Dividends	21	**-**	**-**	**(251.910)**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**(251.910)**	**(130.654)**	**(382.564)**
	Acquisition or Disposal of a Subsidiary	3	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**3.903.478**	**3.903.478**
	Increase (Decrease) from Other Changes (*)		**-**	**-**	**-**	**(13.502)**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**(13.502)**	**(20.388)**	**(33.890)**
	Ending Balances		**592.105**	**63.583**	**2.765.214**	**6.773**	**(23.464)**	**4.113.182**	**(674.866)**	**342.931**	**-**	**3.996.332**	**96.882**	**11.278.672**	**10.055.334**	**21.334.006**

(*) Non-controlling interest share put option liability.
(**) Gains (Losses) on Remeasurements of Defined Benefit Plans.

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

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

(Currency– Unless otherwise indicated thousands of Turkish Lira (TRL))

		Audited	
	Notes	**Current Period 31 December 2018**	Previous Period 31 December 2017
CASH FLOWS FROM (USED IN) OPERATING ACTIVITIES		**2.818.246**	2.190.025
Profit/ (Loss) for the period		**315.110**	305.889
Adjustments to Reconcile Profit (Loss)		**2.636.156**	1.979.376
Adjustments for Depreciation and Amortization Expense	5, 14, 15, 16, 24	**1.297.749**	931.979
Adjustments for Impairment Loss / (Reversal)	33	**156.292**	121.572
Adjustments for Provisions	33	**72.146**	45.176
Adjustments for Interest (Income) Expenses	33	**259.787**	125.408
Adjustments for Unrealised Foreign Exchange Losses (Gains)		**636.094**	585.743
Adjustments for Fair Value (Gains) Losses on Derivative Financial Instruments		**16.347**	-
Adjustments for Undistributed Profits of Investments Accounted for Using Equity Method	4	**81.065**	30.362
Adjustments for Tax (Income) Expenses	28	**314.825**	177.512
Adjustments for Losses (gains) on Disposal of Non-Current Assets	26	**(41.803)**	(19.428)
Adjustments for Losses (Gains) on Disposal of Subsidiaries or Joint Operations	26	**-**	(19.145)
Transfer of currency translation differences previously accounted as other comprehensive income		**(169.937)**	-
Other Adjustments to Reconcile Profit (loss)		**13.591**	197
Changes in Working Capital		**106.688**	70.579
Adjustments for Decrease (Increase) in Accounts Receivables		**(651.258)**	(224.814)
Adjustments for Decrease (Increase) in Other Receivables Related with Operations		**(280.983)**	(160.395)
Adjustments for Decrease (Increase) in Inventories		**(486.418)**	(160.664)
Adjustments for increase (decrease) in Trade Accounts Payable		**982.444**	401.444
Adjustments for increase (decrease) in Other Operating Payables		**542.903**	215.008
Cash Flows from (used in) Operations		**3.057.954**	2.355.844
Payments Related with Provisions for Employee Benefits	19	**(52.701)**	(49.219)
Income Taxes (Paid) Return		**(187.007)**	(116.600)
CASH FLOWS FROM (USED IN) INVESTING ACTIVITIES		**(1.372.787)**	(788.653)
Cash Outflows Arising From Purchase of Shares or Capital Increase of Associates and/or Joint Ventures	4	**(105.069)**	(17.845)
Proceeds from Sales of Property, Plant, Equipment and Intangible Assets	14,15,16	**105.946**	65.823
Cash Outflows Arising from Purchase of Property, Plant, Equipment and Intangible Assets	33	**(1.610.169)**	(836.631)
Other inflows (outflows) of cash		**236.505**	-
CASH FLOWS FROM (USED IN) FINANCING ACTIVITIES		**(4.115.991)**	1.085.374
Proceeds from Borrowings	7	**1.491.673**	3.324.034
Repayments of Borrowings	7	**(4.807.590)**	(1.802.742)
Income (Loss) from Cash Flow Hedge		**(224.588)**	(60.249)
Dividends Paid		**(382.564)**	(193.785)
Interest Paid	7	**(552.684)**	(239.553)
Interest Received		**292.337**	135.221
Other inflows (outflows) of cash		**67.425**	(77.552)
NET (DECREASE) / INCREASE IN CASH AND CASH EQUIVALENTS BEFORE CURRENCY TRANSLATION DIFFERENCES		**(2.670.532)**	2.486.746
Effect Of Currency Translation On Cash and Cash Equivalents		**1.109.150**	159.150
Effect Of Currency Translation Differences On Cash and Cash Equivalents		**918.556**	13.286
NET (DECREASE) / INCREASE IN CASH AND CASH EQUIVALENTS		**(642.826)**	2.659.182
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE PERIOD		**5.399.185**	2.740.003
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD	6	**4.756.359**	5.399.185

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

(Currency– Unless otherwise indicated thousands of Turkish Lira (TRL))

NOTE 1. GROUP'S ORGANIZATION AND NATURE OF ACTIVITIES

General

Anadolu Efes Biracılık ve Malt Sanayii A.Ş. (Anadolu Efes, the Company) was established in İstanbul in 1966. Certain shares of Anadolu Efes are listed on the Borsa İstanbul (BIST).

The registered office of the Company is located at the address "Bahçelievler Mahallesi Şehit İbrahim Koparır Caddesi No: 4 Bahçelievler – İstanbul".

The Company, its subsidiaries and joint ventures will be referred to as the "Group". The average number of permanent personnel employed in the Group is 17.560 (December 31, 2017 – 14.188).

The consolidated financial statements of the Group approved by the Board of Directors of the Company and signed by the Chief Financial Officer, Nusret Orhun Köstem and Finance Director, Kerem İşeri were issued on February 28, 2019. General Assembly and specified regulatory bodies have the right to make amendments to statutory financial statements after issue.

Nature of Activities of the Group

The operations of the Group consist of production, bottling, selling and distribution of beer under a number of trademarks and also production, bottling, distribution and selling of sparkling and still beverages with The Coca- Cola Company (TCCC) trademark.

After the business combination, explained in Note 3, the Group owns and operates twenty one breweries; three in Turkey, eleven in Russia and seven in other countries (December 31, 2017 - fourteen breweries; three in Turkey, six in Russia and and five in other countries). The Group makes production of malt in two locations in Turkey and three locations in Russia (December 31, 2017 – production of malt in two locations in Turkey and one location in Russia).

The Group has ten facilities in Turkey, sixteen facilities in other countries for sparkling and still beverages production (December 31, 2017 - ten facilities in Turkey, fifteen facilities in other countries).

The Group also has joint control over Anadolu Etap Penkon Gıda ve Tarım Ürünleri San. ve Tic. A.Ş. (Anadolu Etap), which undertakes production and sales of fruit juice concentrates, purees and fresh fruit sales in Turkey and Syrian Soft Drink Sales & Dist. LLC (SSDSD), which undertakes distribution and sales of sparkling and still beverages in Syria.

List of Shareholders

As of December 31, 2018 and December 31, 2017, the composition of shareholders and their respective percentage of ownership can be summarized as follows:

	December 31, 2018		December 31, 2017	
	Amount	**(%)**	Amount	(%)
AG Anadolu Grubu Holding A.Ş.	**254.892**	**43,05**	254.892	43,05
AB Inbev Harmony Ltd.	**142.105**	**24,00**	142.105	24,00
Publicly traded and other	**195.108**	**32,95**	195.108	32,95
	592.105	**100,00**	592.105	100,00

The Company is controlled by AG Anadolu Grubu Holding A.Ş., the parent company.

(Currency– Unless otherwise indicated thousands of Turkish Lira (TRL))

NOTE 1. GROUP'S ORGANIZATION AND NATURE OF ACTIVITIES (continued)

List of Subsidiaries and Joint Ventures

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

Subsidiary	Country	Principal Activity	Segment	Effective Shareholding And Voting Rights % December 31, 2018	December 31, 2017
Efes Breweries International N.V. (EBI)	The Netherlands	Managing foreign investments in breweries	International Beer	**100,00**	100,00
JSC FE Efes Kazakhstan Brewery (Efes Kazakhstan)	Kazakhstan	Production and marketing of beer	International Beer	**100,00**	100,00
International Beers Trading LLP (IBT)	Kazakhstan	Marketing of beer	International Beer	**100,00**	100,00
Efes Vitanta Moldova Brewery S.A. (Efes Moldova)	Moldova	Production and marketing of beer and low alcoholic drinks	International Beer	**96,87**	96,86
JSC Lomisi (Efes Georgia)	Georgia	Production and sales of beer and carbonated soft drinks	International Beer	**100,00**	100,00
PJSC Efes Ukraine (Efes Ukraine)	Ukraine	Production and marketing of beer	International Beer	**99,94**	99,94
LLC Efes Ukraine	Ukraine	Selling and distribution of beer	International Beer	**100,00**	100,00
Efes Trade BY FLLC (Efes Belarus)	Belarus	Market development	International Beer	**100,00**	100,00
Efes Holland Technical Management Consultancy B.V. (EHTMC)	The Netherlands	Leasing of intellectual property and similar products	International Beer	**100,00**	100,00
AB InBev Efes B.V. (AB InBev Efes) (1)	The Netherlands	Investment company	International Beer	**50,00**	100,00
JSC Moscow-Efes Brewery (Efes Moscow) (2)	Russia	Production and marketing of beer	International Beer	**50,00**	100,00
JSC Sun InBev (2)	Russia	Production and marketing of beer	International Beer	**50,00**	-
PJSC Sun InBev Ukraine (2)	Ukraine	Production and marketing of beer	International Beer	**49,30**	-
LLC Vostok Solod (3)	Russia	Production of malt	International Beer	**50,00**	100,00
LLC Efes Solod (3)	Russia	Production of malt	International Beer	**50,00**	100,00
LLC Inbev Trade (4)	Russia	Production of malt	International Beer	**50,00**	-
Euro-Asien Brauerein Holding GmbH (Euro-Asien) (2)	Germany	Investment company	International Beer	**50,00**	100,00
Bevmar GmbH (2)	Germany	Investment company	International Beer	**50,00**	-
Efes Pazarlama ve Dağıtım Ticaret A.Ş. (Ef-Pa) (5)	Turkey	Marketing and distribution company of the Group in Turkey	Turkey Beer	**100,00**	100,00
Cypex Co. Ltd. (Cypex)	Northern Cyprus	Marketing and distribution of beer	Other	**99,99**	99,99
Efes Deutschland GmbH (Efes Germany)	Germany	Marketing and distribution of beer	Other	**100,00**	100,00
Coca-Cola İçecek A.Ş. (CCİ) (6)	Turkey	Production of Coca-Cola products	Soft Drinks	**50,26**	50,26
Coca-Cola Satış ve Dağıtım A.Ş. (CCSD)	Turkey	Distribution and selling of Coca-Cola, Doğadan and Mahmudiye products	Soft Drinks	**50,25**	50,25
Mahmudiye Kaynak Suyu Ltd. Şti. (Mahmudiye)	Turkey	Filling and selling of natural spring water	Soft Drinks	**50,26**	50,26
J.V. Coca-Cola Almaty Bottlers LLP (Almaty CC)	Kazakhstan	Production, distribution and selling of and distribution of Coca Cola products	Soft Drinks	**50,26**	50,26
Azerbaijan Coca-Cola Bottlers LLC (Azerbaijan CC)	Azerbaijan	Production, distribution and selling of Coca Cola products	Soft Drinks	**50,19**	50,19
Coca-Cola Bishkek Bottlers CJSC (Bishkek CC)	Krygyzstan	Production, distribution and selling of Coca Cola products	Soft Drinks	**50,26**	50,26
CCI International Holland B.V. (CCI Holland)	The Netherlands	Investment company of CCİ	Soft Drinks	**50,26**	50,26
Tonus Turkish-Kazakh Joint Venture LLP (Tonus)	Kazakhstan	Investment company of CCİ	Soft Drinks	**50,26**	50,26
The Coca-Cola Bottling Company of Jordan Ltd. (Jordan CC)	Jordan	Production, distribution and selling of Coca Cola products	Soft Drinks	**45,23**	45,23
Turkmenistan Coca-Cola Bottlers Ltd. (Turkmenistan CC)	Turkmenistan	Production, distribution and selling of Coca Cola products	Soft Drinks	**29,90**	29,90
Sardkar for Beverage Industry Ltd. (Sardkar) (7)	Iraq	Production, distribution and selling of Coca Cola products	Soft Drinks	**50,26**	50,26
Waha Beverages B.V.	The Netherlands	Investment company of CCİ	Soft Drinks	**40,22**	40,22
Coca-Cola Beverages Tajikistan LLC (Coca Cola Tacikistan)	Tajikistan	Production, distribution and selling of Coca Cola products	Soft Drinks	**50,26**	50,26
Al Waha for Soft Drinks, Juices, Mineral Water, Plastics, and Plastic Caps Production LLC (Al Waha)	Iraq	Production, distribution and selling of Coca Cola products	Soft Drinks	**40,22**	40,22
Coca-Cola Beverages Pakistan Ltd (CCBPL)	Pakistan	Production, distribution and selling of Coca Cola products	Soft Drinks	**24,96**	24,96

Joint Ventures	Country	Principal Activity	Segment	Effective Shareholding And Voting Rights % December 31, 2018	December 31, 2017
Anadolu Etap Penkon Gıda ve Tarım Ürünleri San ve Tic. A.Ş. (Anadolu Etap) (8)	Turkey	Production and sales of fruit juice concentrates and sales of purees and fresh fruit sales	Other	**39,70**	33,33
Syrian Soft Drink Sales & Dist. LLC (SSDSD)	Syria	Distribution and sales of Coca-Cola products	Soft Drinks	**25,13**	25,13

(1) As explained 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 AB Inbev Efes B.V. its share in the company has been 50%.
(2) Subsidiaries that AB Inbev Efes B.V. directly participates in after the business combination explained in Note 3.
(3) Subsidiaries of Efes Moscow.
(4) Subsidiary of JSC Sun InBev.
(5) The Company's beer operations in Turkey form the Turkey Beer Operations together with Ef-Pa.
(6) Shares of CCİ are currently traded on BIST.
(7) As October 2018 the name of Company for Beverage Industry Ltd. has been changed as Sardkar for Beverage Industry Ltd.
(8) Capital increase was made in Anadolu Etap in June and November 2018. As a result of this transaction, the Group's shareholding and voting rights in Anadolu Etap increased from 33,33% to 39,70%.

NOTE 1. GROUP'S ORGANIZATION AND NATURE OF ACTIVITIES (continued)

Work Environments and Economic Conditions of Subsidiaries and Joint Ventures in Foreign Countries

Certain countries, in which consolidated subsidiaries and joint ventures operate, have undergone substantial political and economic changes in recent years. Accordingly, such markets do not possess well-developed business infrastructures and the Group's operations in such countries might carry risks, which are not typically associated with those in more developed markets. Uncertainties regarding the political, legal, tax and/or regulatory environment, including the potential for adverse changes in any of these factors, could significantly affect the commercial activities of subsidiaries and joint ventures.

Deterioration in macroeconomic conditions in Ukraine, ongoing political instability, devaluation of Ukrainian Hryvnya and possibility of military operations in the region have been assessed by Group management and consequently, the deterioration in the Group's international beer market expectations for the medium term resulted in recognition of impairment on inventories, property, plant and equipment and intangible assets in 31 December 2017 consolidated financials.

NOTE 2. BASIS OF PRESENTATION OF CONSOLIDATED FINANCIAL STATEMENTS

2.1 Basis of Preparation and Presentation of Consolidated Financial Statements

Statement of Compliance to TFRS

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

The consolidated financial statements of the Group are prepared as per the CMB announcement of 7 June 2013 relating to financial statements presentations.

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

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

2.2 Functional and Reporting Currency

Functional and reporting currency of the Company and its subsidiaries, joint ventures located in Turkey is Turkish Lira.

NOTE 2. BASIS OF PRESENTATION OF CONSOLIDATED FINANCIAL STATEMENTS (continued)

Functional Currency of Significant Subsidiaries Located in Foreign Countries

Subsidiary / Joint Venture	Local Currency	Functional Currency	
		2018	2017
EBI	Europian Currency (EURO)	**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	EURO	**EURO**	EURO
Efes Germany	EURO	**EURO**	EURO
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
Sardkar	Iraqi Dinar (IQD)	**IQD**	IQD
SSDSD	Syrian Pound (SYP)	**SYP**	SYP
CCBPL	Pakistan Rupee (PKR)	**PKR**	PKR
CCI Holland	EURO	**USD**	USD
Waha B.V.	EURO	**USD**	USD
Al Waha	Iraqi Dinar (IQD)	**IQD**	IQD
Tacikistan CC	Tajikistani Somoni (TJS)	**TJS**	TJS

2.3 Significant Accounting Estimates and Decisions

Preparation of consolidated financial statements requires management to make estimations and assumptions which may affect the reported amounts of assets and liabilities as of the statement of financial position date, the disclosure of contingent assets and liabilities and the reported amounts of income and expenses during the financial period. The accounting assessments, estimates and assumptions are reviewed considering past experiences, other factors and reasonable expectations about future events under current conditions. Although the estimations and assumptions are based on the best estimates of the management's existing incidents and operations, they may differ from the actual results.

NOTE 2. BASIS OF PRESENTATION OF CONSOLIDATED FINANCIAL STATEMENTS (continued)

2.4 Changes in Accounting Policies

The consolidated financial statements of the Group for the period ended December 31, 2018 have been prepared in accordance with the accounting policies (except for the subject mentioned in Note 2.33) consistent with the accounting policies used in the preparation of annual consolidated financial statements for the year ended December 31, 2017.

Adoption of new and revised Turkish Financial Reporting Standards

Standards, amendments and interpretations applicable as at 31 December 2018:

- **TFRS 9, 'Financial Instruments';**

TFRS 9, Financial instruments; effective from annual periods beginning on to after 1 January 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 changes should be made to the consolidated financial statements.

- **TFRS 9 "Financial Instruments" Standard: Classification and Measurement**

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.

(Currency– Unless otherwise indicated thousands of Turkish Lira (TRL))

NOTE 2. BASIS OF PRESENTATION OF CONSOLIDATED FINANCIAL STATEMENTS (continued)

2.4 Changes in Accounting Policies (continued)

Adoption of new and revised Turkish Financial Reporting Standards (continued)

Standards, amendments and interpretations applicable as at 31 December 2018 (continued):

- **TFRS 9 "Financial Instruments" Standard: Classification and Measurement (continued)**

"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.

- **Transition to TFRS 15 Revenue from Contracts with Customers**

TFRS 15, Revenue from Contracts with Customers; effective from annual periods beginning on or after 1 January 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 (Note 2.33).

NOTE 2. BASIS OF PRESENTATION OF CONSOLIDATED FINANCIAL STATEMENTS (continued)

2.4 Changes in Accounting Policies (continued)

Adoption of new and revised Turkish Financial Reporting Standards (continued)

Standards, amendments and interpretations applicable as at 31 December 2018 (continued):

- **TFRS 15 Revenue from Contracts with Customers**

The Group recognizes revenue in accordance with the new revenue standard which is effective from 1 January 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

Product Sales

The Group generally produces, sells and distributes beer under a number of trademarks and also production, bottling, selling and distribution of sparkling and still beverages. Revenue is recognized when the control of products is transferred to the customer. There is no significant effect of the new revenue standard on the Group’s revenue, profit of losses.

The Group does not adjust the promised amount of consideration for the effects of a significant financing component if the Group expects, at contract inception, that the period between when the entity transfers a promised good or service to a customer and when the customer pays for that good or service will be one year or less.

NOTE 2. BASIS OF PRESENTATION OF CONSOLIDATED FINANCIAL STATEMENTS (continued)

2.4 Changes in Accounting Policies (continued)

Adoption of new and revised Turkish Financial Reporting Standards (continued)

Standards, amendments and interpretations applicable as at 31 December 2018 (continued):

- **Amendments to TFRS 2, 'Share based payments'** on clarifying how to account for certain types of share-based payment transactions; effective from annual periods beginning on or after 1 January 2018. This amendment clarifies the measurement basis for cash-settled, share-based payments and the accounting for modifications that change an award from cash-settled to equity-settled. It also introduces an exception to the principles in TFRS 2 that will require an award to be treated as if it was wholly equity-settled, where an employer is obliged to withhold an amount for the employee's tax obligation associated with a share-based payment and pay that amount to the tax authority. There isn't any material impact expected on the financial position or performance of the Group related to this amendment.

- **IFRIC 22, 'Foreign currency transactions and advance consideration'**; effective from annual periods beginning on or after 1 January 2018. This IFRIC addresses foreign currency transactions or parts of transactions where there is consideration that is denominated or priced in a foreign currency. The interpretation provides guidance for when a single payment/receipt is made as well as for situations where multiple payments/receipts are made. The guidance aims to reduce diversity in practice. There isn't any material impact expected on the financial position or performance of the Group related to this interpretation.

- **Amendment to TAS 40, 'Investment property'** relating to transfers of investment property; effective from annual periods beginning on or after 1 January 2018. These amendments clarify that to transfer to, or from, investment properties there must be a change in use. To conclude if a property has changed use there should be an assessment of whether the property meets the definition. This change must be supported by evidence.

- **Amendments to TFRS 4, 'Insurance contracts' regarding the implementation of TFRS 9,** 'Financial Instruments'; effective from annual periods beginning on or after 1 January 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.

Annual improvements 2014-2016; effective from annual periods beginning on or after 1 January 2018. These amendments impact 2 standards:

- TFRS 1, 'First time adoption of TFRS', regarding the deletion of short-term exemptions for first-time adopters regarding TFRS 7, TAS 19 and TFRS 10,
- TAS 28, 'Investments in associates and joint venture' regarding measuring an associate or joint venture at fair value.
- Short-term exclusions are abolished for the first time adoption of TFRS 10 standards.

NOTE 2. BASIS OF PRESENTATION OF CONSOLIDATED FINANCIAL STATEMENTS (continued)

2.4 Changes in Accounting Policies (continued)

Adoption of new and revised Turkish Financial Reporting Standards (continued)

Standards, amendments and interpretations that are issued but not effective as at 31 December 2018

- **Amendment to TFRS 9, 'Financial instruments'**; effective from annual periods beginning on or after 1 January 2019. This amendment confirms that when a financial liability measured at amortised cost is modified without this resulting in de-recognition, a gain or loss should be recognised immediately in profit or loss. The gain or loss is calculated as the difference between the original contractual cash flows and the modified cash flows discounted at the original effective interest rate. This means that the difference cannot be spread over the remaining life of the instrument which may be a change in practice from TAS 39. There isn't any material impact expected on the financial position or performance of the Group related to this amendment.

- **Amendment to TAS 28, 'Investments in associates and joint venture'**; effective from annual periods beginning on or after 1 January 2019. These amendments clarify that companies account for long-term interests in associate or joint venture to which the equity method is not applied using TFRS 9. There isn't any material impact expected on the financial position or performance of the Group related to this standard.

- **Amendments to TAS 19**, '**Employee benefits'** on plan amendment, curtailment or settlement'; effective from annual periods beginning on or after 1 January 2019. These amendments require an entity to:

  - Use updated assumptions to determine current service cost and net interest for the reminder of the period after a plan amendment, curtailment or settlement; and
  - Recognise in profit or loss as part of past service cost, or a gain or loss on settlement, any reduction in a surplus, even if that surplus was not previously recognised because of the impact of the asset ceiling.

- **TFRS 16, 'Leases'**; effective from annual periods beginning on or after 1 January 2019. Earlier application permitted if TFRS 15'Revenue from Contracts with Customers' is also applied. 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 standart which will be effective from annual periods beginning on or after 1 January 2019.

NOTE 2. BASIS OF PRESENTATION OF CONSOLIDATED FINANCIAL STATEMENTS (continued)

2.4 Changes in Accounting Policies (continued)

Adoption of new and revised Turkish Financial Reporting Standards (continued)

Standards, amendments and interpretations that are issued but not effective as at 31 December 2018 (continued)

- **IFRIC 23, 'Uncertainty over income tax treatments'**; effective from annual periods beginning on or after 1 January 2019. This IFRIC clarifies how the recognition and measurement requirements of TAS 12 'Income taxes', are applied where there is uncertainty over income tax treatments. The TFRS IC had clarified previously that TAS 12, not TAS 37 'Provisions, contingent liabilities and contingent assets', applies to accounting for uncertain income tax treatments. IFRIC 23 explains how to recognise and measure deferred and current income tax assets and liabilities where there is uncertainty over a tax treatment.

An uncertain tax treatment is any tax treatment applied by an entity where there is uncertainty over whether that treatment will be accepted by the tax authority. For example, a decision to claim a deduction for a specific expense or not to include a specific item of income in a tax return is an uncertain tax treatment if its acceptability is uncertain under tax law. IFRIC 23 applies to all aspects of income tax accounting where there is an uncertainty regarding the treatment of an item, including taxable profit or loss, the tax bases of assets and liabilities, tax losses and credits and tax rates. The Group is assessing the impact of this interpretation on the financial position.

- **TFRS 17, 'Insurance contracts';** effective from annual periods beginning on or after 1 January 2021. This standard replaces TFRS 4, which currently permits a wide variety of practices in accounting for insurance contracts. TFRS 17 will fundamentally change the accounting by all entities that issue insurance contracts and investment contracts with discretionary participation features.

Annual improvements 2015-2017; effective from annual periods beginning on or after 1 January 2019. These amendments include minor changes to:

• TFRS 3, 'Business combinations', – a company remeasures its previously held interest in a joint operation when it obtains control of the business.

• TFRS 11, 'Joint arrangements', – a company does not remeasure its previously held interest in a joint operation when it obtains joint control of the business.

• TAS 12, 'Income taxes' – a company accounts for all income tax consequences of dividend payments in the same way.

• TAS 23, 'Borrowing costs' – a company treats as part of general borrowings any borrowing originally made to develop an asset when the asset is ready for its intended use or sale.

Amendments to IAS 1 and IAS 8 on the definition of material; effective from Annual periods beginning on or after 1 January 2020. These amendments to IAS 1, 'Presentation of financial statements',and IAS 8, 'Accounting policies, changes in accounting estimates and errors', and consequential amendments to other TFRSs:
i) use a consistent definition of materiality throughout TFRSs and the Conceptual Framework for Financial Reporting;
ii) clarify the explanation of the definition of material; and
iii) incorporate some of the guidance in IAS 1 about immaterial information.

TFRS 3 Business Combinations and TFRS 11 Joint Arrangements - The amendments to TFRS 3 clarify that when an entity obtains control of a business that is a joint operation, it remeasures previously held interests in that business. The amendments to TFRS 11 clarify that when an entity obtains joint control of a business that is a joint operation, the entity does not remeasure previously held interests in that business.

The Group is in the process of assessing the impact of the amendments on financial position and performance of the Group.

NOTE 2. BASIS OF PRESENTATION OF CONSOLIDATED FINANCIAL STATEMENTS (continued)

2.5 Changes in Accounting Policies

The accounting estimates of the Group are adopted to be the same as prior years and there is no material change from prior years' accounting policies.

2.6 Offsetting

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

2.7 Basis of Consolidation

The consolidated financial statements comprise the financial statements of the parent company, Anadolu Efes, its subsidiaries drawn up to the reporting date. The financial statements of the companies included in the consolidation have been prepared based on the accounting policies and presentation formats adopted by the Group in accordance with CMB Financial Reporting Standards.

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 consolidated by using the full consolidation method; therefore, the carrying value of subsidiaries is eliminated against the related shareholders' equity. The equity and net income attributable to minority shareholders' interests of subsidiaries are shown separately in the consolidated balance sheet and consolidated income loss statement.

The Company 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 and AB Inbev Efes BV with a 50% stake in Anheuser Busch InBev SA/NV (AB InBev). The issue has detailed explaination in Note 3. As a result of this partnership agreement 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 ve 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.

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 with equity method starting from January 1, 2013 according to TFRS 11.

Intercompany balances and transactions, including intercompany profits and unrealized profits and losses are eliminated. Consolidated financial statements are prepared using uniform accounting policies for similar transactions and other events in similar circumstances.

The acquisition method of accounting is used for business combinations. Subsidiaries, joint ventures or investment in associates, acquired or disposed of during the year are included in the consolidated financial statements from the date of acquisition or to the date of disposal.

2.8 Cash and Cash Equivalents

Cash and cash equivalents comprise cash in hand, bank deposits and short-term investments, which can easily be converted into cash for a certain amount, has high liquidity with original maturities of 3 months or less. In accordance with TAS 7, bank deposits with a maturity of more than 3 months as of the acquisition date are reclassified to short term financial investments. However, Group recognises bank deposits with a maturity more than 3 months, which are considered to be highly liquid and do not include interest loss and penalty if compromised before maturity, to cash and cash equivalents. The deposits with the original maturities more than 3 months are classified to financial investments. The amounts paid under reverse repurchase agreements are included in the cash and cash equivalents.

NOTE 2. BASIS OF PRESENTATION OF CONSOLIDATED FINANCIAL STATEMENTS (continued)

2.9 Trade Receivables and Provisions for Doubtful Receivables

Trade receivables that are originated by the Group by the way of providing goods or services are generally collected in 5 to 65 day terms. Trade receivables are recognized and carried at discounted amount if they include significant interest less an allowance for any uncollectible amounts. 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.

2.10 Related Parties

Parties are considered to be related if one party directly or indirectly has the ability to control the other party or exercise significant influence over the other party in making the financial and operating decisions or be the associate of the Group. Related parties also include individuals who are principle owners, management and members of the Group's board of directors and their families. Amounts due from and due to related parties are carried at cost. Related party transactions are transfers of resources, services or obligations between related parties, regardless of whether a price is charged.

2.11 Inventories

Inventories are valued at the lower of cost and net realizable value. Net realizable value is the selling price in the ordinary course of business, less the costs of completion, marketing and distribution. Cost is determined primarily on the basis of the weighted average cost method. For processed inventories, cost includes direct materials, direct labor and the applicable allocation of fixed and variable overhead costs based on a normal operating capacity. Net realizable value represents the estimated selling price less all estimated costs of completion and costs necessary to make the sale. When the net realizable value of inventory is less than cost, the inventory is written down to the net realizable value and the expense is included in statement of income/(loss) in the period the write-down or loss occurred. When the circumstances that previously caused inventories to be written down below cost no longer exist or when there is clear evidence of an increase in net realizable value because of changed economic circumstances, the amount of the write-down is reversed. The reversal amount is limited to the amount of the original write-down.

2.12 Financial Investments

According to TFRS 9, all investments in equity instruments are to be measured at fair value. However, in limited circumstances, cost may provide an appropriate estimate of fair value. This would be the case if insufficient more recent information is available to measure fair value or if there is a wide range of possible fair value measurements and cost represents the best estimate of fair value within that range.

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2.13 Investment Properties

Investment properties consist of building and land improvements that are owned and not used by Group. They are hold on hand to earn rental income and capital appreciation. Investment properties are shown by deducting accumulated depreciation from the acquisition cost investment properties (except land) are depreciated by using straight-line depreciation method.

(Currency– Unless otherwise indicated thousands of Turkish Lira (TRL))

NOTE 2. BASIS OF PRESENTATION OF CONSOLIDATED FINANCIAL STATEMENTS (continued)

2.14 Property, Plant and Equipment

Property, plant and equipment (PP&E) are stated at cost less accumulated depreciation and any impairment in value. Land is not depreciated. Depreciation is computed by the straight-line method over the following estimated useful lives:

Buildings and land improvements	5-50 years
Machinery and equipment	2-20 years
Leasehold improvements	4-20 years
Furnitures and fixtures	3-15 years
Vehicles	3-10 years
Retumable bottles and cases	5-10 years
Other tangible assets	2-12 years

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 amount. The recoverable amount of property, plant and equipment is the greater of net selling price 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 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 income statement (Note 26).

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

Expenses for repair and maintenance of property, plant and equipment are normally charged to the income statement. 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.

2.15 Other Intangible Assets

Intangible assets acquired separately from a business are capitalized at cost.

Intangible assets acquired as part of an acquisition of a business are capitalized separately from goodwill, if the fair value can be measured reliably. Intangible assets, excluding development costs, created within the business are not capitalized and expenditure is charged against profits in the year in which it is incurred. Intangible assets are amortized on a straight-line basis over the best estimate of their useful lives. Intangible assets with indefinite useful life formed in the financial statements in accordance with purchase method, are not subject to amortization and the carrying amounts of such intangibles are reviewed for impairment at least annually and whenever there is an indication of possible impairment

a) Brands

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

NOTE 2. BASIS OF PRESENTATION OF CONSOLIDATED FINANCIAL STATEMENTS (continued)

2.15 Other Intangible Assets (continued)

b) Bottlers and Distribution Agreements

Bottlers and distribution agreements include;

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

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

c) License Agreements

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

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.

2.16 Business Combinations and Goodwill

The acquisition method of accounting is used to account for all business combinations, regardless of whether equity instruments or other assets are acquired. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are, with limited exceptions, measured initially at their fair values at the acquisition date. The group recognises any non-controlling interest in the acquired entity on an acquisition-by-acquisition basis either at fair value or at the non-controlling interest's proportionate share of the acquired entity's net identifiable assets.

Acquisition-related costs are expensed as incurred.

NOTE 2. BASIS OF PRESENTATION OF CONSOLIDATED FINANCIAL STATEMENTS (continued)

2.16 Business Combinations and Goodwill (continued)

The excess of the

- consideration transferred,
- amount of any non-controlling interest in the acquired entity, and acquisition-date fair value of any previous equity interest in the acquired entity over the fair value of the net identifiable assets acquired is recorded as goodwill. If those amounts are less than the fair value of the net identifiable assets of the subsidiary acquired, the difference is recognised directly in profit or loss as a bargain purchase.

If the business combination is achieved in stages, the acquisition date carrying value of the acquirer's previously held equity interest in the acquire is remeasured to fair value at the acquisition date. Any gains or losses arising from such remeasurement are recognised in profit or loss.

2.17 Trade Payables

Trade payables are non-derivative financial liabilities with fixed or determinable payments that are not quoted in an active market. Such financial liabilities are initially recognised at fair value and represented by the original invoice amount. After initial recognition, trade payables are measured at amortised cost using the effective interest rate method. The Group's trade payables are due within twelve months after the financial statement date, therefore classified under current liabilities.

2.18 Borrowings

All borrowings are initially recognized at cost, being the fair value of the consideration received net of issue costs associated with the borrowing. After initial recognition, borrowings are subsequently measured at amortized cost using the effective interest rate method. Amortized cost is calculated by taking into account any issue costs, and any discount or premium on settlement. Gains and losses are recognized in net profit or loss when the obligations related with the borrowings are removed.

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer the settlement of the liability for at least 12 months after the balance sheet date.

a) 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. The initial direct costs attributable for the finance lease are added to the amount recognized as an asset. Capitalized leased assets are depreciated over the estimated useful life of the asset.

b) Operating Lease

Leases where the lessor retains substantially all the risks and benefits of ownership of the asset are classified as operating leases. The Group recognizes operating lease payments as an expense in the income statement on a straight-line basis over the lease term.

(Currency– Unless otherwise indicated thousands of Turkish Lira (TRL))

NOTE 2. BASIS OF PRESENTATION OF CONSOLIDATED FINANCIAL STATEMENTS (continued)

2.19 Current Income Tax and Deferred Tax

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

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%
Krygyzstan	**10%**	10%
Pakistan	**31%**	31%
Iraq	**15%**	15%
Jordan	**14%**	14%
Turkmenistan	**8%**	8%
Tajikistan	**14%**	14%

Deferred tax is provided, using the liability method, on all temporary differences at the balance sheet date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes. Deferred tax liabilities are recognized for all taxable temporary differences. Deferred tax related to the equity items is carried under the equity and not reflected to income statement. Deferred tax assets are recognized for all deductible temporary differences, carry-forward of unused tax assets and unused tax losses, to the extent of the probability that taxable profit will be available against which the deductible temporary differences, carry-forward of unused tax assets and unused tax losses can be utilized. 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 profit will be available to allow all or part of the deferred tax asset to be utilized.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realized or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the balance sheet date.

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

2.20 Employee Benefits

a) Defined Benefit Plans

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 on estimated inflation rates and factors derived using the Group's experience of personnel terminating their services and being eligible to receive such benefits and discounted by using the current market yield at the balance sheet date on government bonds.

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

(Currency– Unless otherwise indicated thousands of Turkish Lira (TRL))

NOTE 2. BASIS OF PRESENTATION OF CONSOLIDATED FINANCIAL STATEMENTS (continued)

2.20 Employee Benefits (continued)

b) Defined Contribution Plans

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 paid.

c) 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.

2.21 Provisions, Contingent Assets and Liabilities

a) Provisions

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. If the effect of the time value of money is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability. Where discounting is used, the increase in the provision due to the passage of time is recognized as an interest expense.

b) Contingent Assets and Liabilities

Contingent liabilities are not recognized in the consolidated financial statements, but are disclosed unless the possibility of an outflow of resources embodying economic benefits is remote. A contingent asset is not recognized in the consolidated financial statements, but disclosed when an inflow of economic benefits is probable.

2.22 Foreign Currency Translations

Transactions in foreign currencies are recorded at the rate ruling at the date of the transaction. All differences are recorded in the consolidated income statement of the relevant period, as foreign currency loss or gain. Foreign currency translation rates announced by the Central Bank of the Republic of Turkey and used by the Group's subsidiaries in Turkey as of respective year-ends are as follows:

Date	USD/TL(full)	EURO/TL(full)
December 31, 2018	5,2609	6,0280
December 31, 2017	3,7719	4,5155

The assets and liabilities of subsidiaries and joint ventures operating in foreign countries are translated at the rate of exchange ruling at the balance sheet date and the equity items are translated using the exchange rates at the date of the transaction. The income statements of foreign subsidiaries and joint ventures are translated at average exchange rates. Differences resulting from the deviation between the values of investment related to equity accounts of consolidated subsidiaries and joint ventures and the appreciation of foreign currencies against the Turkish Lira are accounted to equity as "currency translation differences". Goodwill and fair value adjustments arising from the acquisition of a foreign entity are treated as assets and liabilities of the acquiring company and are recorded at the exchange rate of balance sheet date. On disposal of a foreign entity, currency translation differences are recognized in the income statement as a component of the gain or loss on disposal.

NOTE 2. BASIS OF PRESENTATION OF CONSOLIDATED FINANCIAL STATEMENTS (continued)

2.23 Paid in Capital

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares or options are shown in equity as deduction, net of tax, from the proceeds.

2.24 Dividends Payable

Dividends payable are recognized as an appropriation of profit in the period in which they are declared.

2.25 Subsequent Events

The Group adjusts the amount recognized in its 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.

2.26 Revenue

Revenue is measured based on the consideration specified in a contract with a customer and excludes amounts collected on behalf of third parties. The Group recognizes revenue when it transfers control over a product or service to a customer:

a) Sale of Goods

Revenue is generated from beer and soft drinks sales to domestic and foreign dealers and customers and by-product sales. 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.

Revenue recognition:

Group recognizes revenue when the goods or services is transferred to the customer and when performance obligation is fulfilled. Goods is counted to be transferred when the control belongs to the customer.

Group recognizes revenue based on the following main principles:

- Identification of customer contracts
- Identification of performance obligations
- Determination of transaction price in the contract
- Allocation of price to performance obligations
- Recognition of revenue when the performance obligations are fulfilled

Group recognized revenue from its customers only when all of the following criteria are met:

- The parties to the contract have approved the contract (in writing, orally or in accordance with other customary business practices) and are committed to perform their respective obligations,
- Group can identify each party's rights regarding the goods or services to be transferred,
- Group can identify the payment terms for the goods or services to be transferred;
- The contract has commercial substance,
- It is probable that Group will collect the consideration to which it will be entitled in exchange for the goods or services that will be transferred to the customer. In evaluating whether collectability of an amount of consideration is probable, an entity shall consider only the customer's ability and intention to pay that amount of consideration when it is due.

NOTE 2. BASIS OF PRESENTATION OF CONSOLIDATED FINANCIAL STATEMENTS (continued)

2.26 Revenue (continued)

a) Sale of Goods (continued)

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

- The Group has transferred to the buyer the significant risks and rewards of ownership of the goods;
- The Group retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;
- The amount of revenue can be measured reliably;
- It is probable that the economic benefits associated with the transaction will flow to the entity; and
- The costs incurred or to be incurred in respect of the transaction can be measured reliably

b) Interest Income

Interest income is recognized as the interest accrues. Interest income is reflected under the “financial income” in the consolidated income statement.

c) Dividend Income

Dividend income is recognized when the right to collect the dividend is established.

2.27 Borrowing Costs

Borrowing costs include interest charges and other costs incurred in connection with the borrowing of funds. Borrowing costs that are directly attributable to the acquisition or construction of a qualifying asset are capitalized. Borrowing costs other than these are recoded as expensed at the date they are incurred.

2.28 Segment Reporting

The Group management monitors the operating results of its three business units separately for the purpose of making decisions about resource allocation and performance assessment. The three operating segments are Turkey Beer Operations (Turkey Beer), International Beer Operations (International Beer) and Soft Drinks Operations (Soft Drinks).

Segment performance is evaluated based on profit from operations before depreciation, amortization and non-cash expenses (EBITDA). EBITDA has been determined as the optimum indicator by the Group management for the evaluation of the performance of the operating segments by considering the comparability with the entities in the same business (Note 5).

NOTE 2. BASIS OF PRESENTATION OF CONSOLIDATED FINANCIAL STATEMENTS (continued)

2.29 Earnings per Share

Earnings per share in the consolidated income statements are calculated by dividing the net profit for the year attributable to equity holders of the parent by the weighted average number of ordinary shares outstanding during the year. In Turkey, companies can increase their share capital by making distribution of free shares to existing shareholders from inflation adjustment to shareholders equity.

For the purpose of the earnings per share computations, the weighted average number of shares outstanding during the year has been adjusted with respect to free shares issued without corresponding change in resources by giving them retroactive effect for the period in which they were issued and each earlier period.

2.30 Reporting of Cash Flows

In the consolidated statement of cash flows, cash flows are classified and reported according to their operating, investing and financing activities. Cash flows related with investing activities present the cash flows provided from and used in the Group's investing activities and cash flows related with financing activities present the proceeds and repayments of sources in the Group's financing activities.

2.31 Hedge Accounting

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

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

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

For fair value hedges, the change in the fair value of a hedging instrument is recognized in the statement of consolidated income. The change in the fair value of the hedged item attributable to the risk hedged is recorded as part of the carrying value of the hedged item and is also recognized in the statement of consolidated income as part of financial income and expense.

NOTE 2. BASIS OF PRESENTATION OF CONSOLIDATED FINANCIAL STATEMENTS (continued)

2.31 Hedge Accounting (continued)

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.

2.32 Use of Estimates

The preparation of the 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 income statement in the periods in which they become known. The source of the estimates and assumptions which may cause to significant adjustments at assets and liabilities at following periods as of balance sheet date are as follows:

a) 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. (Note 10)

b) During the assessment of the reserve for inventory allowance the following 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 (Note 12).

c) 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, impairment test for the intangible assets with indefinite useful life and goodwill is generated by comparing its carrying amount with the recoverable amount. The recoverable amount is the higher of net selling price and value in use. In these calculations, estimated free cash flows before tax from financial budgets and approved by Board of Directors are used. Approved free cash flows before tax are calculated for 5 – 10 years period by using expected growth rates. Estimated free cash flows before tax are discounted to expected present value for future cash flows. Key assumptions such as country specific market growth rates, gross domestic product (GDP) per capita and consumer price indices were derived from external sources

NOTE 2. BASIS OF PRESENTATION OF CONSOLIDATED FINANCIAL STATEMENTS (continued)

2.32 Use of Estimates (continued)

c) 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 – 1,90% - 3,50%) and after tax discount rate is between 10,80% and 25,90% (December 31, 2017 – 7,62%- 16,40%).

In 2018, impairment amounting to 103.894TRL has been recognized for trademarks with indefinite useful lives acquired as a part of a business combination (Note 16).

d) 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).

e) The discount rates related with retirement pay liability are actuarial assumptions determined with future salary increase and the employee's turnover rates (Note 19).

f) Deferred tax asset is only recorded if it is probable that a taxable income will be realized in the future. 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. As of December 31, 2018, the estimations made to indicate that the Group will incur taxable profits in the future periods were reasonable and deferred tax asset was recorded (Note 28).

2.33 Comparative Information and Restatement of Prior Period Financial Statements

In order to allow the determination of the financial position and performance trends, the Group's financial statements are prepared in comparison with the previous period. The Group has performed reclassifications in the consolidated income statement for the year ended December 31, 2018, in order to conform to the presentation of financial statements for the year ended December 31, 2017. Such reclassifications 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 129.003 TRL 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 85.556 TL 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 Diffrences" is equal to TRL158.130 as of December 31, 2016 and TRL111.271 as of December 31, 2017.

NOTE 3. BUSINESS COMBINATIONS

Transactions Related with 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 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 (Group's 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, Group's 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 with retained control, TRL586.736 amount has been booked as "Retained Earnings" under equity attributable to equity holders of the parent in consolidated financial statements.

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 USD1.049.170 in the financial statements of AB InBev Efes (equivalent of TRL4.143.067). Additionally, AB InBev has made a cash capital contribution to AB InBev Efes amounting to thousand USD250 as mentioned above (equivalent of TRL987).

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 USD1.049.990 in the financial statements of AB InBev Efes (equivalent of TRL4.146.305). Additionally, EBI has made a cash capital contribution to AB InBev Efes amounting to thousand USD250 as mentioned above (equivalent of TRL987).

After this merger, 50% of JSC Sun InBev's shareholder loan amounting to TRL595.553 is taken over by the EBI. 50% of Efes Russia's the shareholder loan amounting to TRL327.097 is 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 USD39,4 million to EBI regarding to the commitments determined within the scope of this business combination (equivalent TRL179.856).

(Currency– Unless otherwise indicated thousands of Turkish Lira (TRL))

NOTE 3. BUSINESS COMBINATIONS (continued)

Transactions Related with 2018 (continued)

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. The Group 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 TRL3.511.284. Provisional goodwill arising from acquisition is temporarily recorded as goodwill in the consolidated financial statements as of 31 December 2018.

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 (Note 27)	**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)**	**2.781**	**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 (Note 33)	**(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 16)	**3.511.284**

Transactions Related with 2017

None.

(Currency– Unless otherwise indicated thousands of Turkish Lira (TRL))

NOTE 4. INFORMATION ABOUT MATERIAL NON-CONTROLLING INTERESTS IN SUBSIDIARIES AND INVESTMENTS IN ASSOCIATES

a) Information about material non-controlling interests in subsidiaries

The Company has control over CCİ while it has 50.26% ownership interest in CCİ. CCİ is included in consolidation by using the full consolidation method and equity and net income attributable to non-controlling interests is recorded as "non-controlling interests" in statement of financial position and profit and loss statement.

Non-controlling interest reflected to profit and loss statement in the period is amounting to TRL218.228 (December 31, 2017 – TRL156.469), of which TRL33.604 (December 31, 2017 – TRL156.175) is related with net income of CCİ attributable to non-controlling interests.

Non-controlling interest reflected to statement of financial position at the end of the period is amounting to TRL10.055.334 (December 31, 2017 – TRL5.853.895), of which TRL5.301.385 (December 31, 2017 – TRL5.563.230) is related with equity of CCİ attributable to non-controlling interests.

In 2018, total dividend declared to non-controlling interests is amounting to TRL130.654 as disclosed in the consolidated statement of changes in equity (December 31, 2017 – TRL48.719). TRL129.678 of this amount has been paid by CCİ to non-controlling interests (December 31, 2017 – TRL48.425).

The Group management has identified CCİ as a separate operating segment. Summarized information on statement of financial position and profit and loss statement is given as "Soft Drinks" segment in Note 5 "Segment Information".

Summarized statement of cash flows of CCİ is given below:

	2018	2017
Net cash generated from operating activities	**1.587.711**	1.228.643
Net cash used in investing activities	**(830.278)**	(491.564)
Net cash generated from financing activities	**(3.517.202)**	1.533.159
Currency translation adjustment	**1.174.801**	138.355
Net increase / (decrease) in cash and cash equivalents	**(1.584.968)**	2.408.593

(Currency– Unless otherwise indicated thousands of Turkish Lira (TRL))

NOTE 4. INFORMATION ABOUT MATERIAL NON-CONTROLLING INTERESTS IN SUBSIDIARIES AND INVESTMENTS IN ASSOCIATES (continued)

b) Investments in associates

	2018		2017	
	Ownership	**Amount**	Ownership	Amount
Anadolu Etap [(1)]	**39,70%**	**71.195**	33,33%	46.309
SSDSD [(2)]	**25,13%**	**-**	25,13%	-
		71.195		46.309

Relating to investment in associates, total assets and liabilities and profit/ (loss) for the period of as of December 31, 2018 and 2017 are as follows:

	Anadolu Etap		**SSDSD**	
	2018	2017	**2018**	2017
Total Assets	**492.543**	404.284	**614**	730
Total Liabilities	**421.348**	357.975	**3.794**	2.321
Net Assets	**71.195**	46.309	**(3.180)**	(1.591)

	Anadolu Etap		**SSDSD**	
	2018	2017	**2018**	2017
Group's Share of Profit/(Loss) for the period	**(80.183)**	(29.941)	**(882)**	(421)

The movement of investments in associates for the years ended as of December 31, 2018 and 2017 are as follows:

	2018	2017
Balance at January 1	**46.309**	58.406
Income / Loss from associates	**(81.065)**	(30.362)
Other	**882**	420
Capital increase[(3)]	**105.069**	17.845
Balance at December 31	**71.195**	46.309

(1) Following the capital increase of Anadolu Etap, the participation rate increased to 39,70%
(2) SSDSD, which has been accounted by using equity method in CCI financial statements, is accounted as investment in associates in Group's financial statements.
(3) Capital increase provided to Anadolu Etap.

(Currency– Unless otherwise indicated thousands of Turkish Lira (TRL))

NOTE 5. SEGMENT REPORTING

The management monitors the operating results of its three business units separately for the purpose of making decisions about the resource allocation and performance assessment. The three operating segments are Turkey Beer Operations (Turkey Beer), International Beer Operations (International Beer) and Soft Drinks Operations (Soft Drinks).

Segment performance is evaluated based on profit from operations before depreciation, amortization and non-cash expenses (EBITDA). EBITDA has been determined as the optimum indicator by the Group management for the evaluation of the performance of the operating segments by considering the comparability with the entities in the same business.

The Group's segment reporting in accordance with TFRS 8 is disclosed as follows:

	Turkey Beer	International Beer	Soft Drinks	Other[(1)] and Eliminations	Total
January 1 – December 31, 2018					
Revenues	**1.869.509**	**6.158.091**	**10.623.385**	**65.065**	**18.716.050**
Inter-segment revenues	**(24.892)**	**(1.094)**	**(378)**	**-**	**(26.364)**
Total Revenues	**1.844.617**	**6.156.997**	**10.623.007**	**65.065**	**18.689.686**
EBITDA	**396.541**	**772.121**	**1.870.545**	**(40.436)**	**2.998.771**
Financial Income / (Expense)	**(1.058.439)**	**(71.925)**	**(688.827)**	**860.551**	**(958.640)**
Tax (Expense) Income	**77.343**	**(8.268)**	**(195.611)**	**(188.289)**	**(314.825)**
Profit / (loss) for the period	**(600.686)**	**32.536**	**360.161**	**523.099**	**315.110**
Capital expenditures (Note 15, 16)	**235.285**	**523.531**	**857.646**	**(977)**	**1.615.485**
January 1 – December 31, 2017					
Revenues	1.588.408	2.721.279	8.392.143	51.309	12.753.139
Inter-segment revenues	(19.942)	(733)	(105)	-	(20.780)
Total Revenues	1.568.466	2.720.546	8.392.038	51.309	12.732.359
EBITDA	384.449	478.922	1.378.718	(29.213)	2.212.876
Financial Income / (Expense)	(262.946)	27.924	(439.184)	(27)	(674.233)
Tax (Expense) Income	23.131	(63.430)	(139.524)	2.311	(177.512)
Profit / (loss) for the period	(18.302)	98.972	281.498	(56.279)	305.889
Capital expenditures (Note 15, 16)	194.970	141.777	499.289	21	836.057

	Turkey Beer	International Beer	Soft Drinks	Other [(1)] and Eliminations	Total
December 31, 2018					
Segment assets	**9.070.470**	**14.043.984**	**14.020.435**	**1.791.223**	**38.926.112**
Segment liabilities	**4.978.432**	**3.895.590**	**7.569.707**	**1.148.377**	**17.592.106**
Investment in associates	**-**	**-**	**-**	**71.195**	**71.195**
December 31, 2017					
Segment assets	8.343.367	6.492.356	13.394.158	1.299.751	29.529.632
Segment liabilities	3.470.119	1.262.884	7.954.567	1.176.467	13.864.037
Investment in associates	-	-	-	46.309	46.309

(1) Includes other subsidiaries included in the consolidation of the Group, investments in subsidiaries and headquarter income and expenses.

(Currency– Unless otherwise indicated thousands of Turkish Lira (TRL))

NOTE 5. SEGMENT REPORTING (continued)

Reconciliation of EBITDA to the consolidated Profit/Loss from Continuing Operations and its components as of December 31, 2018 and 2017 are as follows:

	2018	2017
EBITDA	**2.998.771**	2.212.876
Depreciation and amortization expenses	**(1.297.749)**	(931.979)
Provision for retirement pay liability	**(36.675)**	(22.812)
Provision for vacation pay liability	**(11.732)**	(2.784)
Foreign exchange gain/loss from operating activities	**(39.502)**	827
Rediscount income/expense from operating activities	**(1.556)**	(487)
Other	**(5.597)**	(3.692)
PROFIT (LOSS) FROM OPERATING ACTIVITIES	**1.605.960**	1.251.949
Investment Activity Income	**231.251**	46.063
Investment Activity Expenses (-)	**(167.571)**	(110.016)
Income/(Loss) from Associates	**(81.065)**	(30.362)
PROFIT (LOSS) BEFORE FINANCING INCOME (EXPENSE)	**1.588.575**	1.157.634
Finance Income	**3.093.380**	1.105.188
Finance Expenses	**(4.052.020)**	(1.779.421)
PROFIT (LOSS) FROM CONTINUING OPERATIONS	**629.935**	483.401

NOTE 6. CASH AND CASH EQUIVALENTS

	December 31, 2018	December 31, 2017
Cash on hand	**2.428**	5.001
Bank accounts		
- Time deposits	**3.922.273**	4.825.990
- Demand deposits	**659.532**	499.305
Other	**172.126**	68.889
Cash and cash equivalents in cash flow statement	**4.756.359**	5.399.185
Interest income accrual	**13.693**	10.437
	4.770.052	5.409.622

As of December 31, 2018, annual interest rates of the TRL denominated time deposits vary between 21,10% and 24,50% and have maturity between 1- 51 days (December 31, 2017 - 12,50% - 15,50%; maturity between 1-26 days). Annual interest rates of the US Dollars (USD) and, Euro (EURO), and other currency denominated time deposits vary between 0,2% and 18,00% and have maturity between 2-303 days (December 31, 2017– annual interest rates of the US Dollars (USD) and, Euro (EURO), and other currency time deposits vary between 0,2% - 8,75%; maturity between 2-83 days).

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

As of December 31, 2018, other item contains credit card receivables amounting to TRL163.539 (December 31, 2017 – TRL66.765).

As of December 31, 2018, the Group has designated its bank deposits amounting to TRL1.100.668, equivalent of thousand USD195.145 and thousand EURO12.281 for the future raw material purchases, operational and interest expense related payments in the scope of hedge accounting (December 31, 2017 – TRL884.724, equivalent of thousand USD215.230, thousand EURO15.855).

(Currency– Unless otherwise indicated thousands of Turkish Lira (TRL))

NOTE 7. SHORT AND LONG TERM BORROWINGS

As of December 31, 2018, total borrowings consist of principal (finance lease obligations included) amounting to 9.157.004 (December 31, 2017– TRL8.450.438) and interest expense accrual amounting to TRL71.676 (December 31, 2017 – TRL59.052). As of December 31, 2018 and December 31, 2017, total amount of borrowings and the effective interest rates are as follows:

	December 31, 2018			December 31, 2017		
	Amount	**Weighted average fixed rate**	**Weighted average floating rate**	Amount	Weighted average fixed rate	Weighted average floating rate
Short-term Borrowings						
TRL denominated borrowings	**169.367**	**26,27%**	**-**	1.111	-	TRLibor+2,50%
Foreign currency denominated borrowings (USD)	**288**	**3,00%**	**-**	24.600	-	Libor + 1,00%
Foreign currency denominated borrowings (EURO)	**4.278**	**3,55%**	**-**	9.988	3,05%	-
Foreign currency denominated borrowings (Other)	**656.766**	**20,71%**	**Kibor + 0,46% + Mosprime 2,56%**	53.660	-	Kibor + 0,40%
	830.699			89.359		
Short-term portion of long term borrowings						
TRL denominated borrowings	**16.285**	**11,74%**	**-**			
Foreign currency denominated borrowings (USD)	**438.168**	**4,42%**	**Libor + 2,33%**	2.309.785	4,53%	-
Foreign currency denominated borrowings (EURO)	**1.054.095**	**1,56%**	**Euribor + 1,32%**	633.077	1,80%	Euribor + 1,22%
Foreign currency denominated borrowings (Other)	**14.058**	**6,00%**	**-**	11.665	6,00%	-
	1.522.606			2.954.527		
Financial leasing borrowings (Other Foreign Currency)	**1.810**			1.592		
Total	**2.355.115**			3.045.478		
Long-term Borrowings						
TRL denominated borrowings	**570.000**	**%11,74**	**-**			
Foreign currency denominated borrowings (USD)	**5.161.948**	**%3,82**	**-**	4.674.217	3,86%	-
Foreign currency denominated borrowings (EURO)	**564.261**	**-**	**Euribor + %2,21**	770.392	1,80%	Euribor + 2,03%
Foreign currency denominated borrowings (Other)	**575.032**	**%6,00**	**-**	15.679	6,00%	-
	6.871.241			5.460.288		
Financial leasing borrowings (Other Foreign Currency)	**2.324**			3.724		
Total	**6.873.565**			5.464.012		
Grand Total	**9.228.680**			8.509.490		

(Currency– Unless otherwise indicated thousands of Turkish Lira (TRL))

NOTE 7. SHORT AND LONG TERM BORROWINGS (continued)

Repayments of long-term borrowings are scheduled as follows:

	December 31, 2018	December 31, 2017
Between 1 -2 years	**800.442**	355.826
Between 2-3 years	**85.475**	577.838
Between 3-4 years	**2.722.912**	68.325
Between 4-5 years	**740.095**	1.956.081
5 years and more	**2.524.641**	2.505.942
	6.873.565	5.464.012

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

	2018	2017
Balance at January 1	**8.509.490**	6.183.273
Addition through business combination	**418.554**	-
Shareholder loans transferred as a result of business combination	**163.549**	-
Proceeds from Borrowings	**1.491.673**	3.324.034
Repayments of Borrowings	**(4.807.590)**	(1.802.742)
Interest and Borrowing Expense (Note 27)	**559.828**	266.684
Interest Paid	**(552.684)**	(239.553)
Foreign exchange gain/loss	**3.208.996**	722.081
Currency Translation Differences	**236.864**	55.713
Balance at December 31	**9.228.680**	8.509.490

As of December 31, 2018, net interest on cross currency swap contracts is TRL44.990 (December 31, 2017 – None).

NOTE 8. DERIVATIVE INSTRUMENTS

As of December 31, 2018, CCI has 4 aluminum swap transactions with a total nominal amount of TRL153.639 (December 31, 2017– TRL427) for 14.234 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, CCI does not have any option contracts as hedging instruments in cash flow hedges related to forecasted cash flows, for the probability purchases of production material exposed to commodity price risk. (December 31, 2017 - 2 option transactions for the right to purchase 216 tonnes of aluminum at USD1.650 per tonne).

As of December 31, 2018, CCI 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).

As of December 31, 2018, the Company has 21 aluminum swap transactions with a total nominal amount of TRL18.676 (December 31, 2017– None) for 1.771 tonnes. 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, Turkey Beer has foreign currency forward transactions with a nominal amount of TRL100.942 amounting to USD 2 million and EUR 15 million (December 31, 2017 – None).

Efes Breweries International NV has a cross currency swap agreement 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 TRL361.501.

Efes Breweries International NV has executed an interest rate swap agreement on 8 June 2015 in order to mitigate interest rate risk of loan amounting to TRL226.219 (equivalent of 43 million USD) with maturity of 6 June of 2020 and variable interest rate.

(Currency– Unless otherwise indicated thousands of Turkish Lira (TRL))

NOTE 8. DERIVATIVE INSTRUMENTS (continued)

The effective portion of change is in fair value of derivative instruments designated as hedging instruments in cash flow hedges is recognized in the consolidated statement of comprehensive income.

	December 31, 2018		December 31, 2017	
	Nominal Value	**Fair Value Asset / (Liability)**	Nominal Value	Fair Value Asset/ (Liability)
Cross currency swaps	**361.501**	**44.263**	-	-
Interest rate swaps	**226.219**	**2.747**	-	-
Commodity swap contracts	**172.295**	**(13.485)**	427	152
Currency forwards	**100.942**	**(16.347)**	-	-
	860.957	**17.178**	427	152

NOTE 9. FINANCIAL INVESTMENTS

	December 31, 2018	December 31, 2017
Time deposits with maturity more than three months	**21.163**	88.588

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 1,00%- 4,50% and 11,00% respectively (December 31,2017 – USD 1,00% and KZT 8,00%- 9,50%; remaining maturities between 31-171 days).

NOT 10. TRADE RECEIVABLES AND PAYABLES

a) Trade Receivables

	December 31, 2018	December 31, 2017
Short term trade receivables from third parties	**2.238.449**	1.382.946
Long term trade receivables from third parties	**1.437**	1.212
Trade receivables from related parties (Note 30)	**230.018**	158.085
Notes and cheques receivables	**48.220**	44.556
Provision for doubtful receivables (-)	**(102.883)**	(54.942)
	2.415.241	1.531.857

The movement of provision for doubtful receivables as of December 31, 2018 and 2017 is as follows:

	2018	2017
Balance at January 1	**54.942**	42.428
Current year provision	**22.313**	16.640
Provisions no longer required	**(3.636)**	(4.067)
Addition through business combination	**26.429**	-
Write-offs from doubtful receivables	**(6.579)**	(1.358)
Currency translation differences	**9.414**	1.299
Balance at December 31	**102.883**	54.942

b) Trade Payables

	December 31, 2018	December 31, 2017
Short term trade payables from third parties	**3.318.032**	1.623.958
Long term trade payables from third parties	**44.207**	35.180
Trade payables to related parties (Note 30)	**282.578**	52.423
	3.644.817	1.711.561

(Currency– Unless otherwise indicated thousands of Turkish Lira (TRL))

NOTE 11. OTHER RECEIVABLES AND PAYABLES

a) Other Current Receivables

	December 31, 2018	December 31, 2017
Other receivables from related parties (Not 30)	**28.377**	-
Receivables from tax office	**14.174**	21.280
Due from personnel	**13.977**	13.253
Deposits and guarantees given	**5.347**	9.680
Other	**40.153**	59.155
	102.028	103.368

b) Other Non-Current Receivables

	December 31, 2018	December 31, 2017
Deposits and guarantees given	**47.381**	19.419
Other	**5.485**	2.919
	52.866	22.338

c) Other Current Payables

	December 31, 2018	December 31, 2017
Taxes other than income taxes	**1.116.980**	643.139
Deposits and guarantees taken	**260.668**	202.198
Other	**94.788**	5.785
	1.472.436	851.122

d) Other Non-Current Payables

As of December 31, 2018, other non-current payables consists of deposits and guarantees taken amounting to TRL391.376 (December 31, 2017 – TRL347.171).

NOTE 12. INVENTORIES

	December 31, 2018	December 31, 2017
Finished and trade goods	**661.927**	440.633
Raw materials	**757.783**	370.430
Work-in-process	**154.193**	101.096
Packaging materials	**153.221**	112.478
Supplies	**131.345**	92.157
Bottles and cases	**86.030**	59.223
Other	**46.175**	33.391
Reserve for obsolescence (-)	**(47.574)**	(30.177)
	1.943.100	1.179.231

The movement of reserve for obsolescence as of December 31, 2018 and 2017 is as follows:

	2018	2017
Balance at January 1	**30.177**	19.058
Current year provision	**26.772**	16.494
Addition through business combination	**16.950**	-
Provisions no longer required	**(20.648)**	(2.663)
Inventories written-off	**(5.350)**	(3.239)
Currency translation differences	**(327)**	527
Balance at December 31	**47.574**	30.177

(Currency– Unless otherwise indicated thousands of Turkish Lira (TRL))

NOTE 13. PREPAID EXPENSES AND DEFERRED INCOME

a) Short Term Prepaid Expenses

	December 31, 2018	December 31, 2017
Prepaid sales expenses	**335.762**	267.306
Prepaid insurance expenses	**12.574**	12.953
Prepaid rent expenses	**7.054**	6.516
Prepaid other expenses	**23.172**	15.389
Advances given to suppliers	**118.303**	96.986
	496.865	399.150

b) Long Term Prepaid Expenses

	December 31, 2018	December 31, 2017
Prepaid sales expenses	**354.740**	244.500
Prepaid insurance expenses	**36.900**	31.201
Prepaid other expenses	**1.103**	5.823
Advances given to suppliers	**14.752**	54.311
	407.495	335.835

c) Short Term Deferred Income

	December 31, 2018	December 31, 2017
Advances taken	**58.444**	32.700
Deferred income	**148**	469
	58.592	33.169

d) Long Term Deferred Income

	December 31, 2018	December 31, 2017
Deferred income	**975**	1.331
	975	1.331

(Currency– Unless otherwise indicated thousands of Turkish Lira (TRL))

NOT 14. INVESTMENT PROPERTIES

For the years ended December 31, 2018 and 2017, movement on investment properties are as follows:

Cost	**2017**	**Additions**	**Disposals**	**Currency translation differences**	**Transfers**	**2018**
Land	21.523	-	-	3.367	-	**24.890**
Buildings	163.534	-	(213)	25.587	(24)	**188.884**
Construction in progress	1.242	-	-	194	-	**1.436**
	186.299	**-**	**(213)**	**29.148**	**(24)**	**215.210**
Accumulated depreciation(-)						
Buildings	84.405	4.330	(19)	13.132	-	**101.848**
	84.405	**4.330**	**(19)**	**13.132**	**-**	**101.848**
Net book value	**101.894**					**113.362**

Cost	**2016**	**Additions**	**Disposals**	**Currency translation differences**	**Transfers**	**2017**
Land	19.235	-	(178)	2.466	-	21.523
Buildings	146.055	-	(1.268)	18.747	-	163.534
Construction in progress	1.101	-	-	141	-	1.242
	166.391	**-**	**(1.446)**	**21.354**	**-**	**186.299**
Accumulated depreciation(-)						
Buildings	72.494	3.517	(1.054)	9.448	-	84.405
	72.494	**3.517**	**(1.054)**	**9.448**	**-**	**84.405**
Net book value	**93.897**					**101.894**

As of December 31, 2018, there is no mortgage on investments properties (December 31, 2017 –None).

(Currency– Unless otherwise indicated thousands of Turkish Lira (TRL))

NOTE 15. PROPERTY, PLANT AND EQUIPMENT

For the year ended December 31, 2018 movement on property, plant and equipment are as follows:

Cost	**2017**	**Additions**	**Disposals**	**Addition through Subsidiary (Note 3)**	**Currency translation differences**	**(Impairment) / Impairment reversal, net**	**Transfers (*)**	**2018**
Land and land improvements	661.217	863	(6.262)	1.435	78.480	-	4.675	**740.408**
Buildings	2.612.354	6.972	(11.891)	234.872	588.579	-	30.973	**3.461.859**
Machinery and equipment	6.681.786	111.286	(171.618)	358.545	1.391.299	-	184.089	**8.555.387**
Vehicles	177.661	18.434	(37.143)	-	55.064	-	3.912	**217.928**
Other tangibles	3.300.572	522.844	(352.386)	228.904	502.667	-	167.329	**4.369.930**
Leasehold improvements	31.500	440	(423)	379	281	-	454	**32.631**
Construction in progress	154.960	904.205	(221)	84.135	(237.364)	-	(400.169)	**505.546**
	13.620.050	**1.565.044**	**(579.944)**	**908.270**	**2.379.006**	**-**	**(8.737)**	**17.883.689**
Accumulated depreciation and impairment (-)	**2017**	**Additions (**)**	**Disposals**	**Addition through Subsidiary (Note 3)**	**Currency translation differences**	**Impairment / (Impairment reversal), net**	**Transfers (*)**	**2018**
Land and land improvements	91.218	10.547	(248)	-	11.572	-	-	**113.089**
Buildings	646.572	128.346	(1.930)	-	99.617	-	(200)	**872.405**
Machinery and equipment	3.307.660	511.372	(160.550)	-	570.884	9.836	164	**4.239.366**
Vehicles	95.037	25.196	(28.128)	-	33.975	-	-	**126.080**
Other tangibles	1.966.745	574.702	(324.774)	-	218.722	17.761	36	**2.453.192**
Leasehold improvements	24.862	2.418	(423)	-	237	-	-	**27.094**
Construction in progress	2.721	-	-	-	-	-	-	**2.721**
	6.134.815	**1.252.581**	**(516.053)**	**-**	**935.007**	**27.597**	**-**	**7.833.947**
Net book value	**7.485.235**							**10.049.742**

(*) There are transfers to other intangible assets amounting to TRL8.737 in 2018. (Note 14, 16) (December 31, 2017 – there are transfers amounting to TRL1.066 to other intangible assets).
(**) Distribution of depreciation expense is disclosed in Note 24.

As of December 31, 2018, there is a pledge on property, plant and equipment of TRL119.686 (December 31, 2017 - TRL104.421) for loans of CCİ. This amount is disclosed in Commitments and Contigencies note under guarantees, pledges and mortgages (GPMs) table (Note 17).

Finance Lease

As of December 31, 2018 net book value of the property plant and equipment obtained by finance lease is TRL936 (December 31, 2017, TRL1.106).

(Currency– Unless otherwise indicated thousands of Turkish Lira (TRL))

NOTE 15. PROPERTY, PLANT AND EQUIPMENT (continued)

For the year ended December 31, 2017 movement on property, plant and equipment are as follows:

Cost	2016	Additions	Disposals	Currency translation differences	(Impairment) / Impairment reversal, net	Transfers (*)	2017
Land and land improvements	625.476	11.814	(3.691)	21.892	-	5.726	**661.217**
Buildings	2.381.937	16.107	(1.497)	150.580	-	65.227	**2.612.354**
Machinery and equipment	6.117.529	127.427	(186.166)	416.498	-	206.498	**6.681.786**
Vehicles	184.242	8.401	(32.591)	15.268	-	2.341	**177.661**
Other tangibles	2.982.850	374.737	(217.740)	88.353	-	72.372	**3.300.572**
Leasehold improvements	22.045	3.336	-	6.119	-	-	**31.500**
Construction in progress	224.217	266.236	(38)	17.775	-	(353.230)	**154.960**
	12.538.296	**808.058**	**(441.723)**	**716.485**	**-**	**(1.066)**	**13.620.050**

Accumulated depreciation and impairment (-)	2016	Additions (**)	Disposals	Currency translation differences	Impairment / (Impairment reversal), net	Transfers (*)	2017
Land and land improvements	79.225	8.825	(3.283)	6.451	-	-	**91.218**
Buildings	510.148	80.863	(28)	35.286	20.303	-	**646.572**
Machinery and equipment	2.853.133	367.105	(180.139)	228.676	38.885	-	**3.307.660**
Vehicles	90.287	23.890	(28.910)	9.328	442	-	**95.037**
Other tangibles	1.684.501	415.527	(203.103)	56.624	13.196	-	**1.966.745**
Leasehold improvements	18.332	4.798	-	1.732	-	-	**24.862**
Construction in progress	-	-	-	-	2.721	-	**2.721**
	5.235.626	**901.008**	**(415.463)**	**338.097**	**75.547**	**-**	**6.134.815**
Net book value	**7.302.670**						**7.485.235**

(*) There are transfers to other intangible assets amounting to TRL8.737 in 2018. (December 31, 2017 – there are transfers amounting to TRL1.066 to other intangible assets).
(**) Distribution of depreciation expense is disclosed in Note 24.

(Currency– Unless otherwise indicated thousands of Turkish Lira (TRL))

NOTE 16. OTHER INTANGIBLE ASSETS

a) Intangible Assets

For the year ended December 31, 2018 movements of intangible assets are as follows:

Cost	2017	Additions	Disposals	Addition through Subsidiary (Note 3)	Currency translation differences	(Impairment) / Impairment reversal, net	Transfers	2018
Bottling contracts	8.378.797	-	-	-	847.875	-	-	**9.226.672**
Licence agreements	1.351.882	-	-	-	183.060	-	-	**1.534.942**
Brands (*)	426.150	-	-	54.411	84.352	-	-	**564.913**
Rights	47.372	2.853	-	4.638	894	-	2.203	**57.960**
Other intangible assets	202.996	47.588	(2.555)	9.331	30.450	-	6.558	**294.368**
	10.407.197	**50.441**	**(2.555)**	**68.380**	**1.146.631**	**-**	**8.761**	**11.678.855**

Accumulated amortization and impairment (-)	2017	Additions	Disposals	Addition through Subsidiary (Note 3)	Currency translation differences	Impairment / (Impairment reversal), net	Transfers	2018
Bottling contracts	-	-	-	-	-	-	-	**-**
Licence agreements	19.169	-	-	-	-	289.233	-	**308.402**
Brands	-	-	-	-	8.459	103.894	-	**112.353**
Rights	39.315	8.059	-	-	103	-	-	**47.477**
Other intangible assets	106.653	29.434	(2.497)	-	15.078	-	-	**148.668**
	165.137	**37.493**	**(2.497)**	**-**	**23.640**	**393.127**	**-**	**616.900**
Net book value	**10.242.060**							**11.061.955**

(*) As a result of the restatement explained in Note 2.33, TRL111.273 has been corrected retrospectively.

(Currency– Unless otherwise indicated thousands of Turkish Lira (TRL))

NOTE 16. OTHER INTANGIBLE ASSETS (continued)

a) Intangible Assets (continued)

For the year ended December 31, 2017 movements of intangible assets are as follows:

Cost	**2016**	**Additions**	**Disposals**	**Currency translation differences**	**(Impairment) / Impairment reversal, net**	**Transfers**	**2017**
Bottling contracts	8.127.529	-	-	251.268	-	-	**8.378.797**
Licence agreements	1.199.235	-	-	152.647	-	-	**1.351.882**
Brands [*]	379.539	-	-	46.612	-	-	**426.150**
Rights	43.174	3.066	(49)	115	-	1.066	**47.372**
Other intangible assets	165.211	24.933	(826)	13.678	-	-	**202.996**
	9.914.688	**27.999**	**(875)**	**464.320**	**-**	**1.066**	**10.407.197**

Accumulated amortization and impairment (-)	**2016**	**Additions**	**Disposals**	**Currency translation differences**	**Impairment / (Impairment reversal), net**	**Transfers**	**2017**
Bottling contracts	-	-	-	-	-	-	**-**
Licence agreements	-	-	-	-	19.169	-	**19.169**
Brands	-	-	-	-	-	-	**-**
Rights	33.087	6.159	(2)	71	-	-	**39.315**
Other intangible assets	75.592	23.218	(338)	7.736	445		**106.653**
	108.679	**29.377**	**(340)**	**7.807**	**19.614**	**-**	**165.137**
Net book value	**9.806.009**						**10.242.060**

[*] As a result of the restatement explained in Note 2.33, TRL111.273 has been corrected retrospectively.

(Currency– Unless otherwise indicated thousands of Turkish Lira (TRL))

NOTE 16. OTHER INTANGIBLE ASSETS (continued)

b) Goodwill

For the years ended December 31, 2018 and 2017, movements of the goodwill during the period are as follows:

	2018	2017
At January 1	**1.840.808**	1.675.218
Impairment (Note 26)	**3.511.284**	-
Currency translation differences	**545.374**	165.590
At December 31	**5.897.466**	1.840.808

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

	Turkey Beer	**International Beer**	**Soft Drinks**	**Other**	**Total**
2018	**50.099**	**5.009.226**	**838.141**	**-**	**5.897.466**
2017	50.099	1.052.624	738.085	-	1.840.808

NOTE 17. COMMITMENTS AND CONTINGENCIES

Parent Company (Anadolu Efes) and Subsidiaries Included in Consolidation

As of December 31, 2018 and December 31, 2017 guarantees, pledges and mortgages (GPMs) given in favor of the parent company and subsidiaries included in full consolidation 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**	**Other Foreign Currency TRL Equivalent**
A. GPMs given on behalf of the Company's legal personality	**371.687**	**240.500**	**181**	**398**	**27**	**42.879**	**2.667.000**	**18.524**
B. GPMs given in favor of subsidiaries included in full consolidation [1]	**842.611**	**-**	**43.000**	**85.121**	**-**	**-**	**2.222.331**	**18.987**
C. GPMs given by the Company for the liabilities of 3rd parties in order to run ordinary course of business	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
D. Other GPMs	**14.559**	**14.559**	**-**	**-**	**-**	**-**	**-**	**-**
i. GPMs given in favor of parent company	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
ii. GPMs given in favor of group companies not in the scope of B and C above [2]	**14.559**	**14.559**	**-**	**-**	**-**	**-**	**-**	**-**
iii. GPMs given in favor of third party companies not in the scope of C above	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Total	**1.228.857**	**255.059**	**43.181**	**85.519**	**27**	**42.879**	**4.889.331**	**37.511**
Ratio of other GPMs over the Company's equity (%)	**0,1**							

(1) Consists of the GPMs given in favor of subsidiaries included in full consolidation for their borrowings. These financial liabilities are included in short-term and long-term borrowings in consolidated financial statements.

(2) Includes the GPMs given in favor of Anadolu Etap which is the Group's investment accounted by using equity method.

(Currency– Unless otherwise indicated thousands of Turkish Lira (TRL))

NOTE 17. COMMITMENTS AND CONTINGENCIES (continued)

Parent Company (Anadolu Efes) and Subsidiaries Included in Consolidation (continued)

As of December 31, 2018 and December 31, 2017 guarantees, pledges and mortgages (GPMs) given in favor of the parent company and subsidiaries included in full consolidation are as follows:

	December 31, 2017							
	Total TRL Equivalent	**Original Currency TRL**	**Original Currency Thousand USD**	**Original Currency Thousand EUR**	**Original Currency Thousand RUR**	**Original Currency Thousand UAH**	**Original Currency Thousand PKR**	**Other Foreign Currency TRL Equivalent**
A. GPMs given on behalf of the Company's legal personality	448.184	330.488	338	1.391	3.275	40.952	2.667.000	13.281
B. GPMs given in favor of subsidiaries included in full consolidation [(1)]	664.158	-	49.498	96.165	-	-	468.836	27.202
C. GPMs given by the Company for the liabilities of 3rd parties in order to run ordinary course of business	-	-	-	-	-	-	-	-
D. Other GPMs	12.609	12.609	-	-	-	-	-	-
i. GPMs given in favor of parent company	-	-	-	-	-	-	-	-
ii. GPMs given in favor of group companies not in the scope of B and C above[(2)]	12.609	12.609	-	-	-	-	-	-
iii. GPMs given in favor of third party companies not in the scope of C above	-	-	-	-	-	-	-	-
Total	1.124.951	343.097	49.836	97.556	3.275	40.952	3.135.836	40.483
Ratio of other GPMs over the Company's equity (%)	0,1							

(1) Consists of the GPMs given in favor of subsidiaries included in full consolidation for their borrowings. These financial liabilities are included in short-term and long-term borrowings in consolidated statements.

(2) Includes the GPMs given in favor of Anadolu Etap which is the Group's investment accounted by using equity method.

Murabaha

CCBPL has signed Murabaha facility agreements with Habib Bank Limited and Standard Chartered Bank ("Banks"). Based on these agreements, the Banks and CCBPL agree that they shall enter into a series of sugar and resin 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.

Operational Lease

As of December 31, 2018 and 2017 the Group's contingent liability for the following years resulting from the non-cancellable operational lease agreements are as follows;

	31 December 2018	31 December 2017
Less than 1 year	**14.393**	10.903
Between 1- 5 years	**59.161**	72.495
More than 5 years	**34.632**	32.482
Total	**108.186**	115.880

(Currency– Unless otherwise indicated thousands of Turkish Lira (TRL))

NOTE 17. COMMITMENTS AND CONTINGENCIES (continued)

Tax and Legal Matters

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, the Central Bank and Ministry of Finance. Tax declarations, together with other legal compliance areas (as examples, 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.

Litigations against the Group

As of December 2018, according to the legal opinion taken by the administration in response to the lawsuit filed against Efes Moscow, in the event of loss the estimated compensation will be million TRL34.062. In the opinion given by the legal counsel of the Group, it is stated that there is no probability of losing the cases and so no provision has been made in the financial statements.

CCI and subsidiaries in Turkey are involved on an ongoing basis in litigation arising in the ordinary course of business as of December 31, 2018 with an amount of TRL8.714 (December 31, 2017 - TRL10.968). As of December 31, 2018, no court decision has been granted yet.

As of December 31, 2018, CCBPL has tax litigations. If the claims are resulted against CCBPL, the tax liability would be PKR1.472 million, equivalent to USD10.6 million (December 31, 2017 - PKR1.472 million, equivalent to USD 13.3 million).

Group management does not expect any adverse consequences related with these litigations that would materially affect Group's operation results or financial status.

NOTE 18. EMPLOYEE BENEFITS OBLIGATIONS

As of December 31, 2018 and 2017, employee benefits obligations are as follows:

	2018	2017
Social security and withholding tax liabilities	**43.175**	45.856
Payables to personnel	**33.860**	20.506
	77.035	66.362

(Currency– Unless otherwise indicated thousands of Turkish Lira (TRL))

NOTE 19. CURRENT AND NON-CURRENT PROVISIONS

a) Short Term Provision for Employee Benefits

As of December 31, 2018 and 2017, short term provision for employee benefits are as follows:

	2018	2017
Management bonus accrual	**41.728**	52.489
Other short-term employee benefits	**34.848**	38.087
Provision for vacation pay liability	**36.642**	23.956
	113.218	114.532

As of December 31, 2018 and 2017, the movement of provision for vacation pay liability is as below:

	2018	2017
Balance at January 1	**23.956**	30.533
Payments and used vacations	**(12.020)**	(10.776)
Addition through business combination	**8.948**	-
Current year provision	**11.732**	2.784
Currency translation differences	**4.026**	1.415
	36.642	23.956

As of December 31, 2018 and 2017, the movement of management bonus accruals is as below:

	2018	2017
Balance at January 1	**52.489**	58.527
Payments	**(123.363)**	(108.111)
Addition through business combination	**23.227**	-
Current year provision	**78.033**	97.914
Currency translation differences	**11.342**	4.159
	41.728	52.489

b) Long Term Provision for Employee Benefits

	2018	2017
Employment termination benefits	**132.887**	114.125
Long term incentive plans	**10.288**	9.961
	143.175	124.086

In accordance with existing social legislation, the Group's companies incorporated in Turkey are 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. The retirement pay liability as at December 31, 2018 is subject to a ceiling of full TRL5.434 (December 31, 2017 – full TRL4.732) (Retirement pay liability ceiling has been increased to full TRL6.018 as of January 1, 2019). In the consolidated financial statements as of December 31, 2018 and 2017, the Group reflected a liability calculated using the projected unit credit method and based upon factors derived using their experience of personnel terminating their services and being eligible to receive retirement pay and discounted by using the current market yield at the balance sheet date on government bonds. Accordingly, net discount rates determined by considering expected payment dates are in a range between 4,22% and 4,46% (December 31, 2017 – 2,95% – 4,55%).

(Currency– Unless otherwise indicated thousands of Turkish Lira (TRL))

NOTE 19. CURRENT AND NON-CURRENT PROVISIONS (continued)

b) Long Term Provision for Employee Benefits (continued)

Movement of provision for employment termination benefits represented in the consolidated financial statements is as follows:

	2018	2017
Balance at January 1	**114.125**	106.935
Payments	**(17.269)**	(18.947)
Interest cost	**1.965**	4.618
Current year provision	**34.710**	18.194
Actuarial loss	**(928)**	3.325
Currency Translation Difference	**284**	-
	132.887	114.125

Movement of provision for long-term incentive plan represented in the consolidated financial statements is as follows:

	2018	2017
Balance at January 1	**9.961**	9.332
Payments	**(23.412)**	(19.496)
Interest cost	**334**	831
Current year provision	**23.405**	18.749
Actuarial loss	**-**	543
Currency translation differences	**-**	2
	10.288	9.961

Actuarial loss from defined benefit plans, included in other short-term employee benefits and provision for employment termination benefits, amounting to TRL1.603 was reflected to other comprehensive income (December 31, 2017 – TRL4.470).

c) Other Current Provision

Movement of provisions for lawsuits and penalties represented in the consolidated financial statements is as follows:

	2018	2017
Balance at January 1	**897**	560
Current year provision	**16.290**	465
Addition through business combination	**2.084**	-
Payment	**(137)**	(266)
Currency translation differences	**117**	138
Balance at December 31	**19.251**	897

NOTE 20. OTHER ASSETS AND LIABILITIES

a) Other Current Assets

	2018	2017
Value Added Tax (VAT) deductible or to be transferred	**334.541**	258.553
Other	**39.620**	13.019
	374.161	271.572

(Currency– Unless otherwise indicated thousands of Turkish Lira (TRL))

NOTE 20. OTHER ASSETS AND LIABILITIES (continued)

b) Other Non-Current Assets

	2018	2017
Deferred VAT and other taxes	**65.338**	47.767
Other	**753**	20
	66.091	47.787

c) Other Current Liabilities

	2018	2017
Put option liability	**12.416**	8.902
Other	**24.109**	15.313
	36.525	24.215

The obligation of TRL 12.416 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.

d) Other Non-Current Liabilities

	2018	2017
Put option liability	**198.020**	117.572
Deferred VAT and other taxes	**63.933**	46.477
Other	**8.355**	1.463
	270.308	165.512

According to the put option signed with European Refreshments (ER), which became effective after the completion of Al Waha acquisition and exercisable between December 31, 2017 and 2021, ER has an option to sell (and CCI 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 Company's consolidated financial statements. Based on the contract, fair value of the put option liability is calculated using discounted cash flow method as TRL 198.020 and the amount is recorded under "other non-current liabilities" account (December 31, 2017 - TRL 117.572).

NOTE 21. EQUITY, RESERVES AND OTHER EQUITY ITEMS

a) Issued Capital and Adjustments to Share Capital and Equity Investments

	2018	2017
Common shares 1 full TRL per value		
Authorized capital	**900.000**	900.000
Issued capital	**592.105**	592.105

The composition of shareholders and their respective percentage of ownership as of December 31, 2018 and 2017 are given at Note 1 – Group's Organization and Nature of Activities.

As of December 31, 2018 and 2017, there is no privileged share representing the capital. According to the articles of association, foundation shares that do not represent the share capital receives 2% of the profit that remains after 10% of the paid in capital is deducted from the distributable profit for the period.

(Currency– Unless otherwise indicated thousands of Turkish Lira (TRL))

NOTE 21. EQUITY, RESERVES AND OTHER EQUITY ITEMS (continued)

b) Restricted Reserves Allocated from Net Profit, Revaluation Fund and Accumulated Profits

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 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 distribute dividend according to the Communiqué No: II-19.1 which is effective from 1 February 2014 of the CMB.

Companies distribute dividend within the framework of the profit distribution policies determined by the general assemblies and in accordance with the related legislation by the decision of the general assembly. Within the scope of the communiqué, a minimum distribution ratio has not been determined. Companies pay dividends as specified in articles of incorporation or in profit distribution policies.

Inflation adjustment to shareholders' equity and carrying amount of extraordinary reserves can only be netted-off against prior years' losses and used as an internal source for capital increase. However, when inflation adjustment to shareholders' equity is used for cash dividend distribution, it is subject to income tax.

Statutory resources attributable to dividend distribution are TRL2.812.095 as of December 31, 2018.

The Group distributed dividend in 2018, related with the year ended as of December 31, 2017, for a gross amount of full TRL0,245 per share, amounting to a total of TRL251.910 (The Group distributed dividend in 2017, related with the year ended as of December 31, 2016, for a gross amount of full TRL0,25 per share, amounting to a total of TRL145.066).

	31 December 2018			31 December 2017		
	Nominal Amount	**Inflation Adjustment on Capital**	**Restated Amount**	Nominal Amount	Inflation Adjustment on Capital	Restated Amount
Issued capital	**592.105**	**63.583**	**655.688**	592.105	63.583	655.688
Legal reserves	**342.931**	**74.729**	**417.660**	317.921	74.729	392.650
Extraordinary reserves	**877**	**25.831**	**26708**	877	25.831	26.708

(Currency– Unless otherwise indicated thousands of Turkish Lira (TRL))

NOTE 22. SALES AND COST OF SALES

Group recognizes revenue when the control of products is transferred to the customer, compatible with revenue information under segment reporting according to TFRS 8 (Note 5).

Revenues	**2018**	2017
Domestic revenues	**6.421.776**	5.349.438
Foreign revenues	**12.267.910**	7.382.921
Total sales, net	**18.689.686**	12.732.359
Cost of Sales		
Current year purchases and net change in inventory	**(9.716.333)**	(6.562.053)
Depreciation and amortization expense on PP&E and intangible assets	**(761.022)**	(522.934)
Personnel expenses	**(521.618)**	(348.703)
Utility expenses	**(389.302)**	(225.450)
Provision for retirement pay liability	**(9.181)**	(7.818)
Other expenses	**(307.120)**	(239.542)
Total cost of sales	**(11.704.576)**	(7.906.500)
Gross Operating Profit	**6.985.110**	4.825.859

NOTE 23. OPERATING EXPENSES

a) General and Administrative Expenses

	2018	2017
Personnel expenses	**610.282**	437.118
Service rendered from outside	**427.987**	180.066
Depreciation and amortization expense on PP&E and intangible assets	**92.794**	67.957
Rent expense	**82.072**	50.150
Taxation (other than on income) expenses	**76.743**	24.052
Utilities and communication expenses	**33.600**	17.745
Provision for retirement pay liability	**20.843**	9.996
Insurance expenses	**14.586**	13.849
Repair and maintenance expenses	**11.263**	14.261
Provision for unused vacation	**5.075**	608
Other expenses	**205.522**	139.732
	1.580.767	955.534

b) Selling, Distribution and Marketing Expenses

	2018	2017
Advertising, selling and marketing expenses	**1.185.310**	846.785
Transportation and distribution expenses	**1.197.371**	671.488
Personnel expenses	**732.588**	568.201
Depreciation and amortization expense on PP&E and intangible assets	**436.980**	325.039
Rent expenses	**62.734**	47.778
Repair and maintenance expenses	**49.872**	37.013
Utilities and communication expenses	**41.761**	32.279
Provision for retirement pay liability	**6.595**	4.982
Other expenses	**231.271**	167.732
	3.944.482	2.701.297

(Currency– Unless otherwise indicated thousands of Turkish Lira (TRL))

NOTE 24. EXPENSES BY NATURE

a) Depreciation and Amortization Expenses

	2018	2017
Cost of sales	**761.022**	522.934
Marketing, selling and distribution expenses	**436.980**	325.039
General and administration expenses	**92.794**	67.957
Other operating expenses	**6.953**	16.049
Inventories	**(3.345)**	1.923
	1.294.404	933.902

b) Personnel Expenses

	2018	2017
Marketing, selling and distribution expenses	**732.588**	568.201
General and administration expenses	**610.282**	437.118
Cost of sales	**521.618**	348.703
	1.864.488	1.354.022

NOTE 25. OTHER OPERATING INCOME / EXPENSES

a) Other Operating Income

	2018	2017
Foreign exchange gains arising from operating activities	**215.908**	131.605
Income from scrap and other materials	**51.187**	32.263
Rent income	**23.839**	14.175
Reversal of provision for inventory obsolescence	**20.648**	4.083
Reversal of provision for doubtful receivables	**3.636**	4.067
Rediscount income	**4.037**	2.874
Insurance compensation income	**2.610**	2.532
Other income	**232.483**	122.638
	554.348	314.237

b) Other Operating Expenses

	2018	2017
Foreign exchange losses arising from operating activities	**(255.410)**	(130.778)
Provision for inventory obsolescence	**(26.772)**	(10.946)
Provision for doubtful receivables	**(22.313)**	(16.640)
Depreciation and amortization expense on PPE & intangible assets	**(6.953)**	(16.049)
Rediscount expense	**(5.593)**	(3.361)
Donations	**(2.989)**	(4.201)
Other expenses	**(88.219)**	(49.341)
	(408.249)	(231.316)

(Currency– Unless otherwise indicated thousands of Turkish Lira (TRL))

NOTE 26. INVESTMENT ACTIVITY INCOME / EXPENSE

a) Investment activity income

	2018	2017
Transfer of currency translation differences previously accounted as other comprehensive income	**169.937**	-
Gain on sale of fixed assets	**61.314**	26.918
Gain from liquidation of subsidiaries	**-**	19.145
	231.251	46.063

b) Investment activity expense

	2018	2017
Provision for impairment on intangible assets (Note 16)	**(103.894)**	(19.614)
Provision for impairment on tangible assets (Note 15)	**(27.597)**	(75.547)
Loss on sale of fixed assets	**(19.511)**	(7.490)
Cost of relocating property, plant and equipment	**(15.706)**	-
Loss on sale of intangible assets	**(57)**	(535)
Other	**(805)**	(6.830)
	(167.571)	(110.016)

NOTE 27. FINANCE INCOME / EXPENSE

a) Finance Income

	2018	2017
Foreign exchange gain	**2.750.561**	963.657
Interest income	**296.027**	141.276
Gain on derivative transactions	**46.792**	255
	3.093.380	1.105.188

b) Finance Expense

	2018	2017
Foreign exchange loss	**(3.432.468)**	(1.487.771)
Interest and borrowing expense	**(555.814)**	(266.684)
Loss on derivative transactions	**(17.090)**	(255)
Other financial expenses	**(46.648)**	(24.711)
	(4.052.020)	(1.779.421)

(Currency– Unless otherwise indicated thousands of Turkish Lira (TRL))

NOTE 28. TAX ASSETS AND LIABILITIES

The corporation tax rate for the fiscal year is 22% in Turkey (31 December 2017 - 20%). Corporate tax returns are required to be filed until the twenty fifth of the fourth month following the fiscal year end and paid in full until the end of the same 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,"Bazı Vergi Kanunları İle Diğer Bazı Kanunlarda Değişiklik Yapılmasına Dair Kanun", corporate tax rate for the years 2018, 2019 and 2020 has increased from 20% to 22%. Therefore, deferred tax assets and liabilities as of 31 December 2017 are calculated with 22% tax rate for the temporary differences which will be realized in 2018, 2019 and 2020, and with 20% tax for those which will be realized after 2021 and onwards. Article 5 entitled "Exceptions" of the Corporate Tax Law has been amended in Article 89 of the Law. In accordance with (a) clause in the first paragraph of the Article, the exemption of 75% applied to gains from the sales of lands and buildings held by the entities for two full years has been reduced to rate of 50%. This regulation has been effective from 5 December 2017.

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

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

The main components of tax assets and liabilites as of December 31, 2018 and 2017 are as follows:

	2018	2017
Prepaid corporate tax	**168.428**	115.653
Provision for corporate tax	**17.051**	6.498

The main components of tax income and expenses as of December 31, 2018 and 2017 are as follows:

	2018	2017
Current period tax expense	**(261.271)**	(157.578)
Deferred tax income / (expense), net	**(53.554)**	(19.934)
	(314.825)	(177.512)

As of December 31, 2018 and 2017, the reconciliation of theoretical income tax calculated with the tax rates used in the countries that the Company operates in and total income tax is as follows:

	2018	2017
Consolidated profit before tax	**629.935**	483.401
Effect of associate income net off tax	**81.065**	30.362
Consolidated profit before tax (excluding effect of associate income net off tax)	**711.000**	513.763
Enacted tax rate	**22%**	20%
Tax calculated at the parent company tax rate	**(156.420)**	(102.753)
Tax effect of non-deductible expenses	**(10.181)**	(7.473)
Tax effect of income excluded from tax bases	**13.100**	162
Effect of different tax rates	**6.238**	(17.618)
Deffered tax effect of translation on non-monetary items	**(37.846)**	(15.246)
Cancellation of tax losses	**(7.351)**	-
Impact of tax base increase regarding law no 7143 [(1)]	**(53.083)**	-
Effect of deferred tax asset on non-recognized income	**(12.459)**	-
Other	**(56.823)**	(34.584)
	(314.825)	(177.512)

(1) Includes amounts paid as a result of the increase in the amount of the tax base and and offsetted from carry forward tax losses in accordance with the "Law on Restructuring of Certain Receivables" numbered 7143.

(Currency– Unless otherwise indicated thousands of Turkish Lira (TRL))

NOTE 28. TAX ASSETS AND LIABILITIES (continued)

As of December 31, 2018 and December 31, 2017 consolidated deferred tax assets and liabilities calculated by using effective tax rates are summarized as below:

	31 December 2018	31 December 2017
Deferred tax assets	**867.100**	307.406
Deferred tax liabilities	**(2.088.835)**	(1.908.091)
	(1.221.735)	(1.600.685)

As of December 31, 2018 and 2017 consolidated deferred tax assets and liabilities calculated by using effective tax rates are summarized as below:

	Asset		**Liability**		**Net**	
	2018	2017	**2018**	2017	**2018**	2017
PP&E and intangible assets	**-**	-	**(2.356.206)**	(2.168.862)	**(2.356.206)**	(2.168.862)
Inventories	**18.413**	4.097	**-**	-	**18.413**	4.097
Carry forward losses	**827.189**	479.717	-	-	**827.189**	479.717
Retirement pay liability and other employee benefits	**42.346**	25.788	-	-	**42.346**	25.788
Other provisions and accruals	**195.498**	28.873	**-**	-	**195.498**	28.873
Unused investment discounts	**41.209**	39.199	**-**	-	**41.209**	39.199
Derivative financial instruments	**9.816**	-	**-**	(9.497)	**9.816**	(9.497)
	1.134.471	577.674	**(2.356.206)**	(2.178.359)	**(1.221.735)**	(1.600.685)

As of December 31, 2018 and 2017, the movement of deferred tax liability is as follows:

	2018	2017
Balance at January 1	**(1.600.685)**	(1.557.142)
Recorded to the consolidated income statement	**(46.203)**	(23.004)
Recognized in other comprehensive income	**263.702**	14.340
Addition through business combination	**338.436**	-
Unused provisions	**(7.351)**	3.070
Currency translation adjustment	**(169.634)**	(37.949)
Balance at December 31	**(1.221.735)**	(1.600.685)

As a result of the Group management's assessment that sufficient taxable income will be generated and such carried losses will be utilized until 2023, deferred tax asset amounting to TRL835.995 has been recognized. Carried forward tax losses of Efes Moscow, JSC Sun InBev, PJSC Sun InBev Ukraine and Coca-Cola Beverages Pakistan Limited according to local tax regulations can be carried forward with an indefinite life.

As of December 31, 2018, total investments made for Bursa, Elazığ, Köyceğiz, Çorlu, Ankara, Mersin, İzmir and Mahmudiye production line investments under the scope of investment incentives are amounting to TL 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).

(Currency– Unless otherwise indicated thousands of Turkish Lira (TRL))

NOTE 29. EARNINGS PER SHARE

Basic earnings per share is calculated by dividing the net income for the period attributable to ordinary shareholders by the weighted average number of ordinary shares outstanding during the period.

Weighted average number of shares represents the number of shares as a result of capital increase and adjusted number of shares at the beginning period multiplied with the time-weighting factor. Time weighting factor is calculated by dividing the number of days that the shares are available by the total number of days of the period.

Following table illustrates the net income and share figures used in earnings per share calculation:

	2018	2017
Net Income / (loss)	**96.882**	149.420
Weighted average number of shares	**592.105.000**	592.105.000
Earnings/ (losses) per share (full TRL)	**0,1636**	0,2524

There have been no other transactions involving ordinary shares or potential ordinary shares between the financial statement date and the date of approval of these financial statements.

NOTE 30. RELATED PARTY BALANCES AND TRANSACTIONS

a) Balances with Related Parties

Borrowings from Related Parties

The Group has a loan amounting of USD37.405 (current portion of non-current borrowings) and RUR4.335.581 (current borrowing) total of TRL525.111 from Brandbev SARL, which is a related party of AB Inbev Harmony Ltd. USD borrowings has a floating interest rate of Libor + 3,20% and RUR borrowings has interest rate of Mosprime+2,56% (31 December 2017- None).

Due from Related Parties

	December 31, 2018	December 31, 2017
Migros Group Companies (2)	**177.459**	153.135
AB InBev Group Companies (3)	**69.440**	157
Other	**11.496**	4.793
	258.395	158.085

Due to Related Parties

	December 31, 2018	December 31, 2017
AB InBev Group Companies (3)	**259.479**	32.484
Oyex Handels GmbH (2)	**14.496**	8.285
Çelik Motor Ticaret A.Ş. (2)	**5.120**	3.572
Efes Turizm İşletmeleri A.Ş. (2)	**790**	1.911
Anadolu Bilişim Hizmetleri A.Ş. (2) (4)	**1.300**	5.393
AND Anadolu Gayrimenkul Yatırımları A.Ş. (2)	**151**	149
Other	**1.242**	629
	282.578	52.423

The Group has TRL147 and TRL376 short term and long term deferred revenue related to AG Anadolu Grubu Holding A.Ş (1), respectively. (December 31, 2017 – short term deferred revenue TRL465, there is no long term deferred revenue).

(1) The shareholder of the Group
(2) Related party of AG Anadolu Grubu Holding A.Ş. (a shareholder)
(3) Related parties of AB Inbev Harmony Ltd. (a shareholder)
(4) The Group's long term financial asset.

(Currency– Unless otherwise indicated thousands of Turkish Lira (TRL))

NOTE 30. RELATED PARTY BALANCES AND TRANSACTIONS (continued)

b) Transactions with Related Parties

Purchases of Goods, Services and Donations

	Nature of transaction	**2018**	2017
Ab InBev Group Companies (3)	Service and Purchase of Trade Goods	**189.539**	13.063
Anadolu Efes Spor Kulübü	Service	**63.250**	50.540
Oyex Handels GmbH (2)	Purchase of Materials and Fixed Assets	**58.669**	38.750
AG Anadolu Grubu Holding A.Ş. (1)	Consultancy Service	**38.495**	34.426
Çelik Motor Ticaret A.Ş. (2)	Vehicle Leasing	**37.942**	29.401
Efestur Turizm İşletmeleri A.Ş. (2)	Travel and Accommodation	**10.948**	15.842
Anadolu Bilişim Hizmetleri A.Ş. (2)	Information Service	**2.561**	9.012
Other		**14.199**	8.211
		415.603	199.245

Financial Expense

	Nature of transaction	**2018**	2017
Brandbev SARL (3)	Interest Expense	**34.568**	-
		34.568	-

Revenue and Other Income / (Expenses), Net

	Nature of transaction	**2018**	2017
Migros (2)	Sales Income	**594.580**	447.661
Ab Inbev Group Companies (3)	Other Income	**40.451**	1.106
Other	Other Income	**3.140**	1.046
		638.171	449.813

Director's remuneration

As of December 31, 2018 and 2017, total benefits to Anadolu Efes Board of Directors are TRL424 and TRL369, respectively. Remuneration and similar benefits received by total executive members of the Board of Directors and executive directors as of December 31, 2018 and 2017 are as follows:

	2018	2017
Short-term employee benefits	**43.810**	36.847
Post-employment benefits	**-**	-
Other long term benefits	**5.509**	4.597
Termination benefits	**291**	428
Share-based payments	**-**	-
	49.610	41.872

(1) The shareholder of the Group
(2) Related party of AG Anadolu Grubu Holding A.Ş. (a shareholder)
(3) Related parties of AB Inbev Harmony Ltd. (a shareholder)
(4) The Group's long term financial asset.

(Currency– Unless otherwise indicated thousands of Turkish Lira (TRL))

NOTE 31. NATURE AND LEVEL OF RISKS ARISING FROM FINANCIAL INSTRUMENTS

a) 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 (IRS) agreement. Total outstanding amount of IRS agreements was USD43 million as of December 31, 2018 (December 31, 2017 – USD43 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.

The Group's financial instruments sensitive to interest rate risk is as follows:

	2018	2017
Financial instruments with fixed interest rate		
Financial assets		
Financial assets at fair value through profit or loss	**3.957.127**	4.925.015
Financial liabilities	**(7.519.472)**	(7.252.674)
Financial instruments with floating interest rate		
Financial liabilities	**(1.709.208)**	(1.256.816)

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, 2018 which is the following reporting period, would be:

	2018	2017
Change in EURO denominated borrowing interest rate	**2.275**	2.518
Change in USD denominated borrowing interest rate	**634**	26
Change in Other denominated borrowing interest rate	**1.543**	74
Total	**4.452**	2.618

b) Foreign Currency Risk

Foreign currency risk generally arises from the EURO and USD denominated assets and liabilities of the Group. The Group has transactional currency exposures. Such exposures arise from sales or purchases of goods and services or borrowings of the Group in currencies other than the functional currency. The Group manages short term foreign currency risk by balancing foreign currency denominated assets and liabilities. The Group designates certain part of its bank deposits for the future raw material purchases, operational expense and interest related payments Note 6 Group'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.

Efes Breweries International NV has a cross currency swap agreement 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 TRL361.501.

As of December 31, 2018, CCI 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) (Note 8).

(Currency– Unless otherwise indicated thousands of Turkish Lira (TRL))

NOTE 31. NATURE AND LEVEL OF RISKS ARISING FROM FINANCIAL INSTRUMENTS (continued)

b) Foreign Currency Risk (continued)

Net foreign currency exposure for the consolidated Group companies as of December 31, 2018 and 2017 are presented below:

Foreign Currency Position Table
2018

	Total TRL Equivalent	Thousand USD	Total TRL Equivalent	Thousand EURO	Total TRL Equivalent	Other Foreign Currency TRL
1. Trade Receivables and Due from Related Parties	115.657	12.148	63.912	8.079	48.701	3.044
2a. Monetary Financial Assets (Cash and cash equivalents included)	1.720.097	289.529	1.523.181	19.394	116.907	80.009
2b. Non- monetary Financial Assets	10.362	-	-	1.719	10.362	-
3. Other Current Assets and Receivables	22.265	365	1.918	3.375	20.343	4
4. Current Assets (1+2+3)	**1.868.381**	**302.042**	**1.589.011**	**32.567**	**196.313**	**83.057**
5. Trade Receivables and Due from Related Parties	-	-	-	-	-	-
6a. Monetary Financial Assets	-	-	-	-	-	-
6b. Non-monetary Financial Assets	-	-	-	-	-	-
7. Other	3.438	6	31	564	3.400	8
8. Non-Current Assets (5+6+7)	3.438	**6**	**31**	**564**	**3.400**	**8**
9. Total Assets (4+8)	**1.871.820**	**302.048**	**1.589.042**	**33.131**	**199.713**	**83.065**
10.Trade Payables and Due to Related Parties	(908.912)	(110.335)	(580.464)	(50.453)	(304.131)	(24.317)
11.Short- term Borrowings and Current Portion of Long- term Borrowings	(1.498.428)	(84.459)	(444.330)	(174.867)	(1.054.098)	-
12a. Monetary Other Liabilities	(4.794)	(199)	(1.045)	(622)	(3.749)	-
12b. Non-monetary Other Liabilities	(12.416)	(2.360)	(12.416)	-	-	-
13. Current Liabilities (10+11+12)	**(2.424.550)**	**(197.353)**	**(1.038.255)**	**(225.942)**	**(1.361.978)**	**(24.317)**
14. Trade Payables and Due to Related Parties	(5.338)	-	-	(885)	(5.335)	(3)
15. Long-Term Borrowings	(6.398.523)	(1.108.985)	(5.834.260)	(93.607)	(564.263)	-
16 a. Monetary Other Liabilities	(2)	-	(2)	-	-	-
16 b. Non-monetary Other Liabilities	(198.022)	(37.640)	(198.022)	-	-	-
17. Non-Current Liabilities (14+15+16)	**(6.601.885)**	**(1.146.625)**	**(6.032.284)**	**(94.492)**	**(569.598)**	**(3)**
18. Total Liabilities (13+17)	**(9.026.435)**	**(1.343.978)**	**(7.070.539)**	**(320.434)**	**(1.931.576)**	**(24.320)**
19. Off Statement of Financial Position Derivative Items' Net Asset/(Liability) Position (19a+19b)	**4.713.031**	**781.279**	**4.110.231**	**100.000**	**602.800**	**-**
19a. Total Hedged Assets (*)	**4.713.031**	**781.279**	**4.110.231**	**100.000**	**602.800**	**-**
19b. Total Hedged Liabilities	-	-	-	-	-	-
20. Net Foreign Currency Asset / (Liability) Position (9+18+19)	**(2.441.584)**	**(260.651)**	**(1.371.266)**	**(187.302)**	**(1.129.063)**	**58.745**
21. Monetary Items Net Foreign Currency Asset / (Liability) Position (1+2a+5+6a+10+11+12a+14+15+16a)	**(6.980.243)**	**(1.002.301)**	**(5.273.008)**	**(292.961)**	**(1.765.968)**	**58.733**
22. Total Fair Value of Financial Instruments Used to Manage the Foreign Currency Position	-	-	-	-	-	-
23.Total value of Hedged Foreign Currency Assets	-	-	-	-	-	-

Foreign Currency Position Table
2017

	Total TRL Equivalent	Thousand USD	Total TRL Equivalent	Thousand EURO	Total TRL Equivalent	Other Foreign Currency TRL
1. Trade Receivables and Due from Related Parties	68.959	14.480	54.616	2.839	12.821	1.522
2a. Monetary Financial Assets (Cash and cash equivalents included)	3.548.104	906.864	3.420.602	25.310	114.287	13.215
2b. Non- monetary Financial Assets	-	-	-	-	-	-
3. Other Current Assets and Receivables	38.117	180	679	7.618	34.399	3.039
4. Current Assets (1+2+3)	**3.655.180**	**921.524**	**3.475.897**	**35.767**	**161.507**	**17.776**
5. Trade Receivables and Due from Related Parties	-	-	-	-	-	-
6a. Monetary Financial Assets	-	-	-	-	-	-
6b. Non-monetary Financial Assets	-	-	-	-	-	-
7. Other	5.320	291	1.098	935	4.222	-
8. Non-Current Assets (5+6+7)	**5.320**	**291**	**1.098**	**935**	**4.222**	**-**
9. Total Assets (4+8)	**3.660.500**	**921.815**	**3.476.995**	**36.702**	**165.729**	**17.776**
10.Trade Payables and Due to Related Parties	(281.890)	(40.717)	(153.580)	(24.719)	(111.619)	(16.691)
11.Short- term Borrowings and Current Portion of Long- term Borrowings	(2.967.047)	(618.778)	(2.333.969)	(140.202)	(633.078)	-
12a. Monetary Other Liabilities	(840)	-	(0)	(186)	(840)	-
12b. Non-monetary Other Liabilities	(12.323)	(3.267)	(12.323)	-	-	-
13. Current Liabilities (10+11+12)	**(3.262.100)**	**(662.762)**	**(2.499.872)**	**(165.107)**	**(745.537)**	**(16.691)**
14. Trade Payables and Due to Related Parties	-	-	-	-	-	-
15. Long-Term Borrowings	(5.282.419)	(1.196.221)	(4.512.025)	(170.611)	(770.394)	-
16 a. Monetary Other Liabilities	-	-	-	-	-	-
16 b. Non-monetary Other Liabilities	(117.572)	(31.170)	(117.572)	-	-	-
17. Non-Current Liabilities (14+15+16)	**(5.399.991)**	**(1.227.391)**	**(4.629.597)**	**(170.611)**	**(770.394)**	**-**
18. Total Liabilities (13+17)	**(8.662.091)**	**(1.890.153)**	**(7.129.469)**	**(335.718)**	**(1.515.931)**	**(16.691)**
19. Off Statement of Financial Position Derivative Items' Net Asset/(Liability) Position (19a+19b)	-	-	-	-	-	-
19a. Total Hedged Assets (*)	-	-	-	-	-	-
19b. Total Hedged Liabilities	-	-	-	-	-	-
20. Net Foreign Currency Asset / (Liability) Position (9+18+19)	**(5.001.591)**	**(968.338)**	**(3.652.474)**	**(299.016)**	**(1.350.202)**	**1.085**
21. Monetary Items Net Foreign Currency Asset / (Liability) Position (1+2a+5+6a+10+11+12a+14+15+16a)	**(4.915.133)**	**(934.372)**	**(3.524.356)**	**(307.569)**	**(1.388.823)**	**(1.954)**
22. Total Fair Value of Financial Instruments Used to Manage the Foreign Currency Position	-	-	-	-	-	-
23.Total value of Hedged Foreign Currency Assets	-	-	-	-	-	-

(*) In order to hedge foreign exchange risk arising from the translation of net investments in the subsidiaries operating in the Netherlands to Turkish Lira, the USD denominated bonds and the borrowings denominated in EURO have been designated as hedges of net investment risk.

(Currency– Unless otherwise indicated thousands of Turkish Lira (TRL))

NOTE 31. NATURE AND LEVEL OF RISKS ARISING FROM FINANCIAL INSTRUMENTS (continued)

b) Foreign Currency Risk (continued)

The information regarding the export and import figures realized as of December 31, 2018 and 2017 is as follows:

	2018	2017
Total Export	**567.491**	220.134
Total Import	**3.376.887**	1.872.381

The following table demonstrates the sensitivity analysis of foreign currency as of December 31, 2018 and 2017:

	Foreign Currency Position Sensitivity Analysis			
	December 31, 2018(*)		December 31,2017(*)	
	Income / (Loss)			
	Increase of the foreign currency	**Decrease of the foreign currency**	Increase of the foreign currency	Decrease of the foreign currency
Increase / decrease in USD by 10%:				
USD denominated net asset / (liability)	**(527.301)**	**527.301**	(352.436)	352.436
USD denominated hedging instruments (-)	**411.023**	**(411.023)**	-	-
Net effect in USD	**(116.278)**	**116.278**	(352.436)	352.436
Increase / decrease in EURO by 10%:				
EURO denominated net asset / (liability)	**(176.597)**	**176.597**	(138.882)	138.882
EURO denominated hedging instruments (-)	**60.280**	**(60.280)**	-	-
Net effect in EURO	**(116.317)**	**116.317**	(138.882)	138.882
Increase / decrease in other foreign currencies by 10%:				
Other foreign currency denominated net asset / (liability)	**5.873**	**(5.873)**	(195)	195
Other foreign currency hedging instruments (-)	**-**	**-**	-	-
Net effect in other foreign currency	**5.873**	**(5.873)**	(195)	195
TOTAL	**(226.722)**	**226.722**	(491.513)	491.513

(*) Monetary assets and liabilities eliminated in scope of consolidation are not included.

c) Foreign Currency Hedge of Net Investments in Foreign Operations

The Group designated denominated bond issued amounting to USD500 million as of January 1, 2018 and EURO100 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 designated USD 281 million out of USD denominated bond issued amounting to USD500 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 effective part of the change in the value of the bonds and loans designated as hedging of net investments amounting to TRL1.229.608 (TRL959.094 - 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 (31 December 2017 - None).

(Currency– Unless otherwise indicated thousands of Turkish Lira (TRL))

NOTE 31. NATURE AND LEVEL OF RISKS ARISING FROM FINANCIAL INSTRUMENTS (continued)

d) Liquidity Risk

Liquidity risk is the risk that an entity will be unable to meet its net funding requirements. The risk is mitigated by matching the cash in and out flow volume supported by committed lending limits from qualified credit institutions. The Group also reduces the risk by preferring long-term debt.

The analysis of non-derivative financial liabilities as at 31 December 2018 and 2017 in the statement of financial position is as follows:

2018 **Contractual maturities**	**Carrying value**	**Contractual payment (=I+II+III+IV)**	**Less than 3month (I)**	**Between 3-12 month (II)**	**Between 1-5 year (III)**	**More than 5 year (IV)**
Financial liabilities	**9.228.680**	**10.595.777**	**985.518**	**1.654.440**	**5.284.259**	**2.671.560**
Trade payable and due to related parties	**3.644.817**	**3.644.817**	**3.076.564**	**554.930**	**6.203**	**7.120**
Liability for put option	**210.436**	**210.436**	**-**	**12.416**	**198.020**	**-**
Employee Benefit Obligations	**77.035**	**77.035**	**77.035**	**-**	**-**	**-**
Total	**13.160.968**	**14.528.065**	**4.139.117**	**2.221.786**	**5.488.482**	**2.678.680**

2017 Contractual maturities	Carrying value	Contractual payment (=I+II+III+IV)	Less than 3month (I)	Between 3-12 month (II)	Between 1-5 year (III)	More than 5 year (IV)
Financial liabilities	8.509.490	9.610.634	370.078	2.907.242	3.656.446	2.676.868
Trade payable and due to related parties	1.711.561	1.711.561	1.664.576	11.805	35.180	-
Liability for put option	126.474	126.474	-	8.902	117.572	-
Employee Benefit Obligations	66.362	66.362	66.362	-	-	-
Total	10.413.887	11.515.031	2.101.016	2.927.949	3.809.198	2.676.868

e) Price Risk

This is a combination of currency, interest and market risks which the Group manages through natural hedges that arise from offsetting the same currency receivables and payables, interest bearing assets and liabilities. Market risk is closely monitored by the management using the available market information and appropriate valuation methods.

f) Credit Risk

Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss. The Group attempts to control credit risk by limiting transactions with specific counterparties and assessing the creditworthiness of the counterparties.

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.

The Group seeks to manage its credit risk exposure through diversification of sales activities to avoid undue concentrations of risks with individuals or groups of customers in specific locations or businesses. The Group keeps guarantees for a part of its receivables by means of DDS (Direct Debit System). The Group also obtains guarantees from the customers when appropriate and keep considerable portion of the receivables under guarantee.

(Currency– Unless otherwise indicated thousands of Turkish Lira (TRL))

NOTE 31. NATURE AND LEVEL OF RISKS ARISING FROM FINANCIAL INSTRUMENTS (continued)

f) Credit Risk (continued)

Maximum exposure to credit risk and aging of financial assets past due but not impaired as of December 31, 2018 and 2017 are disclosed as below:

	Receivables					
	Trade Receivables		Other Receivables			
Current Year	**Due from related parties**	**Due from third parties**	**Due from related parties**	**Due from third parties**	**Deposits**	**Derivative Instruments**
Maximum exposure to credit risk at the end of reporting period (A+B+C+D+E)	**230.018**	**2.185.223**	**28.377**	**126.517**	**4.616.661**	**47.010**
- Maximum credit risk secured by guarantees	**66.023**	**1.302.984**	-	-	-	-
	-	-	-	-	-	-
A. Net carrying amount of financial assets that are neither past due nor impaired	**225.296**	**2.062.259**	**28.377**	**115.335**	**4.616.661**	**47.010**
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**	**121.056**	-	**11.182**	-	-
- Under guarantee	-	**19.488**	-	-	-	-
D. Net carrying amount of financial assets impaired	-	**1.908**	-	-	-	-
- past due (gross carrying value)	-	**104.792**	-	-	-	-
- impaired (-)	-	**(102.884)**	-	-	-	-
- Net carrying amount of financial assets under guarantee	-	**1.908**	-	-	-	-
- not past due (gross carrying value)	-	-	-	-	-	-
- impaired (-)	-	-	-	-	-	-
- Net carrying amount of financial assets under guarantee	-	-	-	-	-	-
E. Off- balance sheet items which include credit risk	-	-	-	-	-	-

Current Year	**Trade Receivables**	**Other Receivables**	**Deposits**	**Derivative Instruments**
Past due between 1-30 days	**70.193**	-	-	-
Past due between 1-3 months	**34.100**	-	-	-
Past due between 3-12 months	**6.776**	-	-	-
Past due for more than 1 year	**9.987**	-	-	-

	Receivables					
	Trade Receivables		Other Receivables			
Prior Year	Due from related parties	Due from third parties	Due from related parties	Due from third parties	Deposits	Derivative Instruments
Maximum exposure to credit risk at the end of reporting period (A+B+C+D+E)	158.085	1.373.772	-	125.706	5.424.320	152
- Maximum credit risk secured by guarantees	63.086	964.899	-	-	-	-
	-	-	-	-	-	-
A. Net carrying amount of financial assets that are neither past due nor impaired	154.622	1.281.143	-	125.706	5.424.320	152
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	97.400	-	-	-	-
- Under guarantee	-	48.363	-	-	-	-
D. Net carrying amount of financial assets impaired	-	(4.771)	-	-	-	-
- past due (gross carrying value)	-	50.171	-	-	-	-
- impaired (-)	-	(54.942)	-	-	-	-
- Net carrying amount of financial assets under guarantee	-	(4.771)	-	-	-	-
- not past due (gross carrying value)	-	-	-	-	-	-
- impaired (-)	-	-	-	-	-	-
- Net carrying amount of financial assets under guarantee	-	-	-	-	-	-
E. Off- balance sheet items which include credit risk	-	-	-	-	-	-

Prior Year	**Trade Receivables**	**Other Receivables**	**Deposits**	**Derivative Instruments**
Past due between 1-30 days	63.069	-	-	-
Past due between 1-3 months	24.189	-	-	-
Past due between 3-12 months	3.546	-	-	-
Past due for more than 1 year	6.596	-	-	-

g) Capital Risk Management

The Group's policy is to ensure that it maintains a strong credit rating and healthy capital ratios in order to support its business and maximize shareholder value. The Group periodically measures Net Debt to EBITDA ratio to maintain capital risk management. Net Debt is calculated by deducting cash and cash equivalents from total borrowing.

NOTE 32. FINANCIAL INSTRUMENTS

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.

The financial assets and liabilities which are denominated in foreign currencies are evaluated by the foreign exchange rates prevailing on the date of balance sheet which approximate to market rates. The following methods and assumptions were used to estimate the fair value of each class of financial instrument of the Group for which it is practicable to estimate a fair value:

a) Financial Assets

The fair values of certain financial assets carried at cost in the consolidated financial statements, including cash and cash equivalents plus the respective accrued interest and other financial assets are considered to approximate their respective carrying values due to their short-term nature and negligible credit losses. The carrying value of trade receivables along with the related allowance for unearned income and uncollectibility are estimated to be their fair values.

b) Financial Liabilities

Trade payables and other monetary liabilities are considered to approximate their respective carrying values due to their short-term nature. The bank borrowings are stated at their amortized costs and transaction costs are included in the initial measurement of loans and bank borrowings. The fair value of bank borrowings are considered to state their respective carrying values since the interest rate applied to bank loans and borrowings are updated periodically by the lender to reflect active market price quotations. The carrying value of trade payables along with the related allowance for unrealized cost is estimated to be their fair values.

Fair value hierarchy table

The Group classifies the fair value measurement of each class of financial instruments according to the source, using the three-level hierarchy, as follows

Level 1: Market price valuation techniques for the determined financial instruments traded in markets
Level 2: Other valuation techniques including direct or indirect observable inputs
Level 3: Valuation techniques not containing observable market inputs**.**

Current Year	**Level 1**	**Level 2**	**Level 3**
Financial assets at fair value	**-**	**-**	**-**
Derivative financial assets (Note 8)	**-**	**17.178**	**-**
Financial liabilities at fair value	**-**	**-**	**-**
Interest rate swap (Note 8)	**-**	**-**	**-**
Put options (Note 20)	**12.416**	**-**	**198.020**

Prior Year	Level 1	Level 2	Level 3
Financial assets at fair value			
Derivative financial assets (Note 8)	-	152	-
Financial liabilities at fair value			
Interest rate swap (Note 8)	-	-	-
Put options (Note 20)	8.902	-	117.572

Derivative Instruments, Risk Management Objectives and Policies

Derivative instruments and hedging transactions are explained in Note 6 and Note 8.

(Currency– Unless otherwise indicated thousands of Turkish Lira (TRL))

NOTE 33. EXPLANATORY INFORMATION ON STATEMENT OF CASH FLOWS

a) Adjustments for Impairment Loss (Reversal)

	2018	2017
Adjustments for impairment loss (reversal of impairment) of property, plant and equipment (Note 15)	**27.597**	75.547
Adjustments for impairment loss (reversal of impairment) of receivables (Note 10, 25)	**18.677**	12.573
Adjustments for impairment loss (reversal of impairment) of inventories (Note 12, 25)	**6.124**	13.831
Adjustments for impairment loss (reversal of impairment) of intangible assets (Note 16)	**103.894**	19.621
	156.292	121.572

b) Adjustments for (Reversal of) Provisions Related with Employee Benefits

	2018	2017
Provision for vacation pay liability (Note 19)	**11.732**	2.784
Provision for retirement pay liability (Note 19)	**36.675**	22.812
Provision for seniority bonus (Note 19)	**23.739**	19.580
	72.146	45.176

c) Adjustments for Interest (Income) Expenses

	2018	2017
Adjustments for interest income (Note 27)	**(296.027)**	(141.276)
Adjustments for interest expenses (Note 27)	**555.814**	266.023
	259.787	124.747

d) Cash Flows From (used in) Investing Activities

	2018	2017
Cash and cash equivalents in acquired companies (Note 3)	**13.759**	-
Cash inflows due to commitments determined within the scope of the business combination (Note 3)	**179.856**	-
Capital increases made by non-controlling shareholders	**42.890**	-
	236.505	-

NOTE 34. EVENTS AFTER REPORTING PERIOD

None.

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