

**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 2018**



**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 2018 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 2018, 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 739.343 thousand as of 31 December 2018, 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 2018 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 18 February 2019.

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

Mehmet Karakurt, SMMM
Partner

İstanbul, 18 February 2019

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

CONSOLIDATED FINANCIAL STATEMENTS AND NOTES FOR THE PERIOD 1 JANUARY – 31 DECEMBER 2018

TABLE OF CONTENTS.....	PAGE
CONSOLIDATED STATEMENT OF FINANCIAL POSITION.....	1-2
CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME.....	3
CONSOLIDATED STATEMENT OF CHANGES IN EQUITY	4
CONSOLIDATED STATEMENT OF CASH FLOWS	5-6
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS.....	7-48
NOTE 1 ORGANISATION AND NATURE OF OPERATIONS.....	7
NOTE 2 BASIS OF PRESENTATION OF CONSOLIDATED FINANCIAL STATEMENTS	7-22
NOTE 3 RELATED PARTY DISCLOSURES	22-23
NOTE 4 TRADE RECEIVABLE AND PAYABLES	23-24
NOTE 5 OTHER RECEIVABLE AND PAYABLES	24
NOTE 6 CURRENT BORROWINGS	25
NOTE 7 INVENTORIES.....	25
NOTE 8 INVESTMENT PROPERTIES	25-26
NOTE 9 PROPERTY, PLANT AND EQUIPMENT	26-27
NOTE 10 INTANGIBLE ASSETS.....	27
NOTE 11 PROVISIONS, CONTINGENT ASSETS AND CONTINGENT LIABILITIES.....	28
NOTE 12 COMMITMENTS	29
NOTE 13 EMPLOYEE BENEFITS	29-30
NOTE 14 EXPENSES BY NATURE.....	31
NOTE 15 CAPITAL RESERVES AND OTHER SHARE CAPITAL RESERVES	31-32
NOTE 16 PREPAID EXPENSES AND DEFERRED INCOME	32
NOTE 17 OTHER CURRENT LIABILITIES.....	33
NOTE 18 REVENUE AND COST OF SALES.....	33
NOTE 19 GENERAL ADMINISTRATIVE EXPENSES AND MARKETING, SELLING AND DISTRIBUTION EXPENSES	33-34
NOTE 20 OTHER INCOME AND EXPENSES FROM OPERATING ACTIVITIES	34
NOTE 21 INCOME AND EXPENSES FROM INVESTING ACTIVITIES.....	34
NOTE 22 FINANCE EXPENSES	35
NOTE 23 TAX ASSETS AND LIABILITIES (INCLUDING DEFERRED TAX ASSETS AND LIABILITIES).....	35-37
NOTE 24 EARNINGS PER SHARE.....	37
NOTE 25 FINANCIAL INVESTMENTS	38
NOTE 26 NATURE AND LEVEL OF RISKS ARISING FROM FINANCIAL INSTRUMENTS	39-47
NOTE 27 FINANCIAL INSTRUMENTS.....	47
NOTE 28 CASH AND CASH EQUIVALENTS	48
NOTE 29 SUBSEQUENT EVENTS	48

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

CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 31 DECEMBER 2018

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

	Notes	<i>Current Period Audited</i> 31 December 2018	<i>Prior Period Audited</i> 31 December 2017
ASSETS			
Current Assets		1.560.812	1.137.565
Cash and Cash Equivalents	28	146.537	344.292
Financial Investments		376.949	248.003
- Financial Assets at Fair Value Through Profit or Loss	25	376.782	247.836
- Financial Assets Available for Sale		167	167
Trade Receivables	4	739.343	433.209
- Due from Related Parties	3	-	135
- Due from Third Parties		739.343	433.074
Other Receivables	5	7.978	761
- Due from Third Parties		7.978	761
Inventories	7	256.948	102.231
Prepaid Expenses	16	33.057	9.069
- Prepaid Expenses from Third Parties		33.057	9.069
Non-Current Assets		777.825	523.875
Other Receivables	5	262	171
- Due from Third Parties		262	171
Investment Properties	8	1.688	1.439
Property, Plant and Equipment	9	682.469	430.123
- Land		13.831	1.755
- Land Improvements		9.448	5.474
- Buildings		51.770	37.668
- Machinery and Equipment		321.525	177.920
- Motor Vehicles		8.285	8.491
- Furniture and Fixtures		268.438	167.033
- Construction in Progress		9.172	31.782
Intangible Assets	10	7.549	6.454
- Rights		7.549	6.454
Deferred Tax Asset	23	20.884	17.673
Prepaid Expenses	16	64.973	68.015
- Prepaid Expenses from Third Parties		64.973	68.015
TOTAL ASSETS		2.338.637	1.661.440

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

TÜRK TUBORG BİRA VE MALT SANAYİİ A.Ş. AND ITS SUBSIDIARY**CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 31 DECEMBER 2018***(Amounts expressed in thousands of Turkish Lira ("TL") unless otherwise indicated.)*

LIABILITIES		<i>Current Period</i>	<i>Prior Period</i>
		<i>Audited</i>	<i>Audited</i>
	Notes	31 December 2018	31 December 2017
Current Liabilities		892.461	595.704
Current Borrowings		80.845	-
- Current Borrowings from Third Parties		80.845	-
- Bank Loans	6	80.845	-
Trade Payables	4	213.327	166.378
- Due to Related Parties	3	4.746	3.742
- Due to Third Parties		208.581	162.636
Other Payables	5	38.556	37.161
- Due to Third Parties		38.556	37.161
Deferred Income	16	3.200	404
- Deferred Income from Third Parties		3.200	404
Current Income Tax Liability	23	12.756	21.401
Short-Term Provisions		117.016	98.478
- Provision for Employee Benefits	13	49.758	38.737
- Other Short-Term Provisions	11	67.258	59.741
Other Current Liabilities	17	426.761	271.882
- Other Current Liabilities due to Third Parties		426.761	271.882
Non-current liabilities		40.756	28.256
Long-Term Provisions		20.209	15.952
- Provision for Employee Benefits	13	20.209	15.952
Deferred Tax Liability	23	20.547	12.304
TOTAL LIABILITIES		933.217	623.960
EQUITY		1.405.420	1.037.480
Equity Attributable to Equity Holders of the Group		1.405.420	1.037.480
Share Capital	15	322.508	322.508
Adjustment to Share Capital	15	277.613	277.613
Share Premium (Discount)	15	154	154
Items that will not be Reclassified to Profits (Losses)		(3.588)	(2.714)
- Revaluation of Defined Employee Benefits (Losses) Plans		(3.588)	(2.714)
Restricted Reserves Appropriated from Profits		18.642	877
- Legal Reserves	15	18.642	877
Accumulated Profits or Losses	15	362.420	131.266
Net Profit or Loss for the Period		427.671	307.776
TOTAL EQUITY AND LIABILITIES		2.338.637	1.661.440

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

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

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE PERIOD 1 JANUARY- 31 DECEMBER 2018

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

	Notes	<i>Current Period Audited 1 January - 31 December 2018</i>	<i>Prior Period Audited 1 January - 31 December 2017</i>
Profit or Loss			
Revenue	18	1.699.543	1.235.831
Cost of sales	18	(794.042)	(532.832)
GROSS PROFIT (LOSS) FROM COMMERCIAL OPERATIONS		905.501	702.999
GROSS PROFIT (LOSS)		905.501	702.999
General administrative expenses	19	(72.083)	(55.201)
Marketing, selling and distribution expenses	19	(416.853)	(314.210)
Other income from operating activities	20	69.255	12.650
Other expense from operating activities	20	(62.378)	(15.201)
PROFIT (LOSS) FROM OPERATING ACTIVITIES		423.442	331.037
Income from investment activities	21	272.090	113.020
Expenses from investment activities	21	(125.832)	(50.919)
PROFIT (LOSS) BEFORE FINANCING INCOME (EXPENSES)		569.700	393.138
Financial expenses	22	(21.004)	(11.484)
PROFIT (LOSS) FROM CONTINUING OPERATIONS, BEFORE TAX		548.696	381.654
Tax (expense) income, continuing operations		(121.025)	(73.878)
- Current period tax (expense) income	23	(115.775)	(70.654)
- Deferred tax (expense) income	23	(5.250)	(3.224)
PROFIT (LOSS) FROM CONTINUING OPERATIONS		427.671	307.776
PROFIT (LOSS)		427.671	307.776
Profit (loss), attributable to			
Non-controlling interests		-	-
Equity holders of the Group		427.671	307.776
		427.671	307.776
Earnings per 100 shares for net profit attributable to the equity holders of the parent company (full TL)			
	24	1,33	0,95
Other comprehensive income/(expense)			
Items that will not be reclassified to profit or loss		(874)	(1.035)
- Gains (losses) on remeasurements of defined benefit plans	13	(1.092)	(1.294)
- Taxes relating to components of other comprehensive income that will not be reclassified to profit or loss		218	259
-Taxes relating to gains (losses) on remeasurements of defined benefit plans	23	218	259
OTHER COMPREHENSIVE INCOME (LOSS)		(874)	(1.035)
TOTAL COMPREHENSIVE INCOME (LOSS)		426.797	306.741
Allocation of comprehensive income:			
Non-controlling interests		-	-
Equity holders of the Group		426.797	306.741
		426.797	306.741

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

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

**CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE PERIOD 1 JANUARY- 31 DECEMBER 2018**

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

<i>Audited</i>	Share Capital	Adjustment to Share Capital	Share Premium/ (Discounts)	<i>Items that will not be Reclassified To Profit or Loss</i>	<i>Accumulated Profits/Losses</i>		Net Profit/(Loss) for the Period	Equity Holders of the Group	Total Equity
				Revaluation of Defined Employee Benefits/(Losses)	Restricted Reserves	Accumulated Profits/(Losses)			
Balances at 1 January 2017	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 31 December 2017	322.508	277.613	154	(2.714)	877	131.266	307.776	1.037.480	1.037.480
<i>Audited</i>									
Balances at 1 January 2018	322.508	277.613	154	(2.714)	877	131.266	307.776	1.037.480	1.037.480
Transfers	-	-	-	-	13.492	294.284	(307.776)	-	-
Dividends	-	-	-	-	4.273	(63.130)	-	(58.857)	(58.857)
Total comprehensive income (loss)	-	-	-	(874)	-	-	427.671	426.797	426.797
- Profit (loss) for the period	-	-	-	-	-	-	427.671	427.671	427.671
- Other comprehensive income (loss)	-	-	-	(874)	-	-	-	(874)	(874)
Balances at 31 December 2018	322.508	277.613	154	(3.588)	18.642	362.420	427.671	1.405.420	1.405.420

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

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

CONSOLIDATED FINANCIAL STATEMENTS OF CASH FLOWS FOR THE PERIOD 1 JANUARY – 31 DECEMBER 2018

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

		<i>Current Period Audited 1 January - 31 December 2018</i>	<i>Prior Period Audited 1 January - 31 December 2017</i>
	Notes		
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit/(loss)		427.671	307.776
Profit/(loss) for the period from continuing operations		427.671	307.776
Adjustments to reconcile net profit (loss) for the period		181.136	169.264
Adjustments for depreciation and amortisation expense	8-9-10	137.419	126.272
Adjustments for impairment loss (reversal)		8.216	1.141
Adjustments for impairment loss (reversal) of receivables	4	8.153	2.239
Adjustments for impairment loss (reversal) of inventory	7	63	(1.098)
Adjustments for provisions		47.316	28.219
Adjustments for (reversal of) provision related to employee benefits	13	39.590	30.006
Adjustments for (reversal of) provision related with legal case	11	1.725	1.559
Adjustments for (reversal of) other provisions		6.001	(3.346)
Adjustments for interest (income) expenses		(29.058)	(39.567)
Adjustments for interest income	21	(33.965)	(41.320)
Unearned finance income due to sales	4	(667)	(1.283)
Incurred finance expense due to purchases	4	5.574	3.036
Adjustments for fair value losses (gains)		1.089	(282)
Adjustments for fair value losses (gains) of financial assets	25	1.089	(282)
Adjustments for taxation (income) expense	23	121.025	73.878
Adjustments for losses (gains) on sale of fixed assets		(2.552)	(1.550)
Adjustments for losses (gains) on sale of tangible assets	21	(2.552)	(1.550)
Adjustments for unrealised foreign exchange losses		(102.319)	(18.847)
Changes in working capital		(296.209)	(86.947)
Adjustments for decrease (increase) in trade receivables		(319.861)	(97.355)
Decrease (increase) in trade receivables from related party	3	135	(43)
Decrease (increase) in trade receivables from third party	4	(319.996)	(97.312)
Adjustments for decrease (increase) in other receivables		(7.308)	346
Decrease (increase) in other receivables from third party	5	(7.308)	346
Adjustments for decrease (increase) in inventories	7	(154.780)	(2.984)
Decrease (increase) in prepaid expenses	16	(20.946)	(59.947)
Adjustments for increase (decrease) in trade payables		47.616	48.883
Increase (decrease) in trade payables to related parties	3	1.004	2.173
Increase (decrease) in trade payables to third parties	4	46.612	46.710
Adjustments for increase (decrease) in other payables		1.395	(16.495)
Increase (decrease) in other receivables from third parties party	5	1.395	(16.495)
Increase (decrease) in deferred income	16	2.796	(416)
Adjustments for increase (decrease) in working capital		154.879	41.021
Increase (decrease) in other liabilities	17	154.879	41.021
		312.598	390.093

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

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

CONSOLIDATED FINANCIAL STATEMENTS OF CASH FLOWS FOR THE PERIOD 1 JANUARY – 31 DECEMBER 2018

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

	Notes	<i>Current Period Audited 1 January - 31 December 2018</i>	<i>Prior Period Audited 1 January - 31 December 2017</i>
Provisions paid related to employee benefits	13	(25.404)	(21.675)
Other provisions payments		(209)	-
Income taxes returns (paid)	23	(124.420)	(69.031)
Net Cash Generated From Operating Activities		162.565	299.387
Cash Flow From Investing Activities:			
Cash inflow from sale of tangible and intangible assets	8-9-21	5.013	3.686
Cash inflow from sale of tangible assets		4.923	3.686
Cash inflow from sale of intangible assets		90	-
Cash outflow from purchase of tangible and intangible assets		(393.570)	(218.611)
Cash outflow from purchase of tangible assets	8-9	(391.620)	(215.482)
Cash outflow from purchase of intangible assets	10	(1.950)	(3.129)
Interest received	21	33.965	41.320
Cash inflow from sale of equity or debt instruments of other companies	25	746.341	263.974
Cash outflow from acquisition of equity or debt instruments of other companies	25	(785.890)	(332.375)
Net Cash Used In Investing Activities		(394.141)	(242.006)
Cash Flow From Financing Activities			
Proceeds from Borrowings		80.845	-
Proceeds from Loans		80.845	-
Dividends Paid	3	(58.857)	(16.302)
Net Cash Generated/(Used) In Financing Activities		21.988	(16.302)
Net Increase (Decrease) In Cash and Cash Equivalents Before Currency Translation Differences		(209.588)	41.079
Effect of currency translation differences on cash and cash equivalents		11.833	6.017
Net Increase (Decrease) In Cash and Cash Equivalents		(197.755)	47.096
Cash and cash equivalents at the beginning of the period		344.292	297.196
Cash and Cash Equivalents at the end of the Period	28	146.537	344.292

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD 1 JANUARY – 31 DECEMBER 2018

(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 2018, the shares traded on BIST are 4,31% (31 December 2017: 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 15).

The average number of employees in the Company and Tuborg Pazarlama A.Ş., its subsidiary, (“Group”) as at 31 December 2018 is 1.360 (31 December 2017: 1.211).

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 2017: 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 18 February 2019. 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.

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD 1 JANUARY – 31 DECEMBER 2018

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

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.

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD 1 JANUARY – 31 DECEMBER 2018

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

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 2018 and 2017 are as follows:

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

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

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

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

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

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

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.

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD 1 JANUARY – 31 DECEMBER 2018

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

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

2.4 New and Revised Turkish Accounting Standards

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

IFRS 9	<i>Financial instruments¹</i>
IFRS 15	<i>Revenue from contracts with customers¹</i>
Amendments to IFRS 15	<i>Revenue from contracts with customers¹</i>
Amendments to IFRS 4	<i>Insurance contracts¹</i>
Amendments to TAS 40	<i>Investment property¹</i>
Amendments to IFRS 2	<i>Share based payments¹</i>
Annual improvements 2014-2016	<i>IFRS 1, IFRS 7, TAS 19, IFRS 10, TAS 28¹</i>
IFRIC 22	<i>Foreign currency transactions and advance consideration¹</i>

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

The Group has adopted the new standards and amendments above, and the new standards and amendments have had no significant effect on the current and comparative periods. Therefore, the comparative financial statement of the prior period have not been restated in accordance with the materiality principle.

Transition to IFRS 15 “Revenue from Contracts with Customers”

IFRS 15, Revenue from Contracts with Customers; effective from annual periods beginning on or after 1 January 2018 and this standard replaces the guidance in IAS 18. There isn’t any material impact expected on the financial position or performance of the Group related to this standard..

Transition to IFRS 9 “Financial instruments”

The Group has applied IFRS 9 “Financial instruments” standard with the amendments including the classification, measurement, and the expected credit risk model as of 1 January 2018. The Group has accounted the effect of transition based on the simplified approach, therefore, prior year financial statements are not restated and these financial statements are presented in accordance with TMS 39. Cumulative effect of the first time adoption has not made any material changes that has to be recognized in retained earnings as of 1 January 2018.

Changes regarding the classification of financial assets and liabilities in terms of IFRS 9 are summarised below. Related changes in classification do not result in changes in measurement of the financial assets and liabilities.

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD 1 JANUARY – 31 DECEMBER 2018

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

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

Financial Assets	Prior classification under TAS 39	New classification under TAS 9
Cash and cash equivalents	Loans and receivables	Amortised cost
Trade receivables	Loans and receivables	Amortised cost
Other receivables	Loans and receivables	Amortised cost
Financial Liabilities	Prior classification under TAS 39	New classification under TAS 9
Borrowings	Amortised cost	Amortised cost
Trade payables	Amortised cost	Amortised cost

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

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

Amendments to TAS 28	<i>Investments in associates and joint venture¹</i>
Amendments to TAS 1 and TAS 8	<i>Definition of Material²</i>
Amendments to TFRS 3	<i>Definition of a Business²</i>
Amendments to TFRS 9	<i>Financial instruments¹</i>
TFRS 16	<i>Leases¹</i>
TAS 19	<i>Employee benefits¹</i>
Annual improvements 2015-2017	<i>TFRS 3, TFRS 11, TAS 12, TAS 23¹</i>
IFRIC 23	<i>Uncertainty over income tax treatments¹</i>
TFRS 17	<i>Insurance contracts³</i>

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

² Effective for annual periods beginning on or after 1 January 2020.

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.

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD 1 JANUARY – 31 DECEMBER 2018 (Amounts expressed in thousands of Turkish Lira (“TL”) unless otherwise indicated.)

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

2.5 Summary of significant accounting policies

2.5.1 Revenue

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.

Revenue recognition:

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

Group recognizes revenue based on the following main principles:

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

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

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

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.

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD 1 JANUARY – 31 DECEMBER 2018

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

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

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 Trade Receivables

Trade receivables that are created by the Group by way of providing goods or services directly to a debtor are carried at amortized cost. Receivables with short-term maturities which have no predefined interest rate are measured at the original invoice amount unless the effect of imputed interest is significant (Note 4).

A doubtful receivable provision for trade receivables is established if there is objective evidence that the Group will not be able to collect all amounts due. The receivables in process of lawsuit or enforcement or in a prior stage, the customer having material financial difficulties, the receivable turning default or the possibility of material and unforeseeable delay in the future collection are included under objective evidences. The amount of provision is the difference between the carrying amount and the recoverable amount, being the present value of all cash flows, including amounts recoverable from guarantees and collateral, discounted based on the original effective interest rate of the originated receivables at inception. Also, Group has applied simplified approach and used impairment matrix for the calculation of impairment on its receivables carried at amortized cost, since they do not comprise of any significant finance component. In accordance with this method, if any provision provided to the trade receivables as a result of a specific events, Group measures expected credit loss from these receivables by the lifetime expected credit loss. The calculation of expected credit loss is performed based on the past experience of the Group and its expectations for the future indications.

If the amount of the impairment subsequently decreases due to an event occurring after the write-down, the collection amount is decreased from the doubtful receivable provisions and recorded as other income from operating activities (Note 20).

2.5.3 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.

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD 1 JANUARY – 31 DECEMBER 2018

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

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

2.5.4 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 2018, the Group does not have any qualified assets.

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:

	<u>Rate (%)</u>
Buildings and land improvements	2,5 - 4
Machinery and equipments	6,7 - 20
Furniture, fixtures and returnable bottles and crates	6,7 - 50
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.

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD 1 JANUARY – 31 DECEMBER 2018

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

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

2.5.5 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.

2.5.6 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.

2.5.7 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.

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD 1 JANUARY – 31 DECEMBER 2018

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

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

2.5.8 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.

2.5.9 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.

2.5.10 Financial instruments

a. Financial assets

Classification and measurement

Group classified its financial assets in three categories; financial assets carried at amortized cost, financial assets carried at fair value through profit or loss, financial assets carried at fair value through other comprehensive income. Classification is performed in accordance with the business model determined based on the purpose of benefits from financial assets and expected cash flows. Management performs the classification of financial assets at the acquisition date.

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD 1 JANUARY – 31 DECEMBER 2018

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

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

i. Financial assets carried at amortized cost

Assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest, whose payments are fixed or predetermined, which are not actively traded and which are not derivative instruments are measured at amortized cost. They are included in current assets, except for maturities more than 12 months after the balance sheet date. Those with maturities more than 12 months are classified as non-current assets. The Group's financial assets carried at amortized cost comprise "trade receivables" and "cash and cash equivalents" in the statement of financial position.

Impairment

Group has applied simplified approach and used impairment matrix for the calculation of impairment on its receivables carried at amortized cost, since they do not comprise of any significant finance component. In accordance with this method, if any provision provided to the trade receivables as a result of a specific events, Group measures expected credit loss from these receivables by the life-time expected credit loss. The calculation of expected credit loss is performed based on the past experience of the Group and its expectations for the future indications.

ii. Financial assets carried at fair value

Assets that are held by the management for collection of contractual cash flows and for selling the financial assets are measured at their fair value. If the management do not plan to dispose these assets in 12 months after the balance sheet date, they are classified as non-current assets. Group make a choice for the equity instruments during the initial recognition and elect profit or loss or other comprehensive income for the presentation of fair value gain and loss:

Financial assets carried at fair value through profit or loss

Financial assets carried at fair value through profit or loss comprise of "private sector bonds and bills, certificates of deposits" in the statement of financial position. These financial assets are recognized as asset when the fair value of the instrument is positive, as liability when the fair value of the instrument is negative.

Financial assets carried at fair value through other comprehensive income

Financial assets carried at fair value through other comprehensive income comprise of "financial assets" in the statement of financial position. Group carried these assets at their fair values. The fair value gains and losses are recognized in other comprehensive income after the deduction of impairment losses and foreign exchange income and expenses. When the financial assets carried at fair value through other comprehensive income are sold, fair value gain or loss classified in other comprehensive income is classified to retained earnings.

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE PERIOD 1 JANUARY – 31 DECEMBER 2018

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

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

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. Financial payables

Bank borrowings are recognized initially at the process received, net of transaction costs incurred. In subsequent periods, borrowings are stated at amortized cost using the effective yield method; any difference between proceeds (net of transaction costs) and the redemption value is recognized in the consolidated statement of comprehensive income over the period of the borrowings.

If the maturity of the bank borrowings is less than 12 months at the balance sheet date, these are classified in current liabilities; and if more 12 months, they are classified under non-current liabilities (Note 6).

ii. 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.

2.5.11 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.

2.5.12 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.

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE PERIOD 1 JANUARY – 31 DECEMBER 2018

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

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

2.5.13 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.

2.5.14 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.

2.5.15 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.

2.5.16 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.

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD 1 JANUARY – 31 DECEMBER 2018

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

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

2.5.17 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.

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.

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD 1 JANUARY – 31 DECEMBER 2018

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

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

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.

2.5.18 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.

2.5.19 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.

2.5.20 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.

2.5.21 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.

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE PERIOD 1 JANUARY – 31 DECEMBER 2018

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

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

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:

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 changes will be recognised prospectively.

NOTE 3 - RELATED PARTY DISCLOSURES

a) Trade receivables from related parties:

None (31 December 2017: TL 135).

b) Trade payables due to related parties:

	31 December 2018	31 December 2017
Desa Enerji Elektrik Üretim A.Ş. ("Desa Enerji")	3.623	1.235
United Romanian Breweries Bereprod S.R.L. ("URBB")	-	2.484
Other	1.123	23
	4.746	3.742

Trade payables due to related parties has a weighted average maturity of one month (31 December 2017: one month).

c) Product and service sales:

TL 622 (31 December 2017: None).

d) Product and service purchases:

	1 January- 31 December 2018	1 January- 31 December 2017
Desa Enerji	27.169	14.493
URBB	12.956	11.680
Other	1.744	439
	41.869	26.612

The Group purchases electricity and hot water from Desa Enerji.

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD 1 JANUARY – 31 DECEMBER 2018

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

NOTE 3 - RELATED PARTY DISCLOSURES (Continued)

e) Dividends to related parties- gross:

	1 January- 31 December 2018	1 January- 31 December 2017
IBBL	56.318	15.599
Other	2.539	703
	58.857	16.302

It has been decided to distribute gross dividends amounting to TL 58.857 at General Assembly Meeting of 2017 held on 19 June 2018.

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 2018	1 January- 31 December 2017
Short-term employee benefits	18.062	12.756
Post-employment benefits	-	-
Termination benefits	-	-
Share-based payments	-	-
Other	602	436
	18.664	13.192

NOTE 4 - TRADE RECEIVABLE AND PAYABLES

a) Short-term trade receivables:

	31 December 2018	31 December 2017
Customer current accounts	674.326	378.839
Credit card receivables	66.809	54.103
Notes receivables and customer cheques	54.166	42.363
Due from related parties (Note 3)	-	135
	795.301	475.440
Less: Provision for doubtful receivables	(44.341)	(36.188)
Incurred finance expense	(11.617)	(6.043)
	739.343	433.209

The effective weighted average interest rate applied to TL denominated receivables is 24,28% p.a. (31 December 2017: 11,73% p.a.) as of 31 December 2018. Trade receivables are all short term with a weighted average maturity of one month (31 December 2017: one month).

The amount of overdue trade receivables as of 31 December 2018 is TL 46.172 (31 December 2017: TL 13.170) and the aging of such receivables and credit risk analysis are disclosed in Note 26 in detail.

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD 1 JANUARY – 31 DECEMBER 2018

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

NOTE 4 - TRADE RECEIVABLE AND PAYABLES (Continued)

Movements in the provision for doubtful receivables are as follows:

	2018	2017
1 January	(36.188)	(33.949)
Collections in the current year (Note 20)	739	444
Reversal of provision (Note 20)	4.926	4.316
Charged to the consolidated statement of profit or loss and other comprehensive income (Note 20)	(13.818)	(6.999)
31 December	(44.341)	(36.188)

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 2018	31 December 2017
Supplier current accounts	193.898	150.723
Due to related parties (Note 3)	4.746	3.742
Accrued expenses	16.883	13.446
Less: Unearned finance income	(2.200)	(1.533)
	213.327	166.378

The effective weighted average interest rate on TL denominated payables is 23,77% p.a. as of 31 December 2018 (31 December 2017: 12,45% p.a.). Short-term payables have a weighted average maturity of one month (31 December 2017: one month).

NOTE 5 - OTHER RECEIVABLE AND PAYABLES

a) Short-term other receivables:

	31 December 2018	31 December 2017
Value added tax receivable	6.852	-
Other	1.126	761
	7.978	761

b) Long-term other receivables:

	31 December 2018	31 December 2017
Deposit and guarantees given	262	171
	262	171

c) Other payables:

	31 December 2018	31 December 2017
Deposits received	38.556	37.161
	38.556	37.161

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD 1 JANUARY – 31 DECEMBER 2018

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

NOTE 6 – CURRENT BORROWINGS

	31 December 2018			31 December 2017		
	Effective Interest Rate(%)	Original Currency	TL Equivalent	Effective Interest Rate(%)	Original Currency	TL Equivalent
Current borrowings						
Fixed Interest Rate - TL (*)	23,5	80.845	80.845	-	-	-
			80.845			-

(*) As of 31 December 2018 all short-term financial liabilities consist of bank loan with maturity of 2 January 2019.

NOTE 7 – INVENTORIES

	31 December 2018	31 December 2017
Finished and trade goods	140.120	26.263
Raw material	58.433	43.968
Work in progress	22.489	20.293
Other	35.906	11.707
	256.948	102.231

At 31 December 2018, other inventories are mainly composed of spare parts amounting to TL 13.625 (31 December 2017: TL 10.041).

At 31 December 2018, finished goods amounting to TL 140.371 (31 December 2017: TL 26.451) are stated at their net realizable values by recording an obsolescence provision amounting to TL 251 (31 December 2017: TL 188) 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 396.646 (31 December 2017: TL 322.459) (Note 18).

NOTE 8 - INVESTMENT PROPERTIES

	1 January 2018	Additions	Disposals	Transfers	31 December 2018
<u>Buildings and land improvements:</u>					
Cost	3.445	370	-	-	3.815
Accumulated depreciation	(2.006)	(121)	-	-	(2.127)
Net book value	1.439				1.688
	1 January 2017	Additions	Disposals	Transfers	31 December 2017
<u>Buildings and land improvements:</u>					
Cost	3.445	-	-	-	3.445
Accumulated depreciation	(1.892)	(114)	-	-	(2.006)
Net book value	1.553				1.439

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD 1 JANUARY – 31 DECEMBER 2018

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

NOTE 8 - INVESTMENT PROPERTIES (Continued)

Total rental income from the investment properties in 2018 amounts to TL 202 (31 December 2017: TL 102). There are no operating expenses arising from the investment property.

As of 31 December 2018, the fair value of Group's investment properties, of which is carried at cost less accumulated depreciation, determined by TSKB Gayrimenkul Değerleme ve Danışmanlık A.Ş.:

Details of the Group's investment properties and information about the fair value hierarchy as at 31 December 2018 are as follows:

		<u>Fair values as at 31 December 2018</u>			
		31 December 2018	Level 1 TL	Level 2 TL	Level 3 TL
Commercial property	unit				
located in Ankara		5.005	-	5.005	-
Commercial property	unit				
located in İzmir		4.535	-	4.535	-

NOTE 9 - PROPERTY, PLANT AND EQUIPMENT

Movements of property, plant and equipment between 1 January and 31 December 2018 were as follows:

	1 January 2018	Additions	Disposals	Transfers(*)	31 December 2018
Cost:					
Land	1.755	12.076	-	-	13.831
Land improvements	15.408	260	-	3.989	19.657
Buildings	95.807	875	(273)	17.529	113.938
Machinery and equipment	472.683	17.216	(6.615)	147.276	630.560
Furniture and fixtures	376.198	205.447	(11.051)	5.018	575.612
Motor vehicles	12.503	1.588	(413)	-	13.678
Construction in progress	31.782	153.788	-	(176.398)	9.172
	1.006.136	391.250	(18.352)	(2.586)	1.376.448
Accumulated depreciation:					
Land improvements	(9.934)	(275)	-	-	(10.209)
Buildings	(58.139)	(4.197)	168	-	(62.168)
Machinery and equipment	(294.763)	(20.773)	6.501	-	(309.035)
Furniture and fixtures	(209.165)	(106.931)	8.922	-	(307.174)
Motor vehicles	(4.012)	(1.771)	390	-	(5.393)
	(576.013)	(133.947)	15.981	-	(693.979)
Net book value	430.123			-	682.469

(*) Note 10.

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD 1 JANUARY – 31 DECEMBER 2018

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

NOTE 9 - PROPERTY, PLANT AND EQUIPMENT (Continued)

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 10.

Current year depreciation and amortisation expenses of TL 91.998 (31 December 2017: TL 95.221) have been charged to cost of production (Note 18), TL 39.571 (31 December 2017: TL 26.047) to marketing, selling and distribution costs (Note 19) and TL 5.850 (31 December 2017: TL 5.004) to general administrative expenses (Note 19).

There is no mortgage and pledge on property, plant and equipment as of 31 December 2018 and 2017.

NOTE 10 - INTANGIBLE ASSETS

The movements of intangible assets and related accumulated amortisation for the years ended 31 December 2018 and 2017 were as follows:

	1 January 2018	Additions	Disposals	Transfers (*)	31 December 2018
Rights	23.291	1.950	(95)	2.586	27.732
Accumulated amortisation	(16.837)	(3.351)	5	-	(20.183)
Net book value	6.454				7.549
	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

(*) Note 9.

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE PERIOD 1 JANUARY – 31 DECEMBER 2018

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

NOTE 11 - PROVISIONS, CONTINGENT ASSETS AND CONTINGENT LIABILITIES

a) Other short-term provisions:

	31 December 2018	31 December 2017
Provision for excise duty (*)	34.062	32.337
Provision for sales discounts	27.469	21.572
Other	5.727	5.832
	67.258	59.741

(*) The Group management has allocated a provision of TL 34.062 (31 December 2017: TL 32.337) (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:

	2018	2017
1 January	32.337	30.778
Charge for the period	1.725	1.559
31 December	34.062	32.337

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 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 2018, the total value of legal actions is amounted to TL 3.208 (31 December 2017: TL 3.208) in relation to those legal actions not finalized yet.

As at 31 December 2018, the Group has letters of guarantee given amounting to TL 3.848 (31 December 2017: TL 10.000). The schedule for guarantee, pledge, mortgage and bails (GPM) given by the Group is as follows:

	31 December 2018	31 December 2017
A. Total value of GPM provided in favour of the Company itself	3.848	10.000
i. TL	3.848	10.000
B. Total value of GPM provided in favour of the subsidiary	333.332	183.477
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	-	-
	337.180	193.477

The ratio of total value of other GPM to equity is 0% at 31 December 2018 (31 December 2017: 0%).

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE PERIOD 1 JANUARY – 31 DECEMBER 2018
(Amounts expressed in thousands of Turkish Lira (“TL”) unless otherwise indicated.)

NOTE 12 - COMMITMENTS

Commitments related to operational leasings as of 31 December 2018 and 2017 are indicated below:

Foreign currency	31 December 2018			
	1 year		1- 5 years	
	Original Currency	TL Equivalent	Original Currency	TL Equivalent
Euro	2.512	15.178	2.107	12.731
TL	-	3.784	-	3.961
		18.962		16.692

Foreign currency	31 December 2017			
	1 year		1- 5 years	
	Original Currency	TL Equivalent	Original Currency	TL Equivalent
Euro	2.110	9.528	1.874	8.462
USD	71	268	-	-
TL	-	1.768	-	130
		11.564		8.592

TL 23.718 (31 December 2017: TL 14.446) has been recognized as a current year rent expense in the consolidated statement of profit or loss.

NOTE 13 - EMPLOYEE BENEFITS

a) Short term provision for employee benefits:

	31 December 2018	31 December 2017
Vacation pay obligation and other provisions	49.758	38.737
	49.758	38.737

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

	2018	2017
1 January	38.737	32.190
Payment in the current year	(22.960)	(19.991)
Charge for the period	33.981	26.538
31 December	49.758	38.737

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE PERIOD 1 JANUARY – 31 DECEMBER 2018

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

NOTE 13 - EMPLOYEE BENEFITS (Continued)

b) Long term provision for employee benefits:

	31 December 2018	31 December 2017
Provision for employment termination benefit	20.209	15.952
	20.209	15.952

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 5.434,42 for each period of service at 31 December 2018 (31 December 2017: TL 4.732,48).

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 2018, 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 4,95% real discount rate (31 December 2017: 5,19%) calculated by using 11% annual inflation rate and 16,50% discount rate.

Estimated amount of retirement pay not paid due to voluntary leaves is also taken into consideration as 4,30% for employees with 0-15 years of service (31 December 2017: 3,85%), and 0% for those with 16 or more years of service. As the maximum liability is revised semiannually, the maximum amount of TL 6.017,60 effective from 1 January 2019 has been taken into consideration in calculation of provision from employment termination benefits (1 January 2018: TL 5.001,76).

Movements of the provision for employment benefits were as follows:

	2018	2017
1 January	15.952	12.874
Service cost	2.254	1.618
Interest cost	3.355	1.850
Actuarial loss	1.092	1.294
Paid during the year	(2.444)	(1.684)
31 December	20.209	15.952

The total of service cost and interest cost for the year is amounted to TL 5.609 (31 December 2017: TL 3.468). TL 632 (31 December 2017: TL 453) has been charged to general administrative expenses, TL 2.133 (31 December 2017: TL 1.413) has been charged to cost of production and TL 2.844 (31 December 2017: TL 1.602) has been charged to marketing, selling and distribution expenses, respectively.

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD 1 JANUARY – 31 DECEMBER 2018

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

NOTE 14 - EXPENSES BY NATURE

	1 January- 31 December 2018	1 January- 31 December 2017
Revenue	1.699.543	1.235.831
Other income from operating activities	69.255	12.650
Income from investing activities	272.090	113.020
Total revenue	2.040.888	1.361.501
Cost of direct materials	(396.646)	(322.459)
Personnel expenses	(190.399)	(148.136)
Depreciation and amortization	(137.419)	(126.272)
Marketing expenses	(101.091)	(83.550)
Other production cost and change in stocks	(257.389)	(78.240)
Other expense	(388.244)	(209.706)
Finance expense	(21.004)	(11.484)
Total expense	(1.492.192)	(979.847)
Profit before taxes	548.696	381.654
Tax expense	(121.025)	(73.878)
Net profit for the year	427.671	307.776

NOTE 15 - 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 2018 and 2017 are as follows:

	31 December 2018	31 December 2017
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 2018 and 2017 were as follows:

	31 December 2018		31 December 2017	
	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 2017: 32.250.825.300) units of shares with a face value of full TL 0,01 each at 31 December 2018. There are no preferred shares.

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD 1 JANUARY – 31 DECEMBER 2018

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

NOTE 15 - 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 2018	31 December 2017
Adjustment to share capital		277.613	277.613
Restricted reserves appropriated from profits		18.642	877
Share premium		154	154
		296.409	278.644

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:

As at 31 December 2018, accumulated profit in consolidated financial position of the Group prepared in accordance with Turkish Accounting Standards amount to TL 362.420 (31 December 2017: TL 131.266).

There is not any privilege as to dividends. The policy of the Company concerning dividend distribution is to distribute the profit considering its medium and long term strategies, financial situation, the investments and financial plans, other fund requirements, market conditions, economical environment, Capital Market legislations and Turkish Commercial Code.

In the event that distributable profit is available in accordance with relevant regulation, the dividend distribution resolution to be taken by the Board of Directors in the form of cash and/or shares and/or installments as long as the amount is not below than %20 of the distributable profit within the frame of the provisions of Capital Market legislation and Turkish Commercial Code shall be submitted to the approval of General Assembly; and the distribution shall be completed within legal terms.

NOTE 16 - PREPAID EXPENSES AND DEFERRED INCOME

a) Short-term prepaid expenses:

	31 December 2018	31 December 2017
Prepaid expenses	33.057	9.069
	33.057	9.069

b) Long-term prepaid expenses:

Prepaid expenses	61.492	40.134
Order advances for property, plant and equipment	3.481	27.881
	64.973	68.015

c) Deferred income:

Order advances received from customers	3.200	404
	3.200	404

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD 1 JANUARY – 31 DECEMBER 2018 (Amounts expressed in thousands of Turkish Lira (“TL”) unless otherwise indicated.)

NOTE 17 - OTHER CURRENT LIABILITIES

	31 December 2018	31 December 2017
Taxes and funds payable	423.033	266.806
Other	3.728	5.076
	426.761	271.882

NOTE 18 - REVENUE AND COST OF SALES

	1 January- 31 December 2018	1 January- 31 December 2017
Revenue		
Domestic sales- net	1.613.806	1.179.916
Export sales- net	85.737	55.915
Total revenue- net	1.699.543	1.235.831
Cost of sales		
Cost of direct materials	(396.646)	(322.459)
Depreciation and amortisation	(91.998)	(95.221)
Labour expense	(48.009)	(36.912)
Other production cost and change in stocks	(257.389)	(78.240)
Total cost of sales	(794.042)	(532.832)
GROSS PROFIT	905.501	702.999

NOTE 19 - GENERAL ADMINISTRATIVE EXPENSES AND MARKETING, SELLING AND DISTRIBUTION EXPENSES

a) General administrative expenses:

	1 January- 31 December 2018	1 January- 31 December 2017
Personnel expenses	35.758	27.284
Outsourced services	12.195	9.354
Depreciation and amortisation	5.850	5.004
Taxes and funds	1.523	699
Other	16.757	12.860
	72.083	55.201

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE PERIOD 1 JANUARY – 31 DECEMBER 2018

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

NOTE 19 - GENERAL ADMINISTRATIVE EXPENSES AND MARKETING, SELLING AND DISTRIBUTION EXPENSES (Continued)

b) Marketing, selling and distribution expenses:

	1 January- 31 December 2018	1 January- 31 December 2017
Personnel expenses	106.632	83.940
Marketing expenses	101.091	83.550
Transportation and distribution costs	83.250	63.840
Outsourced services	44.370	30.114
Depreciation and amortisation	39.571	26.047
Other	41.939	26.719
	416.853	314.210

NOTE 20 - OTHER INCOME AND EXPENSES FROM OPERATING ACTIVITIES

a) Other income from operating activities:

	1 January- 31 December 2018	1 January- 31 December 2017
Foreign exchange gain	54.261	4.431
Indemnity income	2.065	501
Collection of doubtful receivables	739	444
Other	12.190	7.274
	69.255	12.650

b) Other expense from operating activities:

Foreign exchange loss	(47.096)	(9.848)
Provision for doubtful receivables	(8.892)	(2.683)
Other	(6.390)	(2.670)
	(62.378)	(15.201)

NOTE 21 - INCOME AND EXPENSES FROM INVESTING ACTIVITIES

a) Income from investing activities:

	1 January- 31 December 2018	1 January- 31 December 2017
Foreign exchange gain	235.023	69.695
Interest income	33.965	41.320
Gain on sales of property, plant and equipment	2.657	1.621
Fair value increase of financial investments	-	282
Other	445	102
	272.090	113.020

b) Expense from investing activities:

Foreign exchange loss	(124.638)	(50.848)
Fair value decrease of financial investments	(1.089)	-
Loss on sales of property, plant and equipment	(105)	(71)
	(125.832)	(50.919)

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE PERIOD 1 JANUARY – 31 DECEMBER 2018

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

NOTE 22 - FINANCE EXPENSES

	1 January- 31 December 2018	1 January- 31 December 2017
Bank commissions and other changes	(17.974)	(11.484)
Interest expense	(3.030)	-
	(21.004)	(11.484)

NOTE 23 - TAX ASSETS AND LIABILITIES (INCLUDING DEFERRED TAX ASSETS AND LIABILITIES)

Current income tax liability:

	31 December 2018	31 December 2017
Provision for corporate tax expense	116.400	74.786
Less: Prepaid taxes	(103.644)	(53.385)
Current income tax liability	12.756	21.401

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 2017: 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 22% (31 December 2017: 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 50% (31 December 2017: 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 2017: 15%). An increase in capital via issuing bonus shares is not considered as a profit distribution and thus does not incur withholding tax.

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD 1 JANUARY – 31 DECEMBER 2018

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

NOTE 23 - TAX ASSETS AND LIABILITIES (INCLUDING DEFERRED TAX ASSETS AND LIABILITIES) (Continued)

Taxation on income for the year ended 31 December 2018 and 2017 is as follows:

	1 January- 31 December 2018	1 January- 31 December 2017
Current tax expense (*)	(115.775)	(70.654)
Deferred tax expense	(5.250)	(3.224)
	(121.025)	(73.878)

(*) As of 31 December 2018, the adjustment amounting to TL 625 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 2018 and 2017 is as follows:

	1 January- 31 December 2018	1 January- 31 December 2017
Income before tax	548.696	381.654
Tax calculated at tax rates applicable	(120.713)	(76.331)
Other adjustments not subject to tax	1.417	4.508
Expenses not deductible for tax purposes	(2.175)	(2.095)
Exemptions	446	40
Tax expense	(121.025)	(73.878)

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. 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 2017: 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.

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE PERIOD 1 JANUARY – 31 DECEMBER 2018

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

NOTE 23 - 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 2018 and 2017, using enacted tax rates at the statement of financial position dates, was as follows:

	31 December 2018		31 December 2017	
	Cumulative temporary differences	Deferred tax (liability)/asset	Cumulative temporary differences	Deferred tax (liability)/asset
Property, plant and equipment and intangible fixed assets	28.296	(5.683)	11.538	(2.331)
Inventory	(4.924)	1.083	(3.011)	662
Provision for employment termination benefits	(20.209)	4.067	(15.952)	3.216
Provision for unused vacation and other provisions	(49.758)	10.947	(38.737)	8.522
Provision for impairment of financial investments	(3.463)	693	(3.463)	693
Provision for doubtful receivables	(19.283)	4.243	(16.522)	3.635
Other - net	68.225	(15.013)	41.037	(9.028)
		337		5.369

Thereof:

	31 December 2018	31 December 2017
Subsidiaries with net deferred income tax assets	20.884	17.673
Subsidiaries with net deferred income tax liabilities	(20.547)	(12.304)
	337	5.369

Movement of deferred tax assets for years ended 31 December 2018 and 2017 are as follows:

	2018	2017
1 January	5.369	8.334
Profit or loss effect	(5.250)	(3.224)
Other comprehensive income effect	218	259
31 December	337	5.369

NOTE 24 - 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 2018	1 January-31 December 2017
Net profit for the year	A	427.671	307.776
Weighted number of ordinary shares	B	32.250.825.300	32.250.825.300
Gain per 100 shares (full TL)	A/B	1,33	0,95

There are no differences between basic and diluted gain per share for the periods ended 31 December 2018 and 2017.

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD 1 JANUARY – 31 DECEMBER 2018

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

NOTE 25 - FINANCIAL INVESTMENTS

	31 December 2018	31 December 2017
Financial assets at fair value through profit or loss	376.782	247.836
Available-for-sale financial assets	167	167
	376.949	248.003

Fair values as at 31 December 2018

	31 December 2018	Level 1 TL	Level 2 TL	Level 3 TL
Financial assets at fair value through profit or loss	376.782	376.782	-	-
Financial assets at fair value through other comprehensive income	167	-	-	167

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 2018	31 December 2017
Private sector bonds and bills	201.764	164.349
Certificates of deposits	175.018	83.487
	376.782	247.836

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 2018.

Private sector bonds and bills, and certificates of deposits are dominated in USD and weighted average annual interest rates are 3,67% and 2,56%, respectively (31 December 2017: 2,42% and 1,53%).

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

	2018	2017
1 January	247.836	166.323
Purchase of financial investments	785.890	332.375
Sale of financial investments	(746.341)	(263.974)
Fair value (decrease)/increase	(1.089)	282
Foreign exchange gain- net	90.486	12.830
31 December	376.782	247.836

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD 1 JANUARY – 31 DECEMBER 2018

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

NOTE 26 - 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.

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD 1 JANUARY – 31 DECEMBER 2018

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

NOTE 26 - NATURE AND LEVEL OF RISKS ARISING FROM FINANCIAL INSTRUMENTS (Continued)

31 December 2018:

	Receivables				Bank Deposits	Financial Investments	Total
	Trade Receivables (1)		Other Receivables				
	Related Parties	Other Parties	Related Parties	Other Parties			
Maximum amount of credit risk exposed as of reporting date (A+B+C+D+E) (2)	-	739.343	-	7.978	146.378	376.949	1.270.648
- The part of maximum credit risk covered with guarantees etc	-	387.355	-	-	-	-	387.355
A. Net book value of financial assets not past due and not impaired (3)		686.666		7.978	146.378	376.782	1.217.804
B. Net book value of financial assets whose conditions are renegotiated	-	6.505	-	-	-	-	6.505
otherwise will be classified as past due or impaired (3)							
C. Net book value of assets past due but not impaired (3)	-	46.172	-	-	-	-	46.172
- The part covered by guarantees etc.	-	3.517	-	-	-	-	3.517
D. Net book value of assets impaired	-	-	-	-	-	167	167
- Past due (gross book value)	-	28.119	-	-	-	-	28.119
- Impairment (-)	-	(28.119)	-	-	-	-	(28.119)
- The part of net value covered with guarantees etc.							
- Not due (gross book value)	-	16.222	-	-	-	4.056	20.278
- Impairment (-)	-	(16.222)	-	-	-	(3.889)	(20.111)
- 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.

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

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE PERIOD 1 JANUARY – 31 DECEMBER 2018**

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

NOTE 26 - NATURE AND LEVEL OF RISKS ARISING FROM FINANCIAL INSTRUMENTS (Continued)

31 December 2017:

	Receivables				Bank Deposits	Financial Investments	Total
	Trade Receivables (1)		Other Receivables				
	Related Parties	Other Parties	Related Parties	Other Parties			
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.

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD 1 JANUARY – 31 DECEMBER 2018

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

NOTE 26 - NATURE AND LEVEL OF RISKS ARISING FROM FINANCIAL INSTRUMENTS (Continued)

The aging analysis of overdue financial assets as of 31 December 2018 and 2017 is as follows:

31 December 2018:

	Trade Receivables		
	Related Parties	Other Parties	Total
1-30 days overdue	-	42.154	42.154
1-3 months overdue	-	3.993	3.993
3-12 months overdue	-	25	25
1-5 years overdue	-	-	-
		46.172	46.172
The part covered by guarantees		(3.517)	(3.517)
- Bank letters of guarantee	-	(3.150)	(3.150)
- Mortgage	-	(367)	(367)
		42.655	42.655

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE PERIOD 1 JANUARY – 31 DECEMBER 2018

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

NOTE 26 - NATURE AND LEVEL OF RISKS ARISING FROM FINANCIAL INSTRUMENTS (Continued)

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.

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 2018				
	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	213.327	215.527	215.527	-	-
Bank loans	80.845	80.845	80.845	-	-
	294.172	296.372	296.372	-	-

	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		

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD 1 JANUARY – 31 DECEMBER 2018

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

NOTE 26 - 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 2018, 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.

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD 1 JANUARY – 31 DECEMBER 2018

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

NOTE 26 - NATURE AND LEVEL OF RISKS ARISING FROM FINANCIAL INSTRUMENTS (Continued)

	Foreign Currency Position Schedule							
	31 December 2018				31 December 2017			
	TL Equivalent	USD	Euro	Other (TL Equivalent)	TL Equivalent	USD	Euro	Other (TL Equivalent)
1. Trade Receivables	1.582	188	50	287	1.438	301	67	-
2a. Monetary Financial Assets (Including Cash, Bank accounts)	494.976	84.607	7.960	71	329.804	87.430	2	18
2b. Non-Monetary Financial Assets	4.562	23	735	-	372	4	79	-
3. Other	-	-	-	-	-	-	-	-
4. Current Assets (1+2+3)	501.120	84.818	8.745	358	331.614	87.735	148	18
5. Trade Receivables	-	-	-	-	-	-	-	-
6a. Monetary Financial Assets	-	-	-	-	-	-	-	-
6b. Non-Monetary Financial Assets	3.461	1	572	-	26.888	2	5.953	-
7. Other	-	-	-	-	-	-	-	-
8. Non-Current Assets (5+6+7)	3.461	1	572	-	26.888	2	5.953	-
9. Total Assets (4+8)	504.581	84.819	9.317	358	358.502	87.737	6.101	18
10. Trade Payables	(54.408)	(1.047)	(8.020)	(420)	(27.450)	(1.802)	(4.531)	(193)
11. Financial Liabilities	-	-	-	-	-	-	-	-
12a. Monetary Other Liabilities	-	-	-	-	-	-	-	-
12b. Non-Monetary Other Liabilities	(2.825)	(535)	-	-	(404)	(107)	-	-
13. Short Term Liabilities (10+11+12)	(57.233)	(1.582)	(8.020)	(420)	(27.854)	(1.909)	(4.531)	(193)
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)	(57.233)	(1.582)	(8.020)	(420)	(27.854)	(1.909)	(4.531)	(193)
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)	447.348	83.237	1.297	(62)	330.648	85.828	1.570	(175)
21. Net Foreign Currency Asset/(Liability) Position of Monetary Items (=1+2a+5+6a-10-11-12a-14-15-16a)	442.150	83.748	(10)	(62)	303.792	85.929	(4.462)	(175)
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	-	-	-	-	-	-	-	-

As of 31 December 2018, Group's export and import amounts are TL 85.737 and TL 334.664 respectively (31 December 2017: TL 55.915 and TL 232.795).

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE PERIOD 1 JANUARY – 31 DECEMBER 2018

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

NOTE 26 - NATURE AND LEVEL OF RISKS ARISING FROM FINANCIAL INSTRUMENTS (Continued)

31 December 2018:	Profit/Loss	
	Appreciation of foreign currency	Depreciation of foreign currency
Change of USD by 10% against TL:		
1- Asset/Liability denominated in USD- net	44.227	(44.227)
2- The part of USD risk hedged (-)	-	-
3- USD effect- net (1+2)	44.227	(44.227)
Change of Euro by 10% against TL:		
4- Asset/Liability denominated in Euro- net	(6)	6
5- The part of EUR risk hedged (-)	-	-
6- Euro effect- net (4+5)	(6)	6
Change of other currencies by 10% against TL:		
7- Asset/Liability denominated in other currencies- net	(6)	6
8- The part of other currency risk hedged (-)	-	-
9- Other currency effect- net (7+8)	(6)	6
TOTAL (3+6+9)	44.215	(44.215)

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)

There is no effect of foreign currency changes on equity apart from the effects on net income as of 31 December 2018 and 2017.

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE PERIOD 1 JANUARY – 31 DECEMBER 2018

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

NOTE 26 - 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 2018	31 December 2017
Total liabilities	933.217	623.960
Less: Cash and cash equivalents	(146.537)	(344.292)
Less: Financial assets at fair value through profit/loss	(376.782)	(247.836)
Net debt	409.898	31.832
Total equity	1.405.420	1.037.480
Debt/equity ratio	29%	3%

NOTE 27 - FINANCIAL INSTRUMENTS

Classes of financial instruments and their fair values:

31 December 2018:	Financial liabilities at amortised cost	Financial assets at fair value through profit or loss	Book value	Note
<u>Financial assets</u>				
Cash and cash equivalents	146.537	-	146.537	28
Trade receivables	739.343	-	739.343	4
Financial investments	-	376.782	376.782	25
<u>Financial liabilities</u>				
Bank loans	80.845	-	80.845	6
Trade payables	213.327	-	213.327	4
31 December 2017:				
	Financial liabilities at amortised cost	Financial assets at fair value through profit or loss	Book value	Note
<u>Financial assets</u>				
Cash and cash equivalents	344.292	-	344.292	28
Trade receivables	433.209	-	433.209	4
Financial investments	-	247.836	247.836	25
<u>Financial liabilities</u>				
Trade payables	166.378	-	166.378	4

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD 1 JANUARY – 31 DECEMBER 2018

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

NOTE 28 – CASH AND CASH EQUIVALENTS

	31 December 2018	31 December 2017
Banks	146.378	344.166
- USD denominated time deposits	65.692	80.385
- EUR denominated time deposits	47.312	-
- TL denominated demand deposits	23.936	16.320
- TL denominated time deposits	7.628	245.925
- USD denominated demand deposits	1.810	1.536
Cash in hand	159	126
	146.537	344.292

TL denominated time deposits of TL 7.628 (31 December 2017: TL 245.925) at 31 December 2018 has an interest rate of 16,91% p.a. (31 December 2017: 15,24% p.a.) and its weighted average maturity is on 2 January 2019 (31 December 2017: 16 January 2018) whereas USD denominated time deposits of USD 12.439 (31 December 2017: USD 21.312) at 31 December 2018 has an interest rate of 2,91% p.a. (31 December 2017: 3,05% p.a.) and its weighted average maturity is on 2 February 2019 (31 December 2017: 16 February 2018). EUR 7.830 denominated time deposits of EUR at 31 December 2018 has an interest rate of %1,30 p.a. and its weighed maturity is on 18 January 2019 (31 December 2017: None).

NOTE 29 - SUBSEQUENT EVENTS

None.

.....