

**CONVENIENCE TRANSLATION OF CONDENSED
CONSOLIDATED FINANCIAL STATEMENTS
ORIGINALLY ISSUED IN TURKISH**

**TÜRK TUBORG BİRA VE MALT SANAYİİ A.Ş.
AND ITS SUBSIDIARY**

**CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
FOR THE PERIOD 1 JANUARY - 31 MARCH 2017**

TÜRK TUBORG BİRA VE MALT SANAYİİ A.Ş. AND ITS SUBSIDIARY

CONDENSED CONSOLIDATED FINANCIAL STATEMENTS AND NOTES FOR THE PERIOD 1 JANUARY - 31 MARCH 2017

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TÜRK TUBORG BİRA VE MALT SANAYİİ A.Ş. AND ITS SUBSIDIARY**CONDENSED CONSOLIDATED FINANCIAL POSITION AT 31 MARCH 2017***(Amounts expressed in thousands of Turkish Lira ("TL") unless otherwise indicated.)*

		<i>Current Period Unaudited 31 March 2017</i>	<i>Prior Period Audited 31 December 2016</i>
	Notes		
ASSETS			
Current assets		897.098	917.424
Cash and cash equivalents		198.221	297.196
Financial investments		219.623	166.490
- Financial assets at fair value through profit or loss	11	219.456	166.323
- Financial assets available for sale	11	167	167
Trade receivables		357.168	341.129
- Due from related parties	3	97	92
- Due from third parties		357.071	341.037
Other receivables		512	1.107
- Due from third parties		512	1.107
Inventories		104.899	98.149
Prepaid expenses		16.675	13.353
- Prepaid expenses from third parties		16.675	13.353
Non-current assets		391.970	368.134
Other receivables		171	171
- Due from third parties		171	171
Investment properties	4	1.524	1.553
Property, plant and equipment	5	371.841	341.478
- Land		1.755	1.755
- Land improvements		3.932	3.989
- Buildings		32.530	30.752
- Plant, machinery and equipment		127.626	128.657
- Motor vehicles		7.035	6.155
- Furniture and fixtures		157.174	146.514
- Construction in progress		41.789	23.656
Intangible assets	6	4.232	4.782
- Other rights		4.232	4.782
Deferred tax assets	9	13.777	16.366
Prepaid expenses		425	3.784
- Prepaid expenses from third parties		425	3.784
TOTAL ASSETS		1.289.068	1.285.558

The accompanying notes are integral part of these condensed consolidated financial statements.

TÜRK TUBORG BİRA VE MALT SANAYİİ A.Ş. AND ITS SUBSIDIARY**CONDENSED CONSOLIDATED FINANCIAL POSITION AT 31 MARCH 2017***(Amounts expressed in thousands of Turkish Lira ("TL") unless otherwise indicated.)*

		<i>Current Period Unaudited 31 March 2017</i>	<i>Prior Period Audited 31 December 2016</i>
	Notes		
LIABILITIES			
Current liabilities		462.971	517.611
Trade payables		101.960	118.778
- Due to related parties	3	1.142	1.569
- Due to third parties		100.818	117.209
Other payables		54.611	53.656
- Due to third parties		54.611	53.656
Deferred income		1.082	820
- Deferred income due to third parties		1.082	820
Current income tax liability	9	8.515	19.778
Short term provisions		83.850	93.718
- Provision for employee benefits		17.145	32.190
- Other short term provisions		66.705	61.528
Other current liabilities		212.953	230.861
- Current liabilities due to third parties		212.953	230.861
Non-current liabilities		22.819	20.906
Long term provisions		13.135	12.874
- Provision for employee benefits		13.135	12.874
Deferred tax liability	9	9.684	8.032
TOTAL LIABILITIES		485.790	538.517
EQUITY		803.278	747.041
Equity attributable to equity holders of the Group		803.278	747.041
Share capital	8	322.508	322.508
Adjustment to share capital	8	277.613	277.613
Share premium (discount)	8	154	154
Items that will not be reclassified to profits (losses)		(1.720)	(1.679)
- Revaluation of defined employee benefits (losses) plans		(1.720)	(1.679)
Accumulated profits or losses	8	148.445	(88.445)
Net profit or loss for the period		56.278	236.890
TOTAL EQUITY AND LIABILITIES		1.289.068	1.285.558

The accompanying notes are integral part of these condensed consolidated financial statements.

TÜRK TUBORG BİRA VE MALT SANAYİİ A.Ş. AND ITS SUBSIDIARY

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE PERIOD 1 JANUARY- 31 MARCH 2017

(Amounts expressed in thousands of Turkish Lira ("TL") unless otherwise indicated.)

Notes	Current Period Unaudited 1 January- 31 March 2017	Prior Period Unaudited 1 January- 31 March 2016
Profit or Loss		
Revenue	227.715	189.661
Cost of sales	(99.855)	(82.381)
GROSS PROFIT (LOSS) FROM COMMERCIAL OPERATIONS	127.860	107.280
GROSS PROFIT (LOSS)	127.860	107.280
General administrative expenses	(11.573)	(11.366)
Marketing, selling and distribution expenses	(59.615)	(48.116)
Other income from operating activities	4.355	2.485
Other expense from operating activities	(7.449)	(2.795)
PROFIT (LOSS) FROM OPERATING ACTIVITIES	53.578	47.488
Income from investing activities	30.988	10.042
Expense from investing activities	(15.649)	(5.871)
PROFIT (LOSS) BEFORE FINANCING INCOME (EXPENSES)	68.917	51.659
Finance expenses	(2.662)	(1.620)
PROFIT (LOSS) FROM CONTINUING OPERATIONS, BEFORE TAX	66.255	50.039
Tax (expense) income, continuing operations	(9.977)	(12.560)
- Current period tax (expense) income	9 (5.726)	(9.726)
- Deferred tax (expense) income	9 (4.251)	(2.834)
PROFIT (LOSS) FROM CONTINUING OPERATIONS	56.278	37.479
PROFIT (LOSS)	56.278	37.479
Profit (loss), attributable to		
Non-controlling interests	-	-
Equity holders of the Group	56.278	37.479
	56.278	37.479
Earnings per share for net profit attributable to the equity holders of the parent company (full TL)	10 0,17	0,12
Other comprehensive income:		
Items that will not be reclassified to profit or (loss)	(41)	-
- Gains (losses) on remeasurements of defined benefit plans	(51)	-
- Taxes relating to components of other comprehensive income that will not be reclassified to profit or loss	10	-
- Taxes relating to remeasurements of defined benefit plans	10	-
OTHER COMPREHENSIVE INCOME (LOSS)	(41)	-
TOTAL COMPREHENSIVE INCOME (LOSS)	56.237	37.479
Allocation of comprehensive income:		
Non-controlling interests	-	-
Equity holders of the Group	56.237	37.479
	56.237	37.479

The accompanying notes are integral part of these condensed consolidated financial statements.

TÜRK TUBORG BİRA VE MALT SANAYİİ A.Ş. AND ITS SUBSIDIARY

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE PERIOD ENDED 1 JANUARY- 31 MARCH 2017

(Amounts expressed in thousands of Turkish Lira ("TL") unless otherwise indicated.)

<i>Unaudited</i>	Share Capital	Adjustment to Share Capital	Share Premium /(Discount)	<i>Items That Will Not Be Reclassified To Profit or Loss</i>	<i>Accumulated Profit/ Losses</i>		Equity Holders of the Group	Total Equity
				Revaluation of Defined Emp. Benefits/(Loss)	Accumulated Profit/ (Losses)	Net Profit/(Loss) for the Period		
Prior Period								
1 January – 31 March 2016								
Balances at beginning	322.508	277.613	154	(2.327)	(246.197)	157.752	509.503	509.503
Transfers	-	-	-	-	157.752	(157.752)	-	-
Total comprehensive income (expense)	-	-	-	-	-	37.479	37.479	37.479
- Profit (loss) for the period	-	-	-	-	-	37.479	37.479	37.479
- Other comprehensive income (expense)	-	-	-	-	-	-	-	-
Balances at closing	322.508	277.613	154	(2.327)	(88.445)	37.479	546.982	546.982
Unaudited								
Current Period								
1 January – 31 March 2017								
Balances at beginning	322.508	277.613	154	(1.679)	(88.445)	236.890	747.041	747.041
Transfers	-	-	-	-	236.890	(236.890)	-	-
Total comprehensive income (expense)	-	-	-	(41)	-	56.278	56.237	56.237
- Profit (loss) for the period	-	-	-	-	-	56.278	56.278	56.278
- Other comprehensive income (expense)	-	-	-	(41)	-	-	(41)	(41)
Balances at closing	322.508	277.613	154	(1.720)	148.445	56.278	803.278	803.278

The accompanying notes are integral part of these condensed consolidated financial statements.

TÜRK TUBORG BİRA VE MALT SANAYİİ A.Ş. AND ITS SUBSIDIARY

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE PERIOD ENDED 1 JANUARY- 31 MARCH 2017

(Amounts expressed in thousands of Turkish Lira ("TL") unless otherwise indicated.)

Notes	Current Period <i>Unaudited</i> 1 January- 31 March 2017	Prior Period <i>Unaudited</i> 1 January- 31 March 2016
Cash flows provided from operating activities:		
Profit (loss) for the period	56.278	37.479
- Profit (loss) for the period from continuing operations	56.278	37.479
Adjustments to reconcile net profit (loss) for the period:		
Adjustments for depreciation and amortisation expense	20.427	16.519
Adjustments for impairment loss (reversal)	349	1.465
Adjustments for impairment loss (reversal) of receivables	1.469	1.255
Adjustments for impairment loss (reversal) of inventory	(1.120)	210
Adjustments for provisions	10.836	1.279
Adjustments for (reversal of) provision related to employee benefits	5.659	3.507
Adjustments for (reversal of) provision related with legal case	389	389
Adjustments for (reversal of) other provisions	4.788	(2.617)
Adjustments for interest (income) expenses	(7.094)	(6.653)
Adjustments for interest income	(7.717)	(6.109)
Unearned finance income due to sales	1.223	(609)
Unincurred finance expense due to purchases	(600)	65
Adjustments for fair value losses (gains)	(104)	(161)
Adjustments for fair value losses (gains) of financial assets	(104)	(161)
Adjustments for taxation (income) expense	9.977	12.560
Adjustments for losses (gains) on sale of fixed assets	(386)	(803)
Adjustments for losses (gains) on sale of tangible assets	(386)	(803)
Adjustments for unrealised foreign exchange losses (gains)	(7.107)	2.941
Changes in working capital:		
Adjustments for decrease (increase) in trade receivables	(18.731)	(15.954)
Decrease (increase) in trade receivables from related party	(5)	150
Decrease (increase) in trade receivables from third party	(18.726)	(16.104)
Adjustments for decrease (increase) in other receivables	595	(857)
Decrease (increase) in other receivables from third party	595	(857)
Adjustments for decrease (increase) in inventories	(5.630)	(22.431)
Decrease/ (increase) in prepaid expenses	37	(6.031)
Adjustments for increase (decrease) in trade payables	(16.218)	(14.479)
Increase (decrease) in trade payables to related parties	(427)	(2.302)
Increase (decrease) in trade payables to third party	(15.791)	(12.177)
Adjustments for increase (decrease) in other payables	955	(121)
Increase (decrease) in other receivables from third party	955	(121)
Increase (decrease) in deferred income	262	280
Adjustments for increase (decrease) in working capital	(17.908)	(347)
Increase (decrease) in other liabilities	(17.908)	(347)
	26.538	4.686
Provisions paid related to employee benefits	(20.494)	(13.053)
Income taxes return (paid)	(16.989)	(9.580)
Net cash used in operating activities	(10.945)	(17.947)

The accompanying notes are integral part of these condensed consolidated financial statements.

TÜRK TUBORG BİRA VE MALT SANAYİİ A.Ş. AND ITS SUBSIDIARY

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE PERIOD ENDED 1 JANUARY- 31 MARCH 2017

(Amounts expressed in thousands of Turkish Lira ("TL") unless otherwise indicated.)

	Notes	Current Period Unaudited 1 January- 31 March 2017	Prior Period Unaudited 1 January- 31 March 2016
Cash flow from investing activities:			
Cash inflow from sale of tangible and intangible assets		484	1.778
Cash inflow from sale of tangible assets		484	1.778
Cash outflow from purchase of tangible and intangible assets		(50.309)	(19.319)
Cash outflow from purchase of tangible assets	5	(50.183)	(19.319)
Cash outflow from purchase of intangible assets	6	(126)	-
Interest received		7.717	6.416
Cash inflow from sale of equity or debt instruments of other companies		54.671	-
Cash outflow from acquisition of equity or debt instruments of other companies	11	(103.683)	(114.389)
Net cash used in investing activities		(91.120)	(125.514)
Net increase (decrease) in cash and cash equivalents before currency translation differences		(102.065)	(143.461)
Effect of currency translation differences on cash and cash equivalents		3.090	(1.274)
Net increase (decrease) in cash and cash equivalents		(98.975)	(144.735)
Cash and cash equivalents at the beginning of the period		297.196	312.923
Cash and cash equivalents at the end of the period		198.221	168.188

The accompanying notes are integral part of these condensed consolidated financial statements.

TÜRK TUBORG BİRA VE MALT SANAYİİ A.Ş. AND ITS SUBSIDIARY

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD 1 JANUARY – 31 MARCH 2017

(Amounts expressed in thousands of Turkish Lira (“TL”) unless otherwise indicated.)

NOTE 1 - ORGANISATION AND NATURE OF OPERATIONS

Türk Tuborg Bira ve Malt Sanayii A.Ş. (“Türk Tuborg” or the “Company”) was incorporated in İzmir in 1969. The Company is engaged in production, sales and distribution of beer and malt to the domestic and international markets.

The Company is registered in the Turkish Capital Markets Board (“CMB”) and its shares have been traded on the Istanbul Stock Exchange Market (“BIST”) since 1989. As at 31 March 2017, the shares traded on BIST are 4,31% (31 December 2016: 4,31%) of the total shares. The ultimate shareholder and the party that controls the Company is International Beer Breweries Ltd (“IBBL”) with a share of 95,69% (Note 8).

The average number of employees in the Company and Tuborg Pazarlama A.Ş., its subsidiary, (“Group”) as at 31 March 2017 is 1.143 (31 December 2016: 1.018).

The address of the registered office is follows:

Türk Tuborg Bira ve Malt Sanayii A.Ş.
Kemalpaşa Caddesi No: 258
Işıkkent 35070
İzmir

Subsidiary

The details of the subsidiary of the Company is as follows:

	Listed entity	Nature of operations	Core business
Tuborg Pazarlama A.Ş.	No	Selling and distribution	Selling and distribution of beer

The Company sells almost all of the beer which it produces to its subsidiary, Tuborg Pazarlama A.Ş. (“Tuborg Pazarlama” or “Subsidiary”), in which it holds a share of 99,99% (31 December 2015: 99,99%). Accordingly, Tuborg Pazarlama performs sales and distribution of such products in the domestic market.

Approval of the condensed consolidated financial statements for issue:

The condensed consolidated financial statements of the Group were approved by the Board of Directors of Türk Tuborg Bira ve Malt Sanayii A.Ş. for issue on 10 May 2017. The General Assembly of the Company and/or governmental authorities are entitled to modify the condensed consolidated financial statements as enclosed herein.

NOTE 2 - BASIS OF PRESENTATION OF CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

2.1 Basis of presentation

a) Declaration of conformity to Turkish Accounting Standards (“TAS”)

The accompanying consolidated financial statements are prepared in accordance with the requirements of Capital Markets Board (“CMB”) Communiqué Serial II, No: 14.1 “Basis of Financial Reporting in Capital Markets”, which were published in the Official Gazette No:28676 on 13 June 2013. The accompanying financial statements are prepared based on the Turkish Accounting Standards/ Turkey Financial Reporting Standards (“TAS”/ “TFRS”) and interpretations that have been put into effect by the Public Oversight Accounting and Auditing Standards Authority (“KGK”) under Article 5 of the Communiqué.

TÜRK TUBORG BİRA VE MALT SANAYİİ A.Ş. AND ITS SUBSIDIARY

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD 1 JANUARY – 31 MARCH 2017

(Amounts expressed in thousands of Turkish Lira (“TL”) unless otherwise indicated.)

NOTE 2 - BASIS OF PRESENTATION OF CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

Condensed consolidated financial statements and its notes are also presented in accordance with the model requirements as announced by the CMB’s statement issued on 7 June 2013 and 15 July 2016.

In compliance with the TAS 34, entities have preference in presenting their consolidated interim financial statements whether full set or condensed. In this framework, the Group preferred to present its interim financial statements in condensed format.

Group’s condensed interim financial statements do not include all disclosure and notes that should be included at year end financial statements. Therefore the condensed interim financial statements should be examined together with the financial statements of 31 December 2016.

The Group and its subsidiary operating in Turkey maintains its accounting records and prepare its statutory financial statements in accordance with the principles and requirements issued by CMB, Turkish Commercial Code(“TCC”), tax legislation and the uniform chart of accounts issued by the Ministry of Finance. The condensed consolidated financial statements, except for financial assets and liabilities presented with their fair values, are maintained under historical cost conversion in TL.

b) Presentation currency

Items included in the financial statements of each of the Group’s entities are measured using the currency of the primary economic environment in which the entity operates (“the functional currency”). The condensed consolidated financial statements are presented in TL, which is the parent Company’s functional and presentation currency.

c) Adjustment of financial statements in hyperinflationary economies

With the decision taken on 17 March 2005, the CMB announced that, effective from 1 January 2005, the application of inflation accounting is no longer required for companies operating in Turkey and preparing their financial statements in accordance with the Turkish Accounting Standards. Accordingly, TAS 29, “Financial Reporting in Hyperinflationary Economies”, has not been applied in the consolidated financial statements for the accounting year commencing from 1 January 2005.

d) Basis of consolidation

The condensed consolidated financial statements incorporate the financial statements of the Company and its subsidiary. Control is achieved when the Company;

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

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

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

TÜRK TUBORG BİRA VE MALT SANAYİİ A.Ş. AND ITS SUBSIDIARY

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD 1 JANUARY – 31 MARCH 2017

(Amounts expressed in thousands of Turkish Lira (“TL”) unless otherwise indicated.)

NOTE 2 - BASIS OF PRESENTATION OF CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

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

The details of the Company’s subsidiary as at 31 March 2017 and 31 December 2016 are as follows:

<u>Subsidiary</u>	<u>Location of incorporation</u>	<u>Participation rate (%)</u>	<u>Voting power (%)</u>	<u>Core business</u>
Tuborg Pazarlama A.Ş.	Turkey	99,99%	99,99%	Selling and distribution of beer

Consolidation of a subsidiary begins when the Company obtains control over the subsidiary and ceases when the Company loses control of subsidiary. Specifically, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated statement of profit or loss and other comprehensive income from the date the Company gains control until the date when the company ceases to control the subsidiary.

Profit or loss and each component of other comprehensive income are attributed to the owners of the Company and to the non-controlling interests. Total comprehensive income of subsidiaries is attributed to the owners of the Company and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with the Group’s accounting policies.

All intragroup assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

Non controlling interests are not separately reported in the materiality principle of the accounting.

2.2 Amendments to Turkish Accounting Standards

2.2.1 New and Revised TASs affecting presentation and disclosure only

None.

2.2.2 New and Revised TASs affecting the reported financial performance and/ or financial position

None.

TÜRK TUBORG BİRA VE MALT SANAYİİ A.Ş. AND ITS SUBSIDIARY

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD 1 JANUARY – 31 MARCH 2017

(Amounts expressed in thousands of Turkish Lira (“TL”) unless otherwise indicated.)

NOTE 2 - BASIS OF PRESENTATION OF CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

2.2.3 New and Revised TASs applied in 2017 with no material effect on the condensed consolidated financial statements

Amendments to TAS 16 and TAS 38	<i>Clarification of Acceptable Methods of Depreciation and Amortisation</i> ¹
TAS 16 and TAS 41	<i>Agriculture: Bearer Plants</i> ¹
Amendments to TFRS 11	<i>Accounting for Acquisition of Interests in Joint operations</i> ¹
TAS 1	<i>Presentation of financial statements</i> ¹
Annual Improvements 2014 Cycle	<i>TFRS 5, TFRS 7, TAS 19, TAS 34</i> ¹
TAS 27	<i>Equity Method in Separate Financial Statements</i> ¹
TFRS 10 and TAS 28	<i>Consolidated financial statements and Investments in associates and joint ventures</i> ¹
TFRS 14	<i>Regulatory Deferral Accounts</i> ¹

¹ Effective for annual periods beginning on or after 1 January 2016.

2.2.4 New and Revised TFRSs in issue but not yet effective

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

Amendments to TFRS 2	<i>Share based payments</i> ²
Amendments to TFRS 4	<i>Insurance contracts</i> ²
Amendments to TAS 7	<i>Statement of cash flows</i> ¹
TFRS 9	<i>Financial Instruments</i> ²
Amendments to TAS 12	<i>Income Taxes</i> ¹
TFRS 15	<i>Revenue from Contracts with Customers</i> ²
Amendments to TFRS 15	<i>Revenue from Contracts with Customers</i> ²
TFRS 16	<i>Leases</i> ³
Amendments to TAS 40	<i>Investment property</i> ²
Annual improvements to 2014-2016 cycle	<i>TFRS 1</i> ¹ , <i>TFRS 10</i> ¹ , <i>TFRS 12</i> ¹ , <i>TAS 28</i> ²
IFRIC 22	<i>Foreign currency transactions and advance consideration</i> ¹

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

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

³ Effective for annual periods beginning on or after 1 January 2019.

2.3 Summary of significant accounting policies

The accounting policies applied are consistent with those of the annual consolidated financial statements for the year ended 1 January - 31 December 2016. The condensed consolidated financial statements for the period between 1 January - 31 March 2017 should be read in conjunction with the annual consolidated financial statements for the year ended 1 January - 31 December 2016.

The Group is not subject to seasonality or cyclicity of interim operations that might have a significant effect on condensed consolidated financial statements.

TÜRK TUBORG BİRA VE MALT SANAYİİ A.Ş. AND ITS SUBSIDIARY

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD 1 JANUARY – 31 MARCH 2017

(Amounts expressed in thousands of Turkish Lira ("TL") unless otherwise indicated.)

NOTE 3 - RELATED PARTY DISCLOSURES

a) Due from related parties:

TL 97 (31 December 2016: TL 92).

b) Due to related parties:

	31 March 2017	31 December 2016
Desa Enerji Elektrik Üretim A.Ş. ("Desa Enerji")	1.142	1.375
Other	-	194
	1.142	1.569

c) Product and service sales:

None (1 January - 31 March 2016: TL 113).

d) Product and service purchases:

	1 January- 31 March 2017	1 January- 31 March 2016
Desa Enerji	3.069	3.148
Other	328	2.828
	3.397	5.976

The Group purchases electricity and hot water from Desa Enerji.

e) Key management compensation:

Key management includes general manager, assistant general managers and directors. The compensation paid or payable to key management for employee service is shown below:

	1 January- 31 March 2017	1 January - 31 March 2016
Short-term employee benefits	2.564	2.011
Post-employment benefits	-	-
Termination benefits	-	-
Share-based payments	-	-
Other	20	30
	2.584	2.041

TÜRK TUBORG BİRA VE MALT SANAYİİ A.Ş. AND ITS SUBSIDIARY

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD 1 JANUARY – 31 MARCH 2017

(Amounts expressed in thousands of Turkish Lira (“TL”) unless otherwise indicated.)

NOTE 4 - INVESTMENT PROPERTIES

	1 January 2017	Additions	Disposals	Transfers	31 March 2017
<u>Buildings and land improvements:</u>					
Cost	3.445	-	-	-	3.445
Accumulated depreciation	(1.892)	(29)	-	-	(1.921)
Net book value	1.553				1.524

	1 January 2016	Additions	Disposals	Transfers	31 March 2016
<u>Buildings and land improvements:</u>					
Cost	3.297	-	-	-	3.297
Accumulated depreciation	(1.701)	(28)	-	-	(1.729)
Net book value	1.596				1.568

Total rental income from the investment property amounts to TL 25 between 1 January- 31 March 2017 (1 January- 31 March 2016: TL 39). There are no operating expenses arising from the investment property.

As at 31 March 2017, the fair value of Group’s investment properties, of which is carried at cost less accumulated depreciation, have been determined by TSKB Gayrimenkul Değerleme ve Danışmanlık A.Ş.

Details of the Group’s investment properties and information about the fair value hierarchy as at 31 March 2017 are as follows:

		<u>Fair values as at 31 March 2017</u>			
		31 March 2017	Level 1 TL	Level 2 TL	Level 3 TL
Commercial property	unit				
located in Ankara		4.220	-	4.220	-
Commercial property	unit				
located in İzmir		2.350	-	2.350	-

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NOTE 5 - PROPERTY, PLANT AND EQUIPMENT

Movements of property, plant and equipment between 1 January and 31 March 2017 were as follows:

	1 January 2017	Additions	Disposals	Transfers	31 March 2017
Cost:					
Land	1.755	-	-	-	1.755
Land improvements	13.686	-	-	-	13.686
Buildings	85.696	-	-	2.522	88.218
Plant, machinery and equipment	409.292	1.648	-	635	411.575
Furniture and fixtures	340.846	24.611	(8.147)	1.443	358.753
Motor vehicles	9.379	1.191	-	-	10.570
Construction in progress	23.656	22.733	-	(4.600)	41.789
	884.310	50.183	(8.147)	-	926.346
Accumulated depreciation:					
Land improvements	(9.697)	(57)	-	-	(9.754)
Buildings	(54.944)	(744)	-	-	(55.688)
Plant, machinery and equipment	(280.635)	(3.314)	-	-	(283.949)
Furniture and fixtures	(194.332)	(15.296)	8.049	-	(201.579)
Motor vehicles	(3.224)	(311)	-	-	(3.535)
	(542.832)	(19.722)	8.049	-	(554.505)
Net book value	341.478				371.841

Movements of property, plant and equipment between 1 January and 31 March 2016 were as follows:

	1 January 2016	Additions	Disposals	Transfers	31 March 2016
Cost:					
Land	1.701	-	-	-	1.701
Land improvements	12.180	78	-	-	12.258
Buildings	75.461	110	-	-	75.571
Plant, machinery and equipment	358.855	674	(1.587)	2.628	360.570
Furniture and fixtures	278.517	12.235	(9.442)	707	282.017
Motor vehicles	5.343	574	(80)	-	5.837
Construction in progress	9.623	5.648	-	(3.335)	11.936
	741.680	19.319	(11.109)	-	749.890
Accumulated depreciation:					
Land improvements	(9.032)	(59)	-	-	(9.091)
Buildings	(50.227)	(603)	-	-	(50.830)
Plant, machinery and equipment	(267.671)	(2.551)	1.171	-	(269.051)
Furniture and fixtures	(151.100)	(12.626)	8.883	-	(154.843)
Motor vehicles	(2.884)	(149)	80	-	(2.953)
	(480.914)	(15.988)	10.134	-	(486.768)
Net book value	260.766				263.122

Current period depreciation and amortisation expenses of TL 13.715 (1 January- 31 March 2016: TL 11.259) have been charged to cost of production, TL 5.621 (1 January- 31 March 2016: TL 4.452) to marketing, selling and distribution costs and TL 1.091 (1 January- 31 March 2016: 808) to general administrative expenses.

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NOTE 5 - PROPERTY, PLANT AND EQUIPMENT (Continued)

Net book value of returnable bottles and crates classified under “Furniture and fixtures” amounts to TL 90.929 (31 December 2016: TL 81.391) at 31 March 2017.

There is no mortgage and pledge on property, plant and equipment as of 31 March 2017 and 2016.

NOTE 6 - INTANGIBLE ASSETS

The movements of intangible assets and related accumulated amortisation for the periods ended 31 March 2017 and 2016 were as follows:

	1 January 2017	Additions	Disposals	Transfers	31 March 2017
Rights	18.404	126	-	-	18.530
Accumulated amortisation	(13.622)	(676)	-	-	(14.298)
Net book value	4.782				4.232

	1 January 2016	Additions	Disposals	Transfers	31 March 2016
Rights	16.229	-	-	-	16.229
Accumulated amortisation	(11.431)	(503)	-	-	(11.934)
Net book value	4.798				4.295

Rights are mainly composed of computer software. There were not any internally generated intangible assets.

NOTE 7 - CONTINGENT ASSETS AND CONTINGENT LIABILITIES

The Group management has filed legal actions for the cancellation and return of the excise tax and value added tax which was paid previously for September 2005 and January 2006. 38 of those legal actions filed for the cancellation and return of the excise tax and VAT were concluded against Türk Tuborg while the jurisdiction is continued for the others. As at 31 March 2017, the total value of legal actions is amounted to TL 7.173 (31 December 2016: TL 7.173) in relation to those legal actions not finalized yet.

As at 31 March 2017, the Group has letters of guarantee given amounting to TL10.249 (31 December 2016: TL 9.087). The schedule for guarantee, pledge, mortgage and bails (GPM) given by the Group is as follows:

	31 March 2017	31 December 2016
A. Total value of GPM provided in favour of the Company itself	10.249	9.087
i. TL	10.249	9.087
B. Total value of GPM provided in favour of the subsidiary	181.944	180.716
C. Total value of GPM provided in favour of third parties engaged in ordinary course of operations	-	-
D. Total value of other GPM	-	-
i. Provided in favour of the main shareholder	-	-
ii. Provided in favour of related parties excluding those mentioned at article B and C above	-	-
iii. Provided in favour of third parties excluding those mentioned at C above	-	-
	192.193	189.803

The ratio of total value of other GPM to equity is 0% at 31 March 2017 (31 December 2016: 0%).

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NOTE 8 – CAPITAL, RESERVES AND OTHER SHARE CAPITAL RESERVES

a) Share capital:

The Company adopted the registered share capital system available to companies registered with the CMB and set a limit on its registered share capital representing registered type shares with a nominal value of 1 TL. The Company’s historical authorized registered share capital at 31 March 2017 and 31 December 2016 is as follows:

	31 March 2017	31 December 2016
Registered share capital (historical values)	500.000	500.000
Share capital with a nominal value	322.508	322.508

The compositions of the Company’s share capital at 31 March 2017 and 31 December 2016 were as follows:

	31 March 2017		31 December 2016	
	TL	Share (%)	TL	Share (%)
International Beer Breweries Ltd	308.597	95,69	308.597	95,69
Public quotation	13.911	4,31	13.911	4,31
	322.508		322.508	

There are 32.250.825.300 (31 December 2016: 32.250.825.300) units of shares with a face value of full TL 0,01 each at 31 March 2017. There are no privileged stocks.

	Historical value	Restated value	Adjustment to share capital
Share capital	322.508	600.121	277.613

b) Other equity items:

	31 March 2017	31 December 2016
Adjustment to share capital	277.613	277.613
Share premium	154	154
	277.767	277.767

The legal reserves consist of first and second reserves, appropriated in accordance with the TCC. The TCC stipulates that the first legal reserve is appropriated out of statutory profits at the rate of 5% per annum, until the total reserve reaches 20% of the Company’s paid-in capital. The second legal reserve is appropriated at the rate of 10% per annum of all cash distributions in excess of 5% of the paid-in capital. Other equity items shall be carried at the amounts in accordance with the Turkish Accounting Standards.

c) Accumulated losses:

As at 31 March 2017, accumulated profit in condensed consolidated financial position of the Group prepared in accordance with Turkish Accounting Standards amount to TL 148.445 (31 December 2016: accumulated loss TL 88.445).

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NOTE 9- TAX ASSETS AND LIABILITIES (INCLUDING DEFERRED TAX ASSETS AND LIABILITIES)

Current income tax liability:

	31 March 2017	31 December 2016
Provision for corporate tax expense	9.699	63.358
Prepaid taxes	(1.184)	(43.580)
Current income tax liability	8.515	19.778

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

Corporation tax is payable at a rate of 20% (31 December 2016: 20%) on the total income of the Company after adjusting for certain disallowable expenses, exempt income and investment and other allowances (e.g. research and development allowance). No further tax is payable unless the profit is distributed. Corporations are required to pay advance corporation tax quarterly at the rate of 20% (31 December 2016: 20%) on their corporate income. Under the Turkish taxation system, tax losses can be carried forward to offset against future taxable income for up to 5 years. Tax losses cannot be carried back to offset profits from previous periods.

In Turkey, there is no procedure for a final and definitive agreement on tax assessments. Companies file their tax returns within the 25th of the fourth month following the close of the financial year to which they relate. Tax returns are open for 5 years from the beginning of the year that follows the date of filing, during which time the tax authorities have the right to examine tax returns, and the related accounting records on which they are based, and may issue re-assessments based on their findings.

Dividends paid to non-resident corporations, which have a place of business in Turkey, or resident corporations are not subject to withholding tax. Otherwise, dividends paid are subject to withholding tax at the rate of 15% (31 December 2016: 15%). An increase in capital via issuing bonus shares is not considered as a profit distribution and thus does not incur withholding tax.

Taxation on income for the period ended 31 March 2017 and 2016 is as follows:

	1 January- 31 March 2017	1 January - 31 March 2016
Current corporate tax expense (*)	(5.726)	(9.726)
Deferred tax (expense)/ income	(4.251)	(2.834)
	(9.977)	(12.560)

(*) The adjustment amounting to TL 3.973 arising from the difference between the provisions booked as per the best estimate of Group management and the actual tax calculations determined in the following periods has been taken into consideration.

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NOTE 9- TAX ASSETS AND LIABILITIES (INCLUDING DEFERRED TAX ASSETS AND LIABILITIES) (Continued)

Reconciliation of the taxation on income for the period ended 31 March 2017 and 2016 is as follows:

	1 January- 31 March 2017	1 January - 31 March 2016
Income before tax	66.255	50.039
Tax calculated at tax rates applicable	(13.251)	(10.008)
Expenses not deductible for tax purposes	(923)	(3.729)
Other adjustments not subject to tax	4.136	726
Exemptions	61	1
Tax expense	(9.977)	(12.560)

Deferred taxes:

The Group recognizes deferred tax assets and liabilities based upon temporary differences arising between the consolidated financial statements and the statutory tax financial statements. Deferred taxes are calculated on temporary differences that are expected to be realized or settled under the liability method using the principal enacted tax rate of 20% (31 December 2016: 20%).

In Turkey, the companies cannot declare a consolidated tax return, therefore subsidiaries that have deferred tax assets position were not net off against subsidiaries that have deferred tax liabilities position and disclosed separately.

The breakdown of cumulative temporary differences and the resulting deferred tax assets and liabilities provided at 31 March 2017 and 31 December 2016, using enacted tax rates at the financial position dates, was as follows:

	31 March 2017		31 December 2016	
	Cumulative temporary differences	Deferred tax (liability)/ asset	Cumulative temporary differences	Deferred tax (liability)/ asset
Property, plant and equipment and intangible fixed assets	32.504	(6.536)	32.882	(6.612)
Inventory	(3.050)	610	(2.045)	409
Provision for employment termination benefits	(13.135)	2.652	(12.874)	2.575
Provision for vacation pay obligation and other provisions	(17.145)	3.429	(32.190)	6.438
Provision for impairment of financial investments	(3.463)	693	(3.463)	693
Provision for doubtful receivables	(16.657)	3.332	(15.723)	3.145
Other- net	432	(87)	(8.429)	1.686
		4.093		8.334

Thereof:

	31 March 2017	31 December 2016
Subsidiaries with net deferred income tax assets	13.777	16.366
Subsidiaries with net deferred income tax liabilities	(9.684)	(8.032)
	4.093	8.334

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NOTE 9- TAX ASSETS AND LIABILITIES (INCLUDING DEFERRED TAX ASSETS AND LIABILITIES) (Continued)

Movement of deferred tax assets for periods ended 31 March 2017 and 2016 are as follows:

	2017	2016
1 January	8.334	11.133
Profit or loss effect	(4.251)	(2.834)
Other comprehensive income effect	10	-
31 March	4.093	8.299

NOTE 10 - EARNINGS PER SHARE

Earnings per share are calculated by dividing the profit for the current period by the weighted average number of ordinary shares in issue during the period.

		1 January- 31 March 2017	1 January - 31 March 2016
Net profit for the period	A	56.278	37.479
Weighted number of ordinary shares	B	32.250.825.300	32.250.825.300
Gain per share with a 0,01 full TL face value	A/B	0,17	0,12

There are no differences between basic and diluted gain per share for the periods ended 31 March 2017 and 2016.

NOTE 11 – FINANCIAL INVESTMENTS

	31 March 2017	31 December 2016
Financial assets at fair value through profit or loss	219.456	166.323
Available-for-sale financial assets	167	167
	219.623	166.490

Fair values as at 31 March 2017

	31 March 2017	Level 1 TL	Level 2 TL	Level 3 TL
Financial assets at fair value through profit or loss	219.456	219.456	-	-
Available-for-sale financial assets	167	-	-	167

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NOTE 11 – FINANCIAL INVESTMENTS (Continued)

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

Financial assets at fair value through profit or loss are financial assets held for trading and stated below:

	31 March 2017	31 December 2016
Private sector bonds and bills	150.889	113.699
Certificates of deposits	68.567	52.624
	219.456	166.323

The financial assets which are acquired principally for the purpose of selling in the short term and classified as financial assets at fair value through profit or loss, consist of financial instruments that are traded in active markets and measured at their fair values derived from their quoted prices as of 31 March 2017.

Private sector bonds and bills, and certificates of deposits are dominated in USD and weighted average interest rates are 2,13% and 1,17%, respectively. (31 December 2016: 1,99% and 1,04%).

Movements of financial assets at fair value through profit or loss are as follows:

	2017
1 January	166.323
Purchase of financial investments	103.683
Sale of financial investments	(54.671)
Fair value increase of financial investments	104
Foreign exchange gain- net	4.017
31 March	219.456

b) Available-for-sale financial assets:

	31 March 2017		31 December 2016	
	Amount	Share (%)	Amount	Share (%)
Çamlı Yem Besicilik Sanayi ve Tic. A.Ş.	167	0,19	167	0,19
Desa Enerji	-	4,04	-	4,04
Bintur Turizm ve Catering Hizmetleri Tic. A.Ş.	-	4,66	-	4,66
	167		167	

Available-for-sale investments of the Group are stated at their costs less impairment losses amounted to TL 3.889 (31 December 2016: TL 3.889) since they are not traded in active markets and their fair values could not be calculated reliably.

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NOTE 12 - FOREIGN CURRENCY POSITION

Foreign Currency Position Schedule

	31 March 2017				31 December 2016			
	TL Equivalent	USD (thousands)	Euro (thousands)	Other (TL Equivalent)	TL Equivalent	USD (thousands)	Euro (thousands)	Other (TL Equivalent)
1. Trade Receivables	2.127	506	74	-	955	226	43	-
2a. Monetary Financial Assets (Including Cash, Bank accounts)	241.043	66.282	3	17	208.213	59.156	4	16
2b. Non-Monetary Financial Assets	9.265	3	2.382	-	9.270	8	2.491	-
3. Other	-	-	-	-	-	-	-	-
4. Current Assets (1+2+3)	252.435	66.791	2.459	17	218.438	59.390	2.538	16
5. Trade Receivables	-	-	-	-	-	-	-	-
6a. Monetary Financial Assets	-	-	-	-	-	-	-	-
6b. Non-Monetary Financial Assets	35	1	8	-	3.773	1	1.016	-
7. Other	-	-	-	-	-	-	-	-
8. Non-Current Assets (5+6+7)	35	1	8	-	3.773	1	1.016	-
9. Total Assets (4+8)	252.470	66.792	2.467	17	222.211	59.391	3.554	16
10. Trade Payables	(16.393)	(806)	(3.465)	-	(19.893)	(1.048)	(4.368)	-
11. Financial Liabilities	-	-	-	-	-	-	-	-
12a. Monetary Other Liabilities	-	-	-	-	-	-	-	-
12b. Non-Monetary Other Liabilities	(1.080)	(297)	-	-	(833)	(233)	-	(13)
13. Short Term Liabilities (10+11+12)	(17.473)	(1.103)	(3.465)	-	(20.726)	(1.281)	(4.368)	(13)
14. Trade Payables	-	-	-	-	-	-	-	-
15. Financial Liabilities	-	-	-	-	-	-	-	-
16a. Monetary Other Liabilities	-	-	-	-	-	-	-	-
16b. Non-Monetary Other Liabilities	-	-	-	-	-	-	-	-
17. Long Term Liabilities (14+15+16)	-	-	-	-	-	-	-	-
18. Total Liabilities (13+17)	(17.473)	(1.103)	(3.465)	-	(20.726)	(1.281)	(4.368)	(13)
19. Net Asset/(Liability) Position of Off-Financial Position								
Derivative Instruments (19a-19b)	-	-	-	-	-	-	-	-
19a. Net Asset/(Liability) Position of Off-Financial Position								
Derivative Instruments	-	-	-	-	-	-	-	-
19b. Amount of Liability Nature Off-Financial Position								
Derivative Instruments	-	-	-	-	-	-	-	-
20. Net Foreign Asset/(Liability) Position (9-18+19)	234.997	65.689	(998)	17	201.485	58.110	(814)	3
21. Net Foreign Currency Asset/(Liability) Position of								
Monetary Items (=1+2a+5+6a-10-11-12a-14-15-16a)	226.777	65.982	(3.388)	17	189.275	58.334	(4.321)	16
22. Total Fair Value of Financial Instruments Used for								
Foreign Currency Hedging	-	-	-	-	-	-	-	-
23. Amount of foreign currency denominated assets hedged	-	-	-	-	-	-	-	-
24. Amount of foreign currency denominated liabilities hedged	-	-	-	-	-	-	-	-

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NOTE 12 - FOREIGN CURRENCY POSITION (Continued)

31 March 2017:

	Profit/ Loss	
	Appreciation of foreign currency	Depreciation of foreign currency
Change of USD by 10% against TL:		
1- Asset/Liability denominated in USD- net	23.992	(23.992)
2- The part of USD risk hedged (-)	-	-
3- USD effect- net (1+2)	23.992	(23.992)
Change of Euro by 10% against TL:		
4- Asset/Liability denominated in Euro- net	(1.316)	1.316
5- The part of EUR risk hedged (-)	-	-
6- Euro effect- net (4+5)	(1.316)	1.316
Change of other currencies by 10% against TL:		
7- Asset/Liability denominated in other currencies- net	2	(2)
8- The part of other currency risk hedged (-)	-	-
9- Other currency effect- net (7+8)	2	(2)
TOTAL (3+6+9)	22.678	(22.678)

31 December 2016:

	Profit/ Loss	
	Appreciation of foreign currency	Depreciation of foreign currency
Change of USD by 10% against TL:		
1- Asset/Liability denominated in USD- net	20.529	(20.529)
2- The part of USD risk hedged (-)	-	-
3- USD effect- net (1+2)	20.529	(20.529)
Change of Euro by 10% against TL:		
4- Asset/Liability denominated in Euro- net	(1.603)	1.603
5- The part of EUR risk hedged (-)	-	-
6- Euro effect- net (4+5)	(1.603)	1.603
Change of other currencies by 10% against TL:		
7- Asset/Liability denominated in other currencies- net	2	(2)
8- The part of other currency risk hedged (-)	-	-
9- Other currency effect- net (7+8)	2	(2)
TOTAL (3+6+9)	18.928	(18.928)

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