CONVENIENCE TRANSLATION OF CONSOLIDATED FINANCIAL STATEMENTS AND AUDIT REPORT ORIGINALLY ISSUED IN TURKISH

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

CONSOLIDATED FINANCIAL STATEMENTS AND AUDIT REPORT FOR THE PERIOD 1 JANUARY - 31 DECEMBER 2017

CONVENIENCE TRANSLATION INTO ENGLISH OF INDEPENDENT AUDITOR'S REPORT ORIGINALLY ISSUED IN TURKISH

To the General Assembly of Türk Tuborg Bira ve Malt Sanayii A.Ş.

A. Audit of the Consolidated Financial Statements

1. Opinion

We have audited the accompanying consolidated financial statements of Türk Tuborg Bira ve Malt Sanayii A.Ş. (the "Company") and its subsidiary (collectively referred to as the "Group"), which comprise the consolidated statement of financial position as at 31 December 2017 and the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended and the notes to the consolidated financial statements and a summary of significant accounting policies and consolidated financial statement notes.

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

2. Basis for Opinion

Our audit was conducted in accordance with the Standards on Independent Auditing (the "SIA") that are part of Turkish Standards on Auditing issued by the Public Oversight Accounting and Auditing Standards Authority (the "POA"). Our responsibilities under these standards are further described in the "Auditor's Responsibilities for the Audit of the Consolidated Financial Statements" section of our report. We hereby declare that we are independent of the Group in accordance with the Ethical Rules for Independent Auditors (the "Ethical Rules") and the ethical requirements regarding independent audit in regulations issued by POA that are relevant to our audit of the financial statements. We have also fulfilled our other ethical responsibilities in accordance with the Ethical Rules and regulations. We believe that the audit evidence we have obtained during the independent audit provides a sufficient and appropriate basis for our opinion.

3. Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. Key audit matters were addressed in the context of our independent 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 our audit addressed the key audit matter*
Recoverability of trade receivables	
Trade receivables from third parties amounting TL 433.074 thousand as of 31 December 2017, constitute a significant portion of the consolidated financial statements of the Group (Note 4). The assessment of the recoverability of these receivables includes considering the following - the amount of guarantees/collateral held, past collection performance, creditworthiness, aging of receivables and existence of disputes. As a result of all of these assessments, determination of doubtful receivables and allocation of impairment provision for these receivables include judgements applied and use of assumptions by management. Therefore, recoverability of trade receivables is a key matter for our audit.	We performed the following procedures in relation to the recoverability of trade receivables: • Understanding and assessment of the Group's credit risk management policy including management of credit limits. • Testing receivables from third parties balances by obtaining confirmation letters from customers on a sample basis. • Analysing the aging of receivables from third parties. • Testing, on a sample basis, collections in the subsequent period. • Testing, on a sample basis, guarantees/collaterals held from customers. • Inquiries with management in relation to any disputes with customers or distributors and written inquiries with the Group's legal counsels on outstanding litigation and any disputes with customers in relation to trade receivables. • Based on the inquiries with the Group management, the basic assumption underlying the calculation of impairment and whether other judgments are reasonable have been assessed. • Assessing the adequacy and appropriateness of disclosures around recoverability of trade receivables in the consolidated financial statements.

4. Responsibilities of Management and Those Charged with Governance for the Consolidated Financial Statements

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

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

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

5. Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

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

Our aim is to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an independent auditor's report that includes our opinion. Reasonable assurance expressed as a result of an independent audit conducted in accordance with SIA is a high level of assurance but does not guarantee that a material misstatement will always be detected. Misstatements can arise from fraud or error. Misstatements 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 independent audit conducted in accordance with SIA, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

5. **Auditor’s Responsibilities for the Audit of the Consolidated Financial Statements (Continued)**

- Identify and assess the risks of material misstatement in 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.

- Assess the 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 independent 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.

5. Auditor's Responsibilities for the Audit of the Consolidated Financial Statements (Continued)

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

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

B. Other Responsibilities Arising From Regulatory Requirements

1. No matter has come to our attention that is significant according to subparagraph 4 of Article 402 of Turkish Commercial Code ("TCC") No. 6102 and that causes us to believe that the Company's bookkeeping activities concerning the period from 1 January to 31 December 2017 period are not in compliance with the TCC and provisions of the Company's articles of association related to financial reporting.

2. In accordance with subparagraph 4 of Article 402 of the TCC, the Board of Directors submitted the necessary explanations to us and provided the documents required within the context of our audit.

3. In accordance with subparagraph 4 of Article 398 of the TCC, the auditor's report on the early risk identification system and committee was submitted to the Company's Board of Directors on 12 March 2018.

PwC Bağımsız Denetim ve
Serbest Muhasebeci Mali Müşavirlik A.Ş.

Mehmet Karakurt, SMMM
Partner

İstanbul, 12 March 2018

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CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 31 DECEMBER 2017
(Amounts expressed in thousands of Turkish Lira ("TL") unless otherwise indicated.)

	Notes	***Current Period Audited*** **31 December 2017**	***Prior Period Audited*** **31 December 2016**
ASSETS			
Current assets		**1.137.565**	**917.424**
Cash and cash equivalents	27	344.292	297.196
Financial investments		248.003	166.490
- Financial assets at fair value through profit or loss	24	247.836	166.323
- Financial assets available for sale	24	167	167
Trade receivables	4	433.209	341.129
- Due from related parties	3	135	92
- Due from third parties		433.074	341.037
Other receivables	5	761	1.107
- Due from third parties		761	1.107
Inventories	6	102.231	98.149
Prepaid expenses	15	9.069	13.353
- Prepaid expenses from third parties		9.069	13.353
Non-current assets		**523.875**	**368.134**
Other receivables	5	171	171
- Due from third parties		171	171
Investment properties	7	1.439	1.553
Property, plant and equipment	8	430.123	341.478
- Land		1.755	1.755
- Land Improvements		5.474	3.989
- Buildings		37.668	30.752
- Machinery and equipment		177.920	128.657
- Motor vehicles		8.491	6.155
- Furniture and fixtures		167.033	146.514
- Construction in progress		31.782	23.656
Intangible assets	9	6.454	4.782
- Rights		6.454	4.782
Deferred tax assets	22	17.673	16.366
Prepaid expenses	15	68.015	3.784
- Prepaid expenses from third parties		68.015	3.784
TOTAL ASSETS		**1.661.440**	**1.285.558**

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

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

	Notes	*Current Period* *Audited* **31 December 2017**	*Prior Period* *Audited* **31 December 2016**
LIABILITIES			
Current liabilities		**595.704**	**517.611**
Trade payables	4	166.378	118.778
- Due to related parties	3	3.742	1.569
- Due to third parties		162.636	117.209
Other payables	5	37.161	53.656
- Due to third parties		37.161	53.656
Deferred income	15	404	820
- Deferred income due to third parties		404	820
Current income tax liability	22	21.401	19.778
Short term provisions		98.478	93.718
- Provision for employee benefits	12	38.737	32.190
- Other short term provisions	10	59.741	61.528
Other current liabilities	16	271.882	230.861
- Current liabilities due to third parties		271.882	230.861
Non-current liabilities		**28.256**	**20.906**
Long term provisions		15.952	12.874
- Provision for employee benefits	12	15.952	12.874
Deferred tax liability	22	12.304	8.032
TOTAL LIABILITIES		**623.960**	**538.517**
EQUITY		**1.037.480**	**747.041**
Equity attributable to equity holders of the Group		**1.037.480**	**747.041**
Share capital	14	322.508	322.508
Adjustment to share capital	14	277.613	277.613
Share premium (discount)	14	154	154
Items that will not be reclassified to profits (losses)		(2.714)	(1.679)
- Revaluation of defined employee benefits (losses) plans		(2.714)	(1.679)
Restricted reserves appropriated from profits		877	-
- Legal reserves	14	877	-
Accumulated profits or losses	14	131.266	(88.445)
Net profit or loss for the period		307.776	236.890
TOTAL EQUITY AND LIABILITIES		**1.661.440**	**1.285.558**

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

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

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

	Notes	***Current Period Audited*** **1 January- 31 December 2017**	***Prior Period Audited*** **1 January- 31 December 2016**
Profit or Loss			
Revenue	17	1.235.831	962.729
Cost of sales	17	(532.832)	(416.387)
GROSS PROFIT (LOSS) FROM COMMERCIAL OPERATIONS		**702.999**	**546.342**
GROSS PROFIT (LOSS)		**702.999**	**546.342**
General administrative expenses	18	(55.201)	(47.268)
Marketing, selling and distribution expenses	18	(314.210)	(238.266)
Other income from operating activities	19	12.650	10.754
Other expense from operating activities	19	(15.201)	(21.229)
PROFIT (LOSS) FROM OPERATING ACTIVITIES		**331.037**	**250.333**
Income from investing activities	20	113.020	77.362
Expense from investing activities	20	(50.919)	(14.890)
PROFIT (LOSS) BEFORE FINANCING INCOME (EXPENSES)		**393.138**	**312.805**
Finance expenses	21	(11.484)	(9.920)
PROFIT (LOSS) FROM CONTINUING OPERATIONS, BEFORE TAX		**381.654**	**302.885**
Tax (expense) income, continuing operations		(73.878)	(65.995)
- Current period tax (expense) income	22	(70.654)	(63.358)
- Deferred tax (expense) income	22	(3.224)	(2.637)
PROFIT (LOSS) FROM CONTINUING OPERATIONS		**307.776**	**236.890**
PROFIT (LOSS)		**307.776**	**236.890**
Profit (loss), attributable to			
Non-controlling interests		-	-
Equity holders of the Group		307.776	236.890
		307.776	**236.890**
Earnings per share for net profit attributable to the equity holders of the parent company (full TL)	**23**	**0,95**	**0,73**
Other comprehensive income:			
Items that will not be reclassified to profit or loss		**(1.035)**	**648**
- Gains (losses) on remeasurements of defined benefit plans	12	(1.294)	810
- Taxes relating to components of other comprehensive income that will not be reclassified to profit or loss		259	(162)
-Taxes relating to gains (losses) on remeasurents of defined benefit plans	22	259	(162)
OTHER COMPREHENSIVE INCOME (LOSS)		**(1.035)**	**648**
TOTAL COMPREHENSIVE INCOME (LOSS)		**306.741**	**237.538**
Allocation of comprehensive income:			
Non-controlling interests		-	-
Equity holders of the Group		306.741	237.538
		306.741	**237.538**

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

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE PERIOD 1 JANUARY- 31 DECEMBER 2017

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

				Items That Will Not Be Reclassified To Profit or Loss		*Accumulated Profits/ Losses*			
Audited	**Share Capital**	**Adjustment to Share Capital**	**Share Premium /(Discounts)**	**Revaluation of Defined Emp. Benefits/(Losses)**	**Restricted Reserves**	**Accumulated Profits/ (Losses)**	**Net Profit/(Loss) for the Period**	**Equity Holders of the Group**	**Total Equity**
Prior Period 1 January –31 December 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 (loss)	-	-	-	648	-	-	236.890	237.538	237.538
- Profit (loss) for the period	-	-	-	-	-	-	236.890	236.890	236.890
- Other comprehensive income (loss)	-	-	-	648	-	-	-	648	648
Balances at closing	**322.508**	**277.613**	**154**	**(1.679)**	**-**	**(88.445)**	**236.890**	**747.041**	**747.041**
Audited									
Current Period 1 January – 31 December 2017									
Balances at beginning	**322.508**	**277.613**	**154**	**(1.679)**	**-**	**(88.445)**	**236.890**	**747.041**	**747.041**
Transfers	-	-	-	-	859	236.031	(236.890)	-	-
Dividends	-	-	-	-	18	(16.320)	-	(16.302)	(16.302)
Total comprehensive income (loss)	-	-	-	(1.035)	-	-	307.776	306.741	306.741
- Profit (loss) for the period	-	-	-	-	-	-	307.776	307.776	307.776
- Other comprehensive income (loss)	-	-	-	(1.035)	-	-	-	(1.035)	(1.035)
Balances at closing	**322.508**	**277.613**	**154**	**(2.714)**	**877**	**131.266**	**307.776**	**1.037.480**	**1.037.480**

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

CONSOLIDATED FINANCIAL STATEMENTS OF CASH FLOWS
FOR THE PERIOD 1 JANUARY – 31 DECEMBER 2017
(Amounts expressed in thousands of Turkish Lira ("TL") unless otherwise indicated.)

	Notes	***Current Period Audited*** **1 January- 31 December 2017**	***Prior Period Audited*** **1 January- 31 December 2016**
Cash Flows Provided From Operating Activities:			
Profit (Loss) for the period		**307.776**	**236.890**
- Profit (Loss) for the period from continuing operations		307.776	236.890
Adjustments to Reconcile Net Profit (Loss) For The Period:		**169.264**	**114.342**
Adjustments for depreciation and amortisation expense	7-8-9	126.272	73.562
Adjustments for impairment loss (reversal)		1.141	5.810
Adjustments for impairment loss (reversal) of receivables	4	2.239	4.611
Adjustments for impairment loss (reversal) of inventory	6	(1.098)	1.199
Adjustments for provisions		28.219	32.274
Adjustments for (reversal of) provision related to employee benefits	12	30.006	27.053
Adjustments for (reversal of) provision related with legal case	10	1.559	1.559
Adjustments for (reversal of) provisions	10	(3.346)	3.662
Adjustments for interest (income) expenses		(39.567)	(30.269)
Adjustments for interest income	20	(41.320)	(30.352)
Unearned finance income due to sales	4	(1.283)	(84)
Unincurred finance expense due to purchases	4	3.036	167
Adjustments for fair value losses (gains)		(282)	267
Adjustments for fair value losses (gains) of financial assets	24	(282)	267
Adjustments for taxation (income) expense	22	73.878	65.995
Adjustments for losses (gains) on sale of fixed assets		(1.550)	(1.512)
Adjustments for losses (gains) on sale of tangible assets	20	(1.550)	(1.512)
Other adjustments for non-cash items		-	(1.067)
Adjustments for unrealised foreign exchange losses (gains)		(18.847)	(30.718)
Changes in Working Capital:		**(86.947)**	**(39.571)**
Adjustments for decrease (increase) in trade receivables		(97.355)	(89.450)
Decrease (increase) in trade receivables from related party	3	(43)	128
Decrease (increase) in trade receivables from third party	4	(97.312)	(89.578)
Adjustments for decrease (increase) in other receivables		346	(758)
Decrease (increase) in other receivables from third party	5	346	(758)
Adjustments for decrease (increase) in inventories	6	(2.984)	(51.674)
Decrease (increase) in prepaid expenses	15	(59.947)	(4.561)
Adjustments for increase (decrease) in trade payables		48.883	35.146
Increase (decrease) in trade payables to related parties	3	2.173	(1.980)
Increase (decrease) in trade payables to third party	4	46.710	37.126
Adjustments for increase (decrease) in other payables		(16.495)	11.678
Increase (decrease) in other receivables from third party	5	(16.495)	11.678
Increase (decrease) in deferred income	15	(416)	(316)
Adjustments for increase (decrease) in working capital		41.021	60.364
Increase (decrease) in other liabilities	16	41.021	60.364
		390.093	**311.661**
Provisions paid related to employee benefits	12	(21.675)	(14.663)
Income taxes return (paid)	22	(69.031)	(55.569)
Net Cash Generated From Operating Activities		**299.387**	**241.429**

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

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

	Notes	*Current Period Audited* 1 January- 31 December 2017	*Prior Period Audited* 1 January- 31 December 2016
Cash Flow From Investing Activities:			
Cash inflow from sale of tangible and intangible assets		3.686	4.605
Cash inflow from sale of tangible assets	8-20	3.686	4.605
Cash outflow from purchase of tangible and intangible assets		(218.611)	(156.241)
Cash outflow from purchase of tangible assets	8	(215.482)	(155.706)
Cash outflow from purchase of intangible assets	9	(3.129)	(535)
Interest received	20	41.320	30.352
Cash inflow from sale of equity or debt instruments of other companies	24	263.974	44.374
Cash outflow from acquisition of equity or debt instruments of other companies	24	(332.375)	(181.202)
Net Cash Used in Investing Activities		**(242.006)**	**(258.112)**
Cash Flow From Financing Activities:			
Dividends paid	3	(16.302)	-
Net Cash Used in Financing Activities		**(16.302)**	-
Net Increase (Decrease) In Cash and Cash Equivalents Before Currency Translation Differences		**41.079**	**(16.683)**
Effect of currency translation differences on cash and cash equivalents		6.017	956
Net Increase (Decrease) In Cash and Cash Equivalents		**47.096**	**(15.727)**
Cash and cash equivalents at the beginning of the period		297.196	312.923
Cash and Cash Equivalents at the end of the Period	**27**	**344.292**	**297.196**

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

(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 December 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 14).

The average number of employees in the Company and Tuborg Pazarlama A.Ş., its subsidiary, ("Group") as at 31 December 2017 is 1.211 (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 2016: 99,99%). Accordingly, Tuborg Pazarlama performs sales and distribution of such products in the domestic market.

Approval of the consolidated financial statements for issue:

The 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 12 March 2018. The General Assembly of the Company and/or governmental authorities are entitled to modify the consolidated financial statements as enclosed herein.

NOTE 2 - BASIS OF PRESENTATION OF CONSOLIDATED FINANCIAL STATEMENTS

2.1 Basis of presentation

a) Statement of compliance

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.

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

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.

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 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 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 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.

NOTE 2 - BASIS OF PRESENTATION OF 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 December 2017 and 2016 are as follows:

Subsidiary	Location of incorporation	Participation rate (%)	Voting power (%)	Core business
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 the 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.

e) Comparatives and restatement of prior year consolidated financial statements

In order to allow the determination of the financial position and performance of the Group's consolidated financial statements are prepared in comparison with the previous period. When it is necessary, comparative figures are reclassified to comply with the presentation of the consolidated financial statements for the period and significant differences are disclosed.

2.2 Changes in accounting policies

Any significant changes in the accounting policies are retrospectively applied and the consolidated financial statements of the preceding terms are restated. There has been no change in the accounting policies of the Group in the current year.

2.3 Changes in accounting estimates and errors

Any significant changes in accounting estimates are prospectively applied in consolidated financial statements and accounted for in the current and preceding periods. There has been no significant change in the accounting estimates of the Group in the current year.

In relation to errors identified in financial reporting, they are accounted for retrospectively and prior year financial statements are restated.

2.4 New and Revised Turkish Accounting Standards

2.4.1 New and Revised TASs affecting presentation and disclosure only

None.

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

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

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

None.

2.4.3 Amendments to IFRSs that are mandatorily effective for the current year

Amendments to TAS 7	*Disclosure Initiative* [1]
Amendments to TAS 12	*Recognition of Deferred Tax Assets for Unrealized Losses*[1]
Annual improvements to 2014-2016 cycle	*TFRS 12*[1]

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

2.4.4 New and revised IFRSs in issue but not yet effective

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

Amendments to TFRS 2	*Classification and Measurement of Share-Based Payment Transactions* [1]
TFRS 9	*Financial Instruments*[1]
Amendments to TFRS 9	*Financial Instruments*[2]
TFRS 15	*Revenue from Contracts with Customers*[1]
Amendments to TFRS 15	*Revenue from Contracts with Customers*[1]
Amendments to TFRS 4	*Insurance contract*[1]
TFRS 16	*Leases*[2]
TFRS 17	*Insurance contracts*[3]
Amendments to IFRS 10 and TAS 28	*Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*[2]
Amendments to TAS 28	*Long-term Interests in Associates and Joint Ventures* [2]
Amendments to TAS 40	*Transfers of Investment Property* [1]
Annual Improvements to IFRS Standards 2014–2016 Cycle	*TFRS 1*[1], *TFRS 7*[1], *TFRS 10*[1], *TAS 19*[1], *TAS 28*[1]
IFRIC 22	*Foreign currency transactions and advance consideration* [1]
IFRIC 23	*Uncertainty over income tax treatments*[2]

[1] Effective for annual periods beginning on or after 1 January 2018.
[2] Effective for annual periods beginning on or after 1 January 2019.
[3] Effective for annual periods beginning on or after 1 January 2021.

The Group will consider the effects of the aforementioned changes to the Group's operations and apply if necessary. The effects of the above mentioned changes in standards and comments are being evaluated.

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

2.5 Summary of significant accounting policies

2.5.1 Revenue recognition

Revenue is generated from beer 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. Prepaid and non-accrued discount amounts are stated as prepaid expenses and are accounted as sales discounts in accordance with the terms of the related sales contracts on an accrual basis.

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.

Interest income:

Interest income is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount.

Rental income:

Rental income from investment properties is accounted for during the duration of rent agreement based on straight-line method.

2.5.2 Inventories

Inventories are stated at the lower of cost and net realizable value. Costs, including an appropriate portion of fixed and variable overhead expenses, are assigned to inventories held by the method most appropriate to the particular class of inventory, with valued on a weighted average basis. Net realizable value represents the estimated selling price less all estimated costs of completion and costs necessary to make a sale. When the net realizable value of inventory is less than cost, the inventory is written down to the net realizable value and the expense is included in the consolidated statement of profit or loss and other comprehensive income 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 economic circumstances, the amount of the write-down is reversed. The reversal amount is limited to the amount of the original write-down.

2.5.3 Property, plant and equipment

All other items of property, plant and equipment acquired before 1 January 2005 are carried at cost in the equivalent purchasing power of TL as at 31 December 2004 and items acquired after 1 January 2005 are carried at cost, less the subsequent depreciation and impairment loss. Borrowing costs directly attributable to the qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets in accordance with the Group's accounting policy. In 2017, the Group does not have any qualified assets.

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

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

Property, plant and equipment are capitalised and depreciated when they are fully commissioned and in a physical state to meet their designed production capacity. Residual values of property, plant and equipment are deemed as negligible.

Depreciation is charged so as to write off the cost or valuation of assets, other than land and properties under construction, over their estimated useful lives, using the straight-line method. Land is not depreciated and carried at cost less accumulated impairment. Assets held under finance leases are depreciated over their expected useful lives on the same basis as owned assets using the straight-line method.

The annual depreciation rates for property, plant and equipment, which are based on the approximate useful lives of such assets, are as follows:

	Rate (%)
Buildings and land improvements	2,5 - 4
Machinery and equipments	6,7 - 20
Furniture, fixtures and returnable bottles and crates	6,7 - 33
Motor vehicles	12,5 - 20

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

An impairment loss is recognised for the amount by which the carrying amount of the asset exceeds its recoverable amount. Impairment losses are recognised in consolidated statement of profit or loss and other comprehensive income.

Any gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognized in profit or loss.

Repairs and maintenances are charged to the consolidated statement of profit or loss and other comprehensive income during the financial period in which they are incurred. Expenses after capitalization are added at cost in cases when the prospective economic interest related to the said asset has high possibility of being transferred to the Group and this cost can be measured soundly; or it is recorded in the consolidated financial statements as a separate asset. The Group excludes the transferred value from the financial standing statement regardless of whether the parts replaced in scope of expenses after capitalization are subject to amortization independent from other items. Expenses after capitalization that are added to cost of asset are subjected to amortization in accordance with their economic life cycle.

2.5.4 Investment property

Investment property, which are properties, held to earn rentals and/or for capital appreciation is carried at cost less accumulated depreciation and any accumulated impairment losses. The carrying amount includes the cost of replacing part of an existing investment property at the time that cost is incurred if the recognition criteria are met; and excludes the costs of day to day servicing of an investment property. Depreciation is provided on investment property on a straight line basis over 20-40 years.

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

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

2.5.5 Financial leasing

Leasing - the Group as Lessee

Assets held under finance leases are initially recognized as assets of the Group at their fair value at the inception of the lease or, if lower, at the present value of the minimum lease payments. The corresponding liability to the lessor is included in the consolidated statement of financial position as a finance lease obligation.

Lease payments are apportioned between finance expenses and reduction of the lease obligation so as to achieve a constant rate of interest on the remaining balance of the liability. Finance expenses are recognized immediately in profit or loss, unless they are directly attributable to qualifying assets, in which case they are capitalized in accordance with the Group's general policy on borrowing costs. Contingent rentals are recognized as expenses in the periods in which they are incurred.

Operating lease payments are recognized as an expense on a straight-line basis over the lease term, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed. Contingent rentals arising under operating leases are recognized as an expense in the period in which they are incurred.

2.5.6 Intangible assets

Intangible assets are mainly composed of computer software and other related intangible assets none of which were internally generated. All other items of intangible assets acquired before 1 January 2005 are carried at cost in the equivalent purchasing power of TL as at 31 December 2004 and items acquired after 1 January 2005 are carried at cost, less the subsequent depreciation and impairment loss, if any, at the consolidated financial statements. Amortization is charged on a straight-line basis over their estimated useful lives of three years. The estimated useful life and amortization method are reviewed at the end of each annual reporting period, with the effect of any changes in estimate being accounted for on a prospective basis. Residual values of intangible assets are deemed as negligible. An impairment loss is recognised for the amount by which the carrying amount of the asset exceeds its recoverable amount.

2.5.7 Impairment of non-financial assets

At each reporting date, the Group assesses whether there is an impairment indication for the assets, stated at revalued amounts. When an indication of impairment exists, the Group estimates the recoverable amounts of such assets. Recoverable amounts of intangible assets that are not available for use, are estimated at each reporting date. An impairment loss is recognised for the amount by which the carrying amount of the asset or any cash-generating unit of that asset exceeds its recoverable amount, which is the higher of an asset's net selling price or value in use. Impairment losses are accounted for in the consolidated statement of profit or loss and other comprehensive income.

Impairment losses can be reversed to the extent that increased carrying amount of an asset shall not exceed the carrying amount that would have been determined had no impairment loss been recognized for the asset in prior years provided that increases in the recoverable amount of the asset can be associated with events that occur subsequent to the period in which the impairment loss was recognised.

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

2.5.8 Borrowing costs

Borrowings are recognised initially at the proceeds received, net of any transaction costs incurred. In subsequent periods, borrowings are measured at amortised cost using the effective yield method; any difference between the proceeds (net of transaction costs) and the redemption value is recognised at the consolidated statement of profit or loss and other comprehensive income as a finance cost over the period of the borrowings. Loans with a maturity of less than 12 months are included in current liabilities and in non-current liabilities with a maturity of longer than 12 months.

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale.

2.5.9 Financial instruments

a) <u>Financial assets</u>

The classification of financial assets depends on the purpose for which the financial assets were acquired. The Group management determines the classification of its financial assets at initial recognition and re-evaluates this designation at every reporting date.

The Group classifies its financial instruments in the following categories:

i. <u>Loans and receivables</u>

Receivables constitute non-derivative financial instruments, which are not quoted in active markets and have fixed or scheduled payments. Receivables without held-for-sale intention arise from the Group's supply of goods and service to any debtor. If the maturity of these instruments are less than 12 months, these receivables are classified in current assets and if more than 12 months, classified in non-current assets. The receivables are included in trade receivables and other receivables in the consolidated statement of financial position. Receivables are recognised initially at the proceeds received, net of any transaction costs incurred. In subsequent periods, receivables are stated at amortised cost using the effective yield method. The effective interest method is a method of calculating the amortized cost of a financial asset and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset, or, where appropriate, a shorter period.

ii. <u>Available-for-sale financial assets</u>

Investments intended to be held for an indefinite period of time, which may be sold in response to needs for liquidity or changes in interest rates, are classified as available-for-sale. These are included in non-current assets unless management has expressed the intention of holding the investment for less than 12 months from the statement of financial position date or unless they will need to be sold to raise operating capital, in which case they are included in current assets. The Group management determines the appropriate classification of its investments at the time of the purchase and re-evaluates such designation on a regular basis.

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

All financial investments are initially recognised at cost, being the fair value of the consideration given and including acquisition charges associated with the investments, and subsequently carried at fair value. The financial assets which the group has a participation rate less than 20% and are classified as available-for-sale investments, are carried at market value when there is quoted market price, they are carried at fair value by using generally accepted valuation techniques, when there is no active market for the financial asset quoted not active.

When there is no quoted market price, and when a reasonable estimate of fair value could not be determined as a result of being other methods inappropriate and unworkable, available-for-sale investments acquired before 1 January 2005 are carried at cost expressed in purchasing power of TL as at 31 December 2004 and available-for-sale investments acquired after 1 January 2005 are carried at cost, less impairment losses, if any. Impairment losses are recognized at consolidated statement of profit or loss and other comprehensive income.

iii. Financial assets as at fair value through profit or loss

Financial assets at fair value through profit or loss are financial assets held for trading. A financial asset is classified in this category if acquired principally for the purpose of selling in the short term. Fair value of the financial assets recognized immediately in profit or loss as an investment income or loss from investment activities.

Impairment of financial assets

Financial assets, other than those at FVTPL, are assessed for indicators of impairment at each statement of financial position date. Financial assets are impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the investment have been impacted. For financial assets carried at amortized cost, the amount of the impairment is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate.

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of trade receivables where the carrying amount is reduced through the use of an allowance account. When a trade receivable is uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against the allowance account. Changes in the carrying amount of the allowance account are recognized in profit or loss.

For financial assets measured at amortized cost, if, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognized, the previously recognized impairment loss is reversed through profit or loss to the extent that the carrying amount of the investment at the date the impairment is reversed does not exceed what the amortized cost would have been had the impairment not been recognized.

For financial asssets carried at cost, if there is objective evidence of impairment, the amount of the impariment loss is measured as the difference between carriying amount and the present value of estimated future cash flows discounted at the current rate of return for a similar financial asset. Once an impairment loss has been recognised on a financial asset recognised at cost, it is not permitted to recognize a reversal.

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

For available for sale financial assets, a significant or prologned decline in the fair value of the assets below its cost is considered as an objective indicator of impairment. Cumulative loss that had been recognised directly in equity shall be removed from equity and recognised in the profit or loss even though the financial asset has not been derecognised. The amount of the cumulative loss that is removed from equity and recognized in profit or loss shall be the difference between the acquisition cost and current fair value, less any impariment loss on that financial asset previously recognised in profit or loss.

b) Financial liabilities

Financial liabilities and equity instruments issued by the Group are classified according to the substance of the contractual arrangements entered into and the definitions of a financial liability and an equity instrument. An equity instrument is any contract that evidences a residual interest in the assets of the Group after deducting all of its liabilities. The accounting policies adopted for specific financial liabilities and equity instruments are set out below. Financial liabilities are classified as either financial liabilities at FVTPL or other financial liabilities.

i. Other financial liabilities

Other financial liabilities, including borrowings, are initially measured at fair value, net of transaction costs. Other financial liabilities are subsequently measured at amortized cost using the effective interest method, with interest expense recognized on an effective yield basis.

The effective interest method is a method of calculating the amortized cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments through the expected life of the financial liability, or, where appropriate, a shorter period.

2.5.10 Foreign currency transactions

For the purpose of the consolidated financial statements, the results and financial position of each entity are expressed in TL. In preparing the financial statements of the individual entities, transactions in currencies other than TL (foreign currencies) are recorded at the rates of exchange prevailing on the dates of the transactions. At each statement of financial position date, monetary items denominated in foreign currencies are retranslated at the rates prevailing on the statement of financial position date. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated. Exchange differences are recognized in profit or loss in the period in which they arise.

2.5.11 Earnings per share

Earnings per share disclosed in the consolidated statement of profit or loss and other comprehensive income are determined by dividing net profit for the year by the weighted average number of shares that have been outstanding during the year.

Companies can increase their share capital by making a pro-rata distribution of shares ("bonus shares") to existing shareholders from retained earnings. For the purpose of earnings per share computations, the weighted average number of shares outstanding during the year has been adjusted in respect of bonus shares issues and other similar movements without a corresponding change in resources, by giving them retroactive effect for the year in which they were issued and for each earlier year.

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

2.5.12 Events after the reporting period

Subsequent events, announcements related to net profit or even declared after other selective financial information has been publicly announced, include all events that take place between the statement of financial position date and the date when statement of financial position was authorised for issue.

In the case that events require a correction to be made occur subsequent to the reporting period, the Group makes the necessary corrections to the consolidated financial statements. Moreover, the events that occur subsequent to the statement of financial position date and not require a correction to be made are disclosed in accompanying notes, where the decisions of the users of consolidated financial statements are affected.

2.5.13 Provisions, contingent assets and contingent liabilities

Provisions are recognized when the Group has a present obligation as a result of a past event, and it is probable that the Group will be required to settle that obligation, and a reliable estimate can be made of the amount of the obligation.

The amount recognized as a provision is the best estimate of the consideration required to settle the present obligation at the statement of financial position date, taking into account the risks and uncertainties surrounding the obligation. Where a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows.

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

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

2.5.14 Related parties

For the purpose of the consolidated financial statements, shareholders, financial investments, International Beer Breweries Ltd Group companies, key management personnel, members of board of directors, close family members together with companies controlled, jointly controlled or significantly influenced by them are considered as and referred to as related parties.

2.5.15 Operating segments

Due to the fact that the Group only operates in one single industrial segment, that a substantial part of its operations occur in Turkey and that all of its assets are located in Turkey, the financial information are not required to be reported by segments.

2.5.16 Taxation and deferred income taxes

Tax legislation which is effective in Turkey does not permit a parent company and its subsidiary to file a consolidated tax return. Therefore, provisions for taxes, as reflected in the accompanying consolidated financial statements, have been calculated on a separate-entity basis.

Income tax expense represents the sum of the tax currently payable and deferred tax.

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

i. Current tax

The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit as reported in the consolidated statement of profit or loss and other comprehensive income because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the statement of financial position date.

ii. Deferred tax

Deferred tax is recognized on differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases which is used in the computation of taxable profit, and is accounted for using the statement of financial position liability method. Deferred tax liabilities are generally recognized for all taxable temporary differences and deferred tax assets are recognized for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilized.

Deferred tax liabilities are recognized for taxable temporary differences associated with investments in subsidiaries and associates, and interests in joint ventures, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments and interests are only recognized to the extent that it is probable that there will be sufficient taxable profits against which to utilize the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

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

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

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Group intends to settle its current tax assets and liabilities on a net basis.

iii.Current and deferred tax for the period

Current and deferred tax are recognized as in profit or loss, except when they relate to items that are recognized in other comprehensive income or directly in equity, in which case, the current and deferred tax are also recognized in other comprehensive income or directly in equity respectively.

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

2.5.17 Benefits provided to employees

Under Turkish law and union agreements, lump sum payments are made to employees retiring or involuntarily leaving the Group. Such payments are considered as being part of defined retirement benefit plan as per TAS 19.

The retirement benefit obligation recognized in the statement of financial position represents the present value of the defined benefit obligation. All actuarial gains and losses are charged to consolidated statement of profit or loss and other comprehensive income.

2.5.18 Statement of cash flows

In the consolidated statement of cash flows, the consolidated cash flows for the term are classified and reported basing upon the operations, investment and financing activities. Consolidated cash flows from operating activities indicate the consolidated cash flows from the Group's activities. Consolidated cash flows related with the investment activities indicate the consolidated cash flows which the Group uses and acquires in its investment activities. Cash flows related with the financing activities indicate the consolidated resources which the Group uses in its financing activities and the repayments of such resources.

Cash and cash equivalents include the cash and bank deposits as well as short-term high-liquidity investments with certain amounts and with maturities equal to or less than 3 months, which may be easily liquidated.

2.5.19 Capital and dividends

Ordinary shares are classified as capital. Dividend payments of ordinary shares are entered in the records in the term when they are described in the capital.

2.5.20 Other payables

The Group's returnable bottles and crates are classified as property, plant and equipment and the liabilities related their deposits are classified as other payables in the consolidated financial position (Note 5). The Group use estimates of past experience based on the movements of the items within the related accounting period and the customer's returns in the calculation of the deposits liabilities related to the returnable bottles and the crates.

2.6 Critical accounting estimates and judgments

Preparation of consolidated financial statements requires disclosure of assets and liabilities, contingent assets and liabilities as at statement of financial position date and utilization of estimates and assumptions that can affect income and expense amounts. The results of these estimations and assumptions can differ from the actual results even these estimations and assumptions are based on the management's best estimate.

Significant estimate of the Group management is as follows:

a) Provision for doubtful receivables

The assessment of the recoverability of receivables performed by Management, includes considering the following for each customer – the amount of guarantees/collateral held, past collection performance, creditworthiness, aging of receivables and existence of disputes.

Where the final results of these estimates differ from those initially recorded, these differences could affect the provision for impairment of trade receivables and the income statement in the period in which they are determined. If there is a change in estimations, effect of these changins will be recognised prospectively.

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

NOTE 3 - RELATED PARTY DISCLOSURES

a) Trade receivables due from related parties:

TL 135 (31 December 2016: TL 92).

b) Trade payables due to related parties:

	31 December 2017	31 December 2016
United Romanian Breweries Bereprod S.R.L. ("URBB")	2.484	104
Desa Enerji Elektrik Üretim A.Ş. ("Desa Enerji")	1.235	1.375
Other	23	90
	3.742	**1.569**

Due to related parties has a weighted average maturity of one month (31 December 2016: one month).

c) Product and service sales:

None (31 December 2016: TL 2.343).

d) Product and service purchases:

	1 January- 31 December 2017	1 January - 31 December 2016
Desa Enerji	14.493	13.945
URBB	11.680	10.711
Other	439	377
	26.612	**25.033**

The Group purchases electricity and hot water from Desa Enerji.

e) Dividends to related parties- gross:

	1 January- 31 December 2017	1 January - 31 December 2016
International Beer Breweries Ltd.	15.599	-
Other	703	-
	16.302	**-**

It has been decided to distribute gross dividends amounting to TL 16.302 (31 December 2016: None) at General Assembly Meeting of 2016 held on 23 May 2017.

f) Key management compensation:

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

	1 January- 31 December 2017	1 January - 31 December 2016
Short-term employee benefits	12.756	12.448
Post-employment benefits	-	-
Termination benefits	-	-
Share-based payments	-	-
Other	436	530
	13.192	**12.978**

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

NOTE 4 - TRADE RECEIVABLE AND PAYABLES

a) Short-term trade receivables:

	31 December 2017	**31 December 2016**
Customer current accounts	378.839	307.527
Credit card receivables	54.103	37.059
Notes receivables and customer cheques	42.363	33.407
Due from related parties (Note 3)	135	92
	475.440	378.085
Less: Provision for doubtful receivables	(36.188)	(33.949)
Unincurred finance expense	(6.043)	(3.007)
	433.209	**341.129**

The effective weighted average interest rate applied to TL denominated receivables is 11,73% p.a. (31 December 2016: 8,11% p.a.) as of 31 December 2016. Trade receivables are all short term with a weighted average maturity of one month (31 December 2016: one month).

The amount of overdue trade receivables as of 31 December 2017 is TL 13.170 (31 December 2016: TL 14.458) and the aging of such receivables and credit risk analysis are disclosed in Note 25 in detail.

Movements in the provision for doubtful receivables are as follows:

	2017	**2016**
1 January	**(33.949)**	**(29.338)**
Reversal of current year provision (Note 19)	444	400
Charged to the consolidated statement of profit or loss and other comprehensive income (Note 19)	(2.683)	(5.011)
31 December	**(36.188)**	**(33.949)**

Trade receivables are assessed by Group management on the basis of past experiences and required provision for impairment is booked. In relation to the calculation of such provision, guarantees received from customers are considered. Therefore, considering the past experiences the Group management believes that there is no additional doubtful risk for the collection of receivables.

b) Short-term trade payables:

	31 December 2017	**31 December 2016**
Supplier current accounts	150.723	108.046
Due to related parties (Note 3)	3.742	1.569
Accrued expenses	13.446	9.413
Less: Unearned finance income	(1.533)	(250)
	166.378	**118.778**

The effective weighted average interest rate on TL denominated payables is 12,45% p.a. as of 31 December 2017 (31 December 2016: 8,10% p.a.). Short term payables have a weighted average maturity of one month (31 December 2016: one month).

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

NOTE 5 - OTHER RECEIVABLE AND PAYABLES

a) Short-term other receivables:

	31 December 2017	31 December 2016
Deposit and guarantees given	521	468
Value added tax receivable	-	347
Other	240	292
	761	**1.107**

b) Long-term other receivables:

Deposit and guarantees given	171	171
	171	**171**

c) Other payables:

Deposits received	37.161	53.656
	37.161	**53.656**

NOTE 6 - INVENTORIES

	31 December 2017	31 December 2016
Raw material	43.968	26.173
Work in progress	20.293	22.460
Finished and trade goods	26.263	41.733
Other	11.707	7.783
	102.231	**98.149**

At 31 December 2017, other inventories are mainly composed of spare parts amounting to TL 10.041 (31 December 2016: TL 5.972).

At 31 December 2017, finished goods amounting to TL 26.451 (31 December 2016: TL 43.019) are stated at their net realizable values by recording an obsolescence provision amounting to TL 188 (31 December 2016: TL 1.286) while the other inventory items are valued at their costs.

Cost of materials recognized as expense and included in cost of sales amounts to TL 322.459 (31 December 2016: TL 208.233) (Note 17).

NOTE 7 - INVESTMENT PROPERTIES

	1 January 2017	Additions	Disposals	Transfers	31 December 2017
Buildings and land improvements:					
Cost	3.445	-	-	-	3.445
Accumulated depreciation	(1.892)	(114)	-	-	(2.006)
Net book value	**1.553**				**1.439**

	1 January 2016	Correction	Additions	Disposals	Transfers	31 December 2016
Buildings and land improvements:						
Cost	3.297	148	-	-	-	3.445
Accumulated depreciation	(1.701)	(77)	(114)	-	-	(1.892)
Net book value	**1.596**					**1.553**

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

NOTE 7 - INVESTMENT PROPERTIES (Continued)

Total rental income from the investment properties in 2017 amounts to TL 102 (31 December 2016: TL 157) (Note 20). There are no operating expenses arising from the investment property.

As at 31 December 2017, the fair value of Group's investment properties, of which is carried at cost less accumulated depreciation, have been arrived at on the basis of valuations carried out on 13 May 2016 for the commercial property unit located in İzmir and 20 May 2016 for the commercial property unit located in Ankara 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 December 2017 are as follows:

	Fair values as at 31 December 2017			
	31 December 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	-

NOTE 8 - PROPERTY, PLANT AND EQUIPMENT

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

	1 January 2017	Additions	Disposals	Transfers(*)	31 December 2017
Cost:					
Land	1.755	-	-	-	1.755
Land improvements	13.686	25	-	1.697	15.408
Buildings	85.696	377	-	9.734	95.807
Machinery and equipment	409.292	3.528	(1.080)	60.943	472.683
Furniture and fixtures	340.846	119.947	(90.150)	5.555	376.198
Motor vehicles	9.379	3.792	(668)	-	12.503
Construction in progress	23.656	87.813	-	(79.687)	31.782
	884.310	**215.482**	**(91.898)**	**(1.758)**	**1.006.136**
Accumulated depreciation:					
Land improvements	(9.697)	(237)	-	-	(9.934)
Buildings	(54.944)	(3.195)	-	-	(58.139)
Machinery and equipment	(280.635)	(14.346)	218	-	(294.763)
Furniture and fixtures	(194.332)	(103.824)	88.991	-	(209.165)
Motor vehicles	(3.224)	(1.341)	553	-	(4.012)
	(542.832)	**(122.943)**	**89.762**	**-**	**(576.013)**
Net book value	**341.478**				**430.123**

(*) Note 9.

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

NOTE 8 - PROPERTY, PLANT AND EQUIPMENT (Continued)

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

	1 January 2016	**Correction**	**Additions**	**Disposals**	**Transfers(*)**	**31 December 2016**
Cost:						
Land	1.701	62	-	(8)	-	1.755
Land improvements	12.180	418	756	-	332	13.686
Buildings	75.461	2.839	730	(1)	6.667	85.696
Machinery and equipment	358.855	11.313	5.488	(9.866)	43.502	409.292
Furniture and fixtures	278.517	21.197	73.188	(37.108)	5.052	340.846
Motor vehicles	5.343	45	4.417	(426)	-	9.379
Construction in progress	9.623	-	71.127	-	(57.094)	23.656
	741.680	**35.874**	**155.706**	**(47.409)**	**(1.541)**	**884.310**
Accumulated depreciation:						
Land improvements	(9.032)	(410)	(255)	-	-	(9.697)
Buildings	(50.227)	(2.206)	(2.511)	-	-	(54.944)
Machinery and equipment	(267.671)	(11.001)	(11.248)	9.285	-	(280.635)
Furniture and fixtures	(151.100)	(21.217)	(56.631)	34.616	-	(194.332)
Motor vehicles	(2.884)	(44)	(711)	415	-	(3.224)
	(480.914)	**(34.878)**	**(71.356)**	**44.316**	**-**	**(542.832)**
Net book value	**260.766**					**341.478**

(*) Note 9.

Current year depreciation and amortisation expenses of TL 95.221 (31 December 2016: TL 49.980) have been charged to cost of production (Note 17), TL 26.047 (31 December 2016: TL 20.099) to marketing, selling and distribution costs (Note 18) and TL 5.004 (31 December 2016: TL 3.483) to general administrative expenses (Note 18).

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

NOTE 9 - INTANGIBLE ASSETS

The movements of intangible assets and related accumulated amortisation for the years ended 31 December were as follows:

	1 January 2017	**Additions**	**Disposals**	**Transfers(*)**	**31 December 2017**
Rights	18.404	3.129	-	1.758	23.291
Accumulated amortisation	(13.622)	(3.215)	-	-	(16.837)
Net book value	**4.782**				**6.454**

	1 January 2016	**Correction**	**Additions**	**Disposals**	**Transfers(*)**	**31 December 2016**
Rights	16.229	99	535	-	1.541	18.404
Accumulated amortisation	(11.431)	(99)	(2.092)	-	-	(13.622)
Net book value	**4.798**					**4.782**

(*) Note 8.

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

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

NOTE 10 - PROVISIONS, CONTINGENT ASSETS AND CONTINGENT LIABILITIES

a) Other short-term provisions:

	31 December 2017	31 December 2016
Provision for excise duty (*)	32.337	30.778
Provision for sales discounts	21.572	27.280
Other	5.832	3.470
	59.741	**61.528**

(*) The Group management has allocated a provision of TL 32.337 (31 December 2016: TL 30.778) (for the principal of excise tax and its overdue charge) for the difference between the excise tax published in the Official Gazette dated 26 August 2005 and in the list no. 3 attached to the Excise Tax Act published in the Official Gazette dated 31 December 2004.

Movements of provision for excise duty in the current year are as follows:

	2017	2016
1 January	**30.778**	**29.219**
Charge for the period	1.559	1.559
31 December	**32.337**	**30.778**

b) Contingent assets and 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. 39 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 December 2017, the total value of legal actions is amounted to TL 3.208 (31 December 2016: TL 7.173) in relation to those legal actions not finalized yet.

As at 31 December 2017, the Group has letters of guarantee given amounting to TL 10.000 (31 December 2016: TL 9.087). The schedule for guarantee, pledge, mortgage and bails (GPM) given by the Group is as follows:

	31 December 2017	31 December 2016
A. Total value of GPM provided in favour of the Company itself	10.000	9.087
i. TL	10.000	9.087
B. Total value of GPM provided in favour of the subsidiary	183.477	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	-	-
	193.477	**189.803**

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

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

NOTE 11 - COMMITMENTS

Commitments related to operational leasings as of 31 December 2017 and 2016 are indicated below:

	31 December 2017			
	1 year		1- 5 years	
Foreign currency	**Original currency (thousands)**	**TL equivalent**	**Original currency (thousands)**	**TL equivalent**
Euro	2.110	9.528	1.874	8.462
USD	71	268	-	-
TL	-	1.768	-	130
		11.564		**8.592**

	31 December 2016			
	1 year		1- 5 years	
Foreign currency	**Original currency (thousands)**	**TL equivalent**	**Original currency (thousands)**	**TL equivalent**
Euro	1.671	6.199	1.926	7.145
USD	58	204	-	-
TL	-	1.156	-	793
		7.559		**7.938**

TL 14.446 (31 December 2016: TL 10.326) has been recognized as a current year rent expense in the consolidated statement of profit or loss.

NOTE 12 - EMPLOYEE BENEFITS

a) Short term provision for employee benefits:

	31 December 2017	**31 December 2016**
Vacation pay obligation and other provisions	38.737	32.190
	38.737	**32.190**

Movements of vacation pay obligation and other provisions in the current year are as follows:

	2017	**2016**
1 January	**32.190**	**21.066**
Payment in the current year	(19.991)	(13.144)
Charge for the period	26.538	24.268
31 December	**38.737**	**32.190**

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

NOTE 12 - EMPLOYEE BENEFITS (Continued)

b) Long term provision for employee benefits:

	31 December 2017	**31 December 2016**
Provision for employment termination benefit	15.952	12.874
	15.952	**12.874**

Under Turkish Labor Law, the Group is required to pay termination benefits to each employee who has completed certain years of service and whose employment is terminated without due cause, who is called up for military service, dies or retires after completing 25 years of service and reaches the retirement age (58 for women and 60 for men).

The amount payable consists of one month's salary limited to a maximum of TL 4.732,48 for each period of service at 31 December 2017 (31 December 2016: TL 4.297,21).

Retirement pay liability is not subject to any kind of funding legally. Provision for retirement pay liability is calculated by estimating the present value of probable liability amount arising due to retirement of employees. TAS 19 Employee Benefits stipulates the development of company's liabilities by using actuarial valuation methods under defined benefit plans. In this direction, actuarial assumptions used in calculation of total liabilities are described as follows:

The principal assumption is that the maximum liability for each year of service will increase parallel with inflation. Thus, the discount rate applied represents the expected real rate after adjusting for the anticipated effects of future inflation. Consequently, in the accompanying financial statements as at 31 December 2017, the provision has been calculated by estimating the present value of the future probable obligation of the Company arising from the retirement of the employees. The provisions at the respective balance sheet dates have been calculated with the assumption of 5,19% real discount rate (31 December 2016: 5,19%) calculated by using 6% annual inflation rate and 11,50% discount rate.

Estimated amount of retirement pay not paid due to voluntary leaves is also taken into consideration as 3,85% for employees with 0-15 years of service (31 December 2016: 4,50%), and 0% for those with 16 or more years of service. As the maximum liability is revised semiannually, the maximum amount of TL 5.001,76 effective from 1 January 2018 has been taken into consideration in calculation of provision from employment termination benefits (1 January 2017: TL 4.426,16).

Movements of the provision for employment benefits were as follows:

	2017	**2016**
1 January	**12.874**	**12.418**
Service cost	1.618	1.289
Interest cost	1.850	1.496
Actuarial loss/ (gain)	1.294	(810)
Paid during the year	(1.684)	(1.519)
31 December	**15.952**	**12.874**

The total of service cost and interest cost for the year is amounted to TL 3.468 (31 December 2016: TL 2.785). TL 453 (31 December 2016: TL 13) has been charged to general administrative expenses, TL 1.413 (31 December 2016: TL 1.222) has been charged to cost of production and TL 1.602 (31 December 2016: TL 1.550) has been charged to marketing, selling and distribution expenses, respectively.

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

NOTE 13 - EXPENSES BY NATURE

	1 January- 31 December 2017	1 January- 31 December 2016
Revenue	1.235.831	962.729
Other income from operating activities	12.650	10.754
Income from investing activities	113.020	77.362
Total revenue	**1.361.501**	**1.050.845**
Cost of direct materials and change in stocks	(322.459)	(208.233)
Personnel expenses	(148.136)	(122.071)
Depreciation and amortisation	(126.272)	(73.562)
Marketing expenses	(83.550)	(51.686)
Other production cost	(78.240)	(128.832)
Other expense	(209.706)	(153.656)
Finance expense	(11.484)	(9.920)
Total expense	**(979.847)**	**(747.960)**
Profit before taxes	**381.654**	**302.885**
Tax expense	(73.878)	(65.995)
Net profit for the year	**307.776**	**236.890**

NOTE 14 - 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 full TL. The Company's historical authorized registered share capital at 31 December 2017 and 2016 is as follows:

	31 December 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 December 2017 and 2016 were as follows:

	31 December 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 December 2017. There are no privileged stocks.

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

NOTE 14 - CAPITAL RESERVES AND OTHER SHARE CAPITAL RESERVES (Continued)

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

b) Other equity items:

	31 December 2017	31 December 2016
Adjustment to share capital	277.613	277.613
Restricted reserves appropriated from profits	877	-
Share premium	154	154
	278.644	**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.

Other equity items shall be carried at the amounts in accordance with the Turkish Accounting Standards.

c) Accumulated profits or losses:

As at 31 December 2017, accumulated profit in consolidated financial position of the Group prepared in accordance with Turkish Accounting Standards amount to TL 131.266 (31 December 2016: accumulated losses TL 88.445).

NOTE 15 - PREPAID EXPENSES AND DEFERRED INCOME

a) Short-term prepaid expenses:

	31 December 2017	31 December 2016
Prepaid expenses	9.069	3.465
Order advances for inventories	-	9.888
	9.069	**13.353**

Prepaid expenses are mainly composed of prepaid insurance policies.

b) Long-term prepaid expenses:

Prepaid expenses	40.134	-
Order advances for property, plant and equipment	27.881	3.784
	68.015	**3.784**

c) Deferred income:

Order advances received from customers	404	820
	404	**820**

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

NOTE 16 - OTHER CURRENT LIABILITIES

	31 December 2017	31 December 2016
Taxes and funds payable	266.806	225.887
Other	5.076	4.974
	271.882	**230.861**

NOTE 17 - REVENUE AND COST OF SALES

	1 January- 31 December 2017	1 January- 31 December 2016
Revenue		
Domestic sales- net	1.179.916	908.862
Export sales- net	55.915	53.867
Total revenue- net	**1.235.831**	**962.729**
Cost of sales		
Cost of direct materials and change in stocks	(322.459)	(208.233)
Depreciation and amortisation	(95.221)	(49.980)
Labour expense	(36.912)	(29.342)
Other production cost	(78.240)	(128.832)
Total cost of sales	**(532.832)**	**(416.387)**
GROSS PROFIT	**702.999**	**546.342**

NOTE 18 - GENERAL ADMINISTRATIVE EXPENSES AND MARKETING, SELLING AND DISTRIBUTION EXPENSES

a) General administrative expenses:

	1 January- 31 December 2017	1 January- 31 December 2016
Personnel expenses	27.284	23.566
Outsourced services	9.354	7.472
Depreciation and amortisation	5.004	3.483
Taxes and funds	699	1.218
Other	12.860	11.529
	55.201	**47.268**

b) Marketing, selling and distribution expenses:

	1 January- 31 December 2017	1 January- 31 December 2016
Personnel expenses	83.940	69.163
Marketing expenses	83.550	51.686
Transportation and distribution costs	63.840	52.799
Outsourced services	30.114	21.720
Depreciation and amortisation	26.047	20.099
Other	26.719	22.799
	314.210	**238.266**

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

NOTE 19 - OTHER INCOME AND EXPENSES FROM OPERATING ACTIVITIES

a) Other income from operating activities:

	1 January- 31 December 2017	**1 January- 31 December 2016**
Foreign exchange gain	4.431	3.052
Gain on sales of scrap materials	1.111	1.137
Indemnity income	501	752
Reversal of provision for doubtful receivables	444	400
Other	6.163	5.413
	12.650	**10.754**

b) Other expense from operating activities:

Foreign exchange loss	(9.848)	(6.006)
Provision for doubtful receivables	(2.683)	(5.011)
Other	(2.670)	(10.212)
	(15.201)	**(21.229)**

NOTE 20 - INCOME AND EXPENSES FROM INVESTING ACTIVITIES

a) Income from investing activities:

	1 January- 31 December 2017	**1 January- 31 December 2016**
Foreign exchange gain	69.695	45.301
Interest income	41.320	30.352
Gain on sales of property, plant and equipment	1.621	1.552
Fair value increase of financial invesments	282	-
Rent income	102	157
	113.020	**77.362**

b) Expense from investing activities:

Foreign exchange loss	(50.848)	(14.583)
Loss on sales of property, plant and equipment	(71)	(40)
Fair value decrease of financial invesments	-	(267)
	(50.919)	**(14.890)**

NOTE 21 - FINANCE EXPENSES

	1 January- 31 December 2017	**1 January- 31 December 2016**
Bank commissions and other changes	(11.484)	(9.920)
	(11.484)	**(9.920)**

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

NOTE 22 - TAX ASSETS AND LIABILITIES (INCLUDING DEFERRED TAX ASSETS AND LIABILITIES)

Current income tax liability:

	31 December 2017	31 December 2016
Provision for corporate tax expense	74.786	63.358
Less: Prepaid taxes	(53.385)	(43.580)
Current income tax liability	**21.401**	**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 consolidated financial statements, have been calculated on a separate-entity basis.

Corporate tax is payable at a rate of 20%. In accordance with the Law on the Amendment of Certain Tax Acts, published in the Official Gazette dated 5 December 2017, the corporate tax rate of all companies has been increased from 20% to 22% for the years 2018, 2019 and 2020 (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 corporate 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.

According to Turkish Corporate Income Tax Law numbered 5520, effective from 21 June 2006, a 75% portion of the gains derived from the sale of preferential rights, usufruct shares and founding shares from investment equity and real estate, which has remained in assets for more than two full years are exempt from corporate tax. To be entitled to the exemption, the relevant gain is required to be held in a fund account in the liabilities and it must not be withdrawn from the entity for a period of five years. The sales consideration has to be collected up until the end of the second calendar year following the year the sale was realized. Accordingly, the Company expects the sale of real estate in the years 2018, 2019 and 2020 the corporate tax and deferred tax calculations calculated for the earnings gained were calculated as 22% of the remaining 50%, 20% of the remaining 50% for 2021 and later 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.

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

NOTE 22 - TAX ASSETS AND LIABILITIES (INCLUDING DEFERRED TAX ASSETS AND LIABILITIES) (Continued)

Taxation on income for the year ended 31 December 2017 and 2016 is as follows:

	1 January- 31 December 2017	1 January - 31 December 2016
Current tax expense (*)	(70.654)	(63.358)
Deferred tax expense	(3.224)	(2.637)
	(73.878)	**(65.995)**

(*) As of 31 December 2017, the adjustment amounting to TL 4.132 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.

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

	1 January- 31 December 2017	1 January - 31 December 2016
Income before tax	**381.654**	**302.885**
Tax calculated at tax rates applicable	(76.331)	(60.577)
Other adjustments not subject to tax	4.508	(3.379)
Expenses not deductible for tax purposes	(2.095)	(2.240)
Exemptions	40	201
Tax expense	**(73.878)**	**(65.995)**

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%. Deferred taxes and liabilities are calculated on temporary differences that are expected in 2018, 2019 and 2020 under the liability method using the principal enacted rate of 22% and %20 is used for cancellation of temporary differences in 2021 and subsequent periods (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.

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

NOTE 22 - TAX ASSETS AND LIABILITIES (INCLUDING DEFERRED TAX ASSETS AND LIABILITIES) (Continued)

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

	31 December 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	11.538	(2.331)	32.882	(6.612)
Inventory	(3.011)	662	(2.045)	409
Provision for employment termination benefits	(15.952)	3.216	(12.874)	2.575
Provision for unused vacation and other provisions	(38.737)	8.522	(32.190)	6.438
Provision for impairment of financial invesments	(3.463)	693	(3.463)	693
Provision for doubtful receivables	(16.522)	3.635	(15.723)	3.145
Other	41.037	(9.028)	(8.429)	1.686
		5.369		**8.334**

Thereof:

	31 December 2017	**31 December 2016**
Subsidiaries with net deferred income tax assets	17.673	16.366
Subsidiaries with net deferred income tax liabilities	(12.304)	(8.032)
	5.369	**8.334**

Movement of deferred tax assets for years ended 31 December 2017 and 2016 are as follows:

	2017	**2016**
1 January	**8.334**	**11.133**
Profit or loss effect	(3.224)	(2.637)
Other comprehensive income effect	259	(162)
31 December	**5.369**	**8.334**

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

NOTE 23 - EARNINGS PER SHARE

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

		1 January- 31 December 2017	**1 January - 31 December 2016**
Net profit for the year	A	307.776	236.890
Weighted number of ordinary shares	B	32.250.825.300	32.250.825.300
Gain per share with a full TL 0,01 face value	**A/B**	**0,95**	**0,73**

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

NOTE 24 - FINANCIAL INVESTMENTS

	31 December 2017	**31 December 2016**
Financial assets at fair value through profit or loss	247.836	166.323
Available-for-sale financial assets	167	167
	248.003	**166.490**

		Fair values as at 31 December 2017		
	31 December 2017	Level 1 TL	Level 2 TL	Level 3 TL
Financial assets at fair value through profit or loss	247.836	247.836	-	-
Available-for-sale financial assets	167	-	-	167

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 December 2017	**31 December 2016**
Private sector bonds and bills	164.349	113.699
Certificates of deposits	83.487	52.624
	247.836	**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 December 2017.

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

NOTE 24 - FINANCIAL INVESTMENTS (Continued)

Private sector bonds and bills, and certificates of deposits are dominated in USD and weighted average annual interest rates are 2,42% and 1,53%, respectively (31 December 2016: 1,99% and 1,04%).

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

	2017	**2016**
1 January	**166.323**	**-**
Purchase of financial investments	332.375	181.202
Sale of financial investments	(263.974)	(44.374)
Fair value increase/ (decrease) of financial invesments	282	(267)
Foreign exchange gain- net	12.830	29.762
31 December	**247.836**	**166.323**

b) Available-for-sale financial assets:	**31 December 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.

NOTE 25 - NATURE AND LEVEL OF RISKS ARISING FROM FINANCIAL INSTRUMENTS

a) Credit risk:

Ownership of financial assets brings about the risk of the other party's failure to perform the obligation of the contract. The Group management covers such risks by restricting the average risk for the other party in each deal and receiving guarantees if and when necessary. The Group does business through a dealers system to a great extent in the country. The Group reduces its collection risk with letters of guarantee, mortgages, a direct debit system and collections via credit cards which it received from its customers and controls the purchase orders of its customers by comparing such guarantees received from customers with its receivables. Considering the past experience in the collection of the trade receivables of the Group, one can see that the provisions allocated are within the anticipated limits. Therefore, the Group management does not anticipate any additional risks related with the Group's trade receivables.

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

NOTE 25 - NATURE AND LEVEL OF RISKS ARISING FROM FINANCIAL INSTRUMENTS (Continued)

Group's credit risk analysis as of 31 December 2017 and 2016 are as follows:

31 December 2017:

	Receivables						
	Trade Receivables (1)		**Other Receivables**				
	Related Parties	**Other Parties**	**Related Parties**	**Other Parties**	**Bank Deposits**	**Financial Investments**	**Total**
Maximum amount of credit risk exposed as of reporting date (A+B+C+D+E) (2)	**135**	**433.074**	**-**	**761**	**344.166**	**248.003**	**1.026.139**
- The part of maximum credit risk covered with guarantees etc	-	272.280	-	-	-	-	272.280
A. Net book value of financial assets not past due and not impaired (3)	135	419.904	-	761	344.166	247.836	1.012.802
B. Net book value of financial assets whose conditions are renegotiated, otherwise will be classified as past due or impaired (3)	-	-	-	-	-	-	-
C. Net book value of assets past due but not impaired (3)	-	13.170	-	-	-	-	13.170
- The part covered by guarantees etc.	-	2.592	-	-	-	-	2.592
D. Net book value of assets impaired	-	-	-	-	-	167	167
- Past due (gross book value)	-	27.213	-	-	-	-	27.213
- Impairment (-)	-	(27.213)	-	-	-	-	(27.213)
- The part of net value covered with guarantees etc.	-	-	-	-	-	-	-
- Not due (gross book value)	-	8.975	-	-	-	4.056	13.031
- Impairment (-)	-	(8.975)	-	-	-	(3.889)	(12.864)
- The part of net value covered with guarantees etc	-	-	-	-	-	-	-
E. Off balance items exposed to credit risk	-	-	-	-	-	-	-

(1) Trade receivables of the Group are mainly resulted from sales of beer and malt.
(2) Factors increasing credit reliability such as guarantees received are not taken into consideration while determination of aforementioned amounts.
(3) Considering the past experiences, the Group management believes that there are no additional credit risk for the collection of these receivables.

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

NOTE 25 - NATURE AND LEVEL OF RISKS ARISING FROM FINANCIAL INSTRUMENTS (Continued)

31 December 2016:

	Receivables						
	Trade Receivables (1)		Other Receivables				
	Related Parties	Other Parties	Related Parties	Other Parties	Bank Deposits	Financial Investments	Total
Maximum amount of credit risk exposed as of reporting date (A+B+C+D+E) (2)	**92**	**341.037**	**-**	**1.107**	**297.073**	**166.490**	**805.799**
- The part of maximum credit risk covered with guarantees etc	-	212.478	-	-	-	-	212.478
A. Net book value of financial assets not past due and not impaired (3)	92	326.579	-	1.107	297.073	166.323	791.174
B. Net book value of financial assets whose conditions are renegotiated, otherwise will be classified as past due or impaired (3)	-	-	-	-	-	-	-
C. Net book value of assets past due but not impaired (3)	-	14.458	-	-	-	-	14.458
- The part covered by guarantees etc.	-	7.459	-	-	-	-	7.459
D. Net book value of assets impaired	-	-	-	-	-	167	167
- Past due (gross book value)	-	26.049	-	-	-	-	26.049
- Impairment (-)	-	(26.049)	-	-	-	-	(26.049)
- The part of net value covered with guarantees etc.	-	-	-	-	-	-	-
- Not due (gross book value)	-	7.900	-	-	-	4.056	11.956
- Impairment (-)	-	(7.900)	-	-	-	(3.889)	(11.789)
- The part of net value covered with guarantees etc	-	-	-	-	-	-	-
E. Off balance items exposed to credit risk	-	-	-	-	-	-	-

(1) Trade receivables of the Group are mainly resulted from sales of beer and malt.
(2) Factors increasing credit reliability such as guarantees received are not taken into consideration while determination of aforementioned amounts.
(3) Considering the past experiences, the Group management believes that there are no additional credit risk for the collection of these receivables.

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

NOTE 25 - NATURE AND LEVEL OF RISKS ARISING FROM FINANCIAL INSTRUMENTS (Continued)

The aging analysis of overdue financial assets as of 31 December 2017 and 2016 is as follows:

31 December 2017:

	Trade Receivables		
	Related Parties	**Other Parties**	**Total**
1-30 days overdue	-	12.537	12.537
1-3 months overdue	-	615	615
3-12 months overdue	-	18	18
1-5 years overdue	-	-	-
		13.170	13.170
The part covered by guarantees	-	(2.592)	(2.592)
- Bank letters of guarantee	-	(2.268)	(2.268)
- Mortgage	-	(324)	(324)
	-	**10.578**	**10.578**

31 December 2016:

	Trade Receivables		
	Related Parties	**Other Parties**	**Total**
1-30 days overdue	-	8.253	8.253
1-3 months overdue	-	3.025	3.025
3-12 months overdue	-	3.180	3.180
1-5 years overdue	-	-	-
		14.458	14.458
The part covered by guarantees	-	(7.459)	(7.459)
- Bank letters of guarantee	-	(7.370)	(7.370)
- Mortgage	-	(89)	(89)
	-	**6.999**	**6.999**

b) Liquidity risk:

Prudent liquidity risk management implies maintaining sufficient cash and cash equivalents, the availability of funding through an adequate amount of committed credit facilities and the ability to close out market positions.

Liquidity risk is managed by obtaining sufficient financing facilities from various financial institutions to be able to fund the present and future potential borrowing requirement. Liquidity risk represents the Group's risk of failure to cover its financial liabilities when they are due. The Group's liquidity management approach is to have sufficient liquidity in each and every term and to cover any liabilities both under normal and hard conditions when they are due without causing any unacceptable loss nor damaging the reputation of the Group in the market.

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

NOTE 25 - NATURE AND LEVEL OF RISKS ARISING FROM FINANCIAL INSTRUMENTS (Continued)

The following tables detail the Group's remaining contractual maturity for its non-derivative financial liabilities. The tables have been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Group can be required to pay. The table includes both interest and principal cash flows.

	31 December 2017				
	Book value	**Total cash outflows per agreement (I+II+III)**	**Less than 3 months (I)**	**3- 12 months (II)**	**1- 5 years (III)**
Contractual terms:					
Non-derivative financial liabilities:					
Trade payables	166.378	167.911	167.911	-	-
	166.378	**167.911**	**167.911**	**-**	**-**

	31 December 2016				
	Book value	**Total cash outflows per agreement (I+II+III)**	**Less than 3 months (I)**	**3- 12 months (II)**	**1- 5 years (III)**
Contractual terms:					
Non-derivative financial liabilities:					
Trade payables	118.778	119.028	119.028	-	-
	118.778	**119.028**	**119.028**	**-**	**-**

The Group does not have any derivative financial instruments as at 31 December 2017 (31 December 2016: None).

NOTE 25 - NATURE AND LEVEL OF RISKS ARISING FROM FINANCIAL INSTRUMENTS (Continued)

c) Market risk:

i) Interest risk

As the Group had no financial instruments subject to interest rate risk as of 31 December 2017, the Group is not subject to significant exposure from fluctuations in interest rates.

ii) Price risk

The Group's profitability and cash flows generated from operating activities depend in part on changes in the prices of raw materials. These relevant prices are followed closely by the Group and monitored by the Board of Directors in order to reduce pricing pressure and to take necessary precautions to mitigate cost fluctuations.

iii) Foreign exchange risk

The Group is exposed to foreign exchange risk through the impact of rate changes on translation into TL of foreign currency denominated assets and liabilities. These risks are discussed at the meetings of Board of Directors, and closely monitored by analysis of the foreign currency position.

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

NOTE 25 - NATURE AND LEVEL OF RISKS ARISING FROM FINANCIAL INSTRUMENTS (Continued)

Foreign Currency Position Schedule

	31 December 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	1.438	301	67	-	955	226	43	-
2a. Monetary Financial Assets (Including Cash, Bank accounts)	329.804	87.430	2	18	208.213	59.156	4	16
2b. Non-Monetary Financial Assets	372	4	79	-	9.270	8	2.491	-
3. Other	-	-	-	-	-	-	-	-
4. Current Assets (1+2+3)	**331.614**	**87.735**	**148**	**18**	**218.438**	**59.390**	**2.538**	**16**
5. Trade Receivables	-	-	-	-	-	-	-	-
6a. Monetary Financial Assets	-	-	-	-	-	-	-	-
6b. Non-Monetary Financial Assets	26.888	2	5.953	-	3.773	1	1.016	-
7. Other	-	-	-	-	-	-	-	-
8. Non-Current Assets (5+6+7)	**26.888**	**2**	**5.953**	**-**	**3.773**	**1**	**1.016**	**-**
9. Total Assets (4+8)	**358.502**	**87.737**	**6.101**	**18**	**222.211**	**59.391**	**3.554**	**16**
10. Trade Payables	(27.450)	(1.802)	(4.531)	(193)	(19.893)	(1.048)	(4.368)	-
11. Financial Liabilities	-	-	-	-	-	-	-	-
12a. Monetary Other Liabilities	-	-	-	-	-	-	-	-
12b. Non-Monetary Other Liabilities	(404)	(107)	-	-	(833)	(233)	-	(13)
13. Short Term Liabilities (10+11+12)	**(27.854)**	**(1.909)**	**(4.531)**	**(193)**	**(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)	**(27.854)**	**(1.909)**	**(4.531)**	**(193)**	**(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)	**330.648**	**85.828**	**1.570**	**(175)**	**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)	**303.792**	**85.929**	**(4.462)**	**(175)**	**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	-	-	-	-	-	-	-	-
25. Export	**55.995**	**13.018**	**326**	**454**	**53.961**	**15.381**	**724**	**142**
26. Import	**232.795**	**1.797**	**54.434**	**1.598**	**181.857**	**1.481**	**50.145**	**10.634**

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

NOTE 25 - NATURE AND LEVEL OF RISKS ARISING FROM FINANCIAL INSTRUMENTS (Continued)

31 December 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	32.412	(32.412)
2- The part of USD risk hedged (-)	-	-
3- USD effect- net (1+2)	**32.412**	**(32.412)**
Change of Euro by 10% against TL:		
4- Asset/Liability denominated in Euro- net	(2.015)	2.015
5- The part of EUR risk hedged (-)	-	-
6- Euro effect- net (4+5)	**(2.015)**	**2.015**
Change of other currencies by 10% against TL:		
7- Asset/Liability denominated in other currencies- net	(18)	18
8- The part of other currency risk hedged (-)	-	-
9- Other currency effect- net (7+8)	**(18)**	**18**
TOTAL (3+6+9)	**30.379**	**(30.379)**

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)**

There is no effect of foreign currency changes on equity apart from the effects on net income as of 31 December 2017 and 2016.

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

NOTE 25 - NATURE AND LEVEL OF RISKS ARISING FROM FINANCIAL INSTRUMENTS (Continued)

d) Capital risk management:

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

The Group monitors capital on the basis of the gearing ratio. This ratio is calculated as net debt divided by total capital. Net debt is calculated as the total liability less cash and cash equivalents and financial investments.

	31 December 2017	**31 December 2016**
Total liabilities	623.960	538.517
Less: Cash and cash equivalents	(344.292)	(297.196)
Less: Financial assets at fair value through profit or loss	(247.836)	(166.323)
Net debt	31.832	74.998
Total equity	1.037.480	747.041
Debt/ equity ratio	**3%**	**10%**

NOTE 26 - FINANCIAL INSTRUMENTS

Classes of financial instruments and their fair values:

31 December 2017:

	Loans and receivables	Financial liabilities at amortised cost	Financial assets at fair value through profit or loss	Book value	Note
Financial assets					
Cash and cash equivalents	344.292	-	-	344.292	27
Trade receivables	433.209	-	-	433.209	4
Financial investments	-	-	247.836	247.836	24
Financial liabilities					
Trade payables	-	166.378	-	166.378	4

31 December 2016:

	Loans and receivables	Financial liabilities at amortised cost	Financial assets at fair value through profit or loss	Book value	Note
Financial assets					
Cash and cash equivalents	297.196	-	-	297.196	27
Trade receivables	341.129	-	-	341.129	4
Financial investments	-	-	166.323	166.323	24
Financial liabilities					
Trade payables	-	118.778	-	118.778	4

The Group management believes that the book values of financial instruments reflect their correponding fair values.

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

NOTE 27 – CASH AND CASH EQUIVALENTS

	31 December 2017	**31 December 2016**
Banks	344.166	297.073
- TL denominated time deposits	245.925	240.846
- USD denominated time deposits	80.385	40.644
- TL denominated demand deposits	16.320	14.389
- USD denominated demand deposits	1.536	1.194
Cash in hand	126	123
	344.292	**297.196**

TL denominated time deposits of TL 245.925 (31 December 2016: TL 240.846) at 31 December 2017 has an interest rate of 15,24% p.a. (31 December 2016: 11,54% p.a.) and its weighted average maturity is on 16 January 2018 (31 December 2016: 12 January 2017) whereas USD denominated time deposits of USD 21.312 thousands (31 December 2016: USD 11.549 thousands) at 31 December 2017 has an interest rate of 3,05% p.a. (31 December 2016: 0,96% p.a.) and its weighted average maturity is on 16 February 2018 (31 December 2016: 6 January 2017).

NOTE 28 - SUBSEQUENT EVENTS

None.

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