(Convenience Translation of Consolidated Financial Statements and Footnotes Originally Issued in Turkish)

Coca-Cola İçecek Anonim Şirketi

Interim Condensed Consolidated Financial Statements as of June 30, 2019 Together with Independent Auditor's Review Report

DRT Bağımsız Denetim ve
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(CONVENIENCE TRANSLATION OF THE REPORT ON REVIEW OF CONDENSED INTERIM FINANCIAL INFORMATION ORIGINALLY ISSUED IN TURKISH)

REPORT ON REVIEW OF CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

To the General Assembly of Coca Cola İçecek A.Ş.

Introduction

We have reviewed the accompanying condensed consolidated statement of financial position of Coca Cola İçecek A.Ş. ("the Company") and its subsidiaries (together will be referred as "the Group") as of 30 June 2019 and the related condensed consolidated statements of profit or loss and other comprehensive income, changes in equity and cash flows for the six-month period then ended, and a summary of significant accounting policies and other explanatory notes. Group management is responsible for the preparation and fair presentation of this consolidated interim financial information in accordance with Turkish Accounting Standards 34 "Interim Financial Reporting" Standard. Our responsibility is to express a conclusion on this consolidated interim financial information based on our review.

Scope of Review

We conducted our review in accordance with Independent Auditing Standard on Review Engagements 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity". A review of consolidated interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Independent Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying consolidated interim financial information is not prepared, in all material respects, in accordance with TAS 34 "Interim Financial Reporting".

DRT BAGIMSIZ DENETIM VE SERBEST MUHASEBECI MALİ MÜŞAVİRLİK A.Ş.
Member of **DELOITTE TOUCHE TOHMATSU LIMITED**

Yaman Polat
Partner

İstanbul, 7 August 2019

(Convenience Translation of Consolidated Financial Statements and Footnotes Originally Issued in Turkish)

Coca-Cola İçecek Anonim Şirketi

Interim Condensed Consolidated Financial Statements as of June 30, 2019

(Convenience Translation of Consolidated Financial Statements and Footnotes Originally Issued in Turkish)

Coca-Cola İçecek Anonim Şirketi
Condensed Consolidated Interim Statement of Financial Position as of June 30, 2019
(Currency - Thousands of Turkish Lira unless otherwise indicated (TL))

	Notes	Reviewed June 30, 2019	Audited December 31, 2018 (Restated-Note 2)	Audited December 31, 2017 (Restated-Note 2)
ASSETS				
Cash and Cash Equivalents	**4**	**1.848.380**	2.289.734	3.874.702
Investments in Securities	**5**	**83.133**	21.163	17.237
Trade Receivables		**1.793.278**	750.679	675.151
- Due from related parties	*24*	*257.188*	126.645	108.059
- Other trade receivables from third parties		*1.536.090*	624.034	567.092
Other Receivables	**8**	**31.170**	32.341	40.266
- Other receivables from third parties		*31.170*	32.341	40.266
Derivative Financial Instruments	**6**	**5.293**	-	152
Inventories		**1.400.826**	803.952	563.847
Prepaid Expenses	**9**	**260.710**	191.115	174.118
Current Income Tax Assets		**133.383**	150.196	110.429
Other Current Assets	**17**	**204.266**	298.066	249.358
- Other current assets from third parties		*204.266*	298.066	249.358
Total Current Assets		**5.760.439**	4.537.246	5.705.260
Other Receivables		**36.307**	38.013	12.602
- Other receivables from third parties		*36.307*	38.013	12.602
Property, Plant and Equipment	**11**	**6.757.706**	6.489.084	5.257.963
Intangible Assets		**2.828.307**	2.688.881	2.226.549
- Goodwill	*13*	*805.430*	819.446	719.392
- Other intangible assets	*12*	*2.022.877*	1.869.435	1.507.157
Right of Use Asset	**11**	**143.975**	131.362	138.943
Prepaid Expenses	**9**	**283.277**	258.476	191.784
Deferred Tax Assets	**22**	**102.289**	10.911	1.648
Other Non-Current Assets	**17**	**-**	643	-
Total Non-Current Assets		**10.151.861**	9.617.370	7.829.489
Total Assets		**15.912.300**	14.154.616	13.534.749

The explanatory notes form an integral part of these condensed consolidated financial statements

(Convenience Translation of Consolidated Financial Statements and Footnotes Originally Issued in Turkish)

Coca-Cola İçecek Anonim Şirketi
Condensed Consolidated Interim Statement of Financial Position as of June 30, 2019
(Currency - Thousands of Turkish Lira unless otherwise indicated (TL))

	Notes	Reviewed June 30, 2019	Audited December 31, 2018 (Restated-Note 2)	Audited December 31, 2017 (Restated-Note 2)
LIABILITIES				
Short-term Borrowings	**7**	**151.627**	212.258	79.875
- *Bank borrowings*		*149.932*	210.448	78.283
- *Finance lease payables*		*1.695*	1.810	1.592
Current Portion of Long-term Borrowings	**7**	**1.174.765**	733.726	2.745.166
- *Bank borrowings*		*1.138.839*	706.358	2.716.799
- *Lease payables*		*35.926*	*27.368*	28.367
Trade Payables		**2.370.369**	1.294.354	955.589
- *Due to related parties*	*24*	*507.165*	328.134	244.587
- *Other trade payables to third parties*		*1.863.204*	966.220	711.002
Payables Related to Employee Benefits		**43.248**	34.743	39.593
Other Payables	**8**	**449.590**	288.103	232.418
- *Other payables to third parties*		*449.590*	288.103	232.418
Derivative Financial Instruments	**6**	**11.808**	13.485	-
Provision for Corporate Tax		**71.826**	10.932	4.842
Current Provisions		**76.644**	58.251	66.061
- *Current provisions for employee benefits*		*76.644*	58.251	66.061
Other Current Liabilities	**17**	**52.648**	50.125	32.380
Total Current Liabilities		**4.402.525**	2.695.977	4.155.924
Long-term Borrowings	**7**	**3.928.614**	4.158.301	3.323.403
- *Bank borrowings*		*3.789.763*	4.022.525	3.190.310
- *Lease payables*		*137.553*	*133.452*	129.369
- *Finance lease payables*		*1.298*	2.324	3.724
Trade Payables		**63.549**	46.985	35.180
- *Due to related parties*	*24*	*57.534*	40.782	29.100
- *Other trade payables to third parties*		*6.015*	6.203	6.080
Non-Current Provisions		**94.523**	82.548	72.307
- *Non-current provisions for employee benefits*		*94.523*	82.548	72.307
Deferred Tax Liability	**22**	**588.430**	548.695	407.915
Other Non-Current Liabilities	**17**	**216.622**	198.020	117.572
Total Non-Current Liabilities		**4.891.738**	5.034.549	3.956.377
Equity of the Parent		**5.851.302**	5.598.544	4.720.799
Share Capital	**18**	**254.371**	254.371	254.371
Share Capital Adjustment Differences	**18**	**(8.559)**	(8.559)	(8.559)
Share Premium		**214.241**	214.241	214.241
Non-Controlling Interest Put Option Valuation Fund		**(5.652)**	(4.748)	22.353
Other comprehensive income items not to be reclassified to profit or loss		**(10.247)**	(10.247)	(10.801)
- *Actuarial gains / losses*		*(20.029)*	(20.029)	(20.583)
- *Other valuation funds*		*9.782*	9.782	9.782
Other comprehensive income items to be reclassified to profit or loss		**3.161.867**	3.016.730	2.233.418
- *Currency translation adjustment*		*3.455.541*	3.161.714	2.208.371
- *Cash flow hedge reserve*		*(293.674)*	(144.984)	25.047
Restricted Reserves Allocated from Net Profit	**18**	**184.044**	155.300	136.553
Accumulated Profit / Loss		**1.652.554**	1.660.270	1.643.156
Net Income / (Loss) for the period		**408.683**	321.186	236.067
Non-Controlling Interest		**766.735**	825.546	701.649
Total Equity		**6.618.037**	6.424.090	5.422.448
Total Liabilities		**15.912.300**	14.154.616	13.534.749

The explanatory notes form an integral part of these condensed consolidated financial statements

Coca-Cola İçecek Anonim Şirketi
Condensed Consolidated Interim Statement of Income for the six months ended June 30, 2019
(Currency - Thousands of Turkish Lira unless otherwise indicated (TL))

		Reviewed		Reviewed	
	Notes	**January 1 - June 30, 2019**	**April 1 - June 30, 2019**	January 1 - June 30, 2018 (Restated-Note 2)	April 1 - June 30, 2018 (Restated-Note 2)
Net Revenue		6.117.250	3.888.284	4.950.442	3.117.152
Cost of Sales (-)		(4.039.140)	(2.508.446)	(3.252.547)	(2.001.035)
Gross Profit / (Loss)		**2.078.110**	**1.379.838**	1.697.895	1.116.117
General and Administration Expenses (-)		(248.166)	(133.845)	(204.955)	(112.390)
Distribution, Selling and Marketing Expenses (-)		(975.390)	(548.457)	(865.050)	(516.019)
Other Operating Income	19	36.134	18.352	77.804	52.444
Other Operating Expense (-)	19	(139.809)	(105.751)	(39.624)	(24.507)
Profit / (Loss) From Operations		**750.879**	**610.137**	666.070	515.645
Gain from Investing Activities	20	3.255	1.223	450	450
Loss from Investing Activities (-)	20	(3.165)	(1.595)	(10.623)	(7.844)
Gain / (Loss) from Associates	10	(146)	(48)	(176)	(103)
Profit / (Loss) Before Financial Income / (Expense)		**750.823**	**609.717**	655.721	508.148
Financial Income / (Expense)	21	**(277.913)**	**(161.004)**	(405.078)	(223.466)
Financial Income		224.129	101.493	803.917	*575.694*
Financial Expenses (-)		(502.042)	(262.497)	(1.208.995)	*(799.160)*
Profit / (Loss) Before Tax from Continuing Operations		**472.910**	**448.713**	250.643	284.682
Tax Expense of Continuing Operations		(123.938)	(56.497)	(76.417)	(43.339)
Deferred Tax Income / Expense (-)	*22*	81.940	79.292	27.554	*23.292*
Current Period Tax Expense (-)		(205.878)	(135.789)	(103.971)	*(66.631)*
Net Income / (Loss) from Continuing Operations		**348.972**	**392.216**	174.226	241.343
Attributable to:					
Non-controlling interest		(59.711)	(19.062)	38.214	56.127
Equity holders of the parent	23	408.683	411.278	136.012	185.216
Net Income / (Loss)		**348.972**	**392.216**	174.226	241.343
Equity Holders Earnings Per Share from Continuing Operations (full TL)	23	0,0161	0,0162	0,0053	0,0073
Equity Holders Earnings Per Diluted Share from Continuing Operations (full TL)	23	0,0161	0,0162	0,0053	0,0073

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

(Convenience Translation of Consolidated Financial Statements and Footnotes Originally Issued in Turkish)

Coca-Cola İçecek Anonim Şirketi
Condensed Consolidated Interim Statement of Comprehensive Income
For the six months ended June 30, 2019
(Currency - Thousands of Turkish Lira unless otherwise indicated (TL))

	Reviewed		Reviewed	
	January 1 – June 30, 2019	**April 1 – June 30, 2019**	January 1 – June 30, 2018 (Restated-Note 2)	April 1 – June 30, 2018 (Restated-Note 2)
Net Income	**348.972**	**392.216**	174.226	241.343
Cash flow hedge reserve	**(148.215)**	**(81.501)**	71.053	38.632
Deferred tax effect	**(475)**	**1.332**	(17.141)	(10.657)
Currency translation adjustment	**293.823**	**(139.940)**	747.525	557.617
Other comprehensive income items to be reclassified to profit or loss subsequently	**145.133**	**(220.109)**	801.437	585.592
Total of Other Comprehensive Income After Tax	**494.105**	**172.107**	975.663	826.935
Attributable to:				
Non-controlling interest	**(59.715)**	**(73.860)**	121.166	140.033
Equity holders of the parent	**553.820**	**245.967**	854.497	686.902

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

Coca-Cola İçecek Anonim Şirketi

Consolidated Statement of Change in Shareholders' Equity for the six months ended June 30, 2019

(Currency - Thousands of Turkish Lira unless otherwise indicated (TL))

					Other comprehensive income and expense items									
				Non-Controlling Interest	Subsequently not to be reclassified to profit or loss		Subsequently to be reclassified to profit or loss							
Consolidated Statement of Changes in Shareholders' Equity	Share Capital	Share Capital Adjustment Differences	Share Premium	Put Option Valuation Fund	Other Valuation Funds	Actuarial Gains / Losses	Cash Flow Hedge Reserve	Currency Translation Adjustment	Restricted Reserves Allocated from Net Profit	Accumulated Profit / Loss	Net Income	Total Equity of the Parent	Non-Controlling Interest	Total Equity
January 1, 2018-Reported	254.371	(8.559)	214.241	22.353	9.782	(20.583)	25.047	2.208.338	136.553	1.656.568	237.627	4.735.738	703.855	5.439.593
Effect of mandatory changes in accounting policy (Note 2)	-	-	-	-	-	-	-	33	-	(13.412)	(1.560)	(14.939)	(2.206)	(17.145)
January 1, 2018 Restated (*)	254.371	(8.559)	214.241	22.353	9.782	(20.583)	25.047	2.208.371	136.553	1.643.156	236.067	4.720.799	701.649	5.422.448
Other comprehensive gain / (loss)	-	-	-	-	-	-	53.912	664.573	-	236.067	(236.067)	718.485	82.952	801.437
Net income / (loss) for the period	-	-	-	-	-	-	-	-	-		136.012	136.012	38.214	174.226
Total Comprehensive Income / (loss)	-	-	-	-	-	-	53.912	664.573	-	236.067	(100.055)	854.497	121.166	975.663
Dividend paid	-	-	-	-	-	-	-	-	-	(200.190)	-	(200.190)	(11.456)	(211.646)
Transfers	-	-	-	-	-	-	-	-	18.747	(18.747)	-	-	-	-
Increase (Decrease) from Other Changes (**)	-	-	-	3.563	-	-	-	-	-	-	-	3.563	(3.563)	-
June 30, 2018 (*)	254.371	(8.559)	214.241	25.916	9.782	(20.583)	78.959	2.872.944	155.300	1.660.286	136.012	5.378.669	807.796	6.186.465
January 1, 2019-Reported	**254.371**	**(8.559)**	**214.241**	**(4.748)**	**9.782**	**(20.029)**	**(144.984)**	**3.162.108**	**155.300**	**1.675.242**	**326.778**	**5.619.502**	**831.234**	**6.450.736**
Effect of mandatory changes in accounting policy (Note 2)	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**(394)**	**-**	**(14.972)**	**(5.592)**	**(20.958)**	**(5.688)**	**(26.646)**
January 1, 2019 Restated (*)	**254.371**	**(8.559)**	**214.241**	**(4.748)**	**9.782**	**(20.029)**	**(144.984)**	**3.161.714**	**155.300**	**1.660.270**	**321.186**	**5.598.544**	**825.546**	**6.424.090**
Other comprehensive gain / (loss)	**-**	**-**	**-**	**-**	**-**	**-**	**(148.690)**	**293.827**	**-**	**321.186**	**(321.186)**	**145.137**	**(4)**	**145.133**
Net income / (loss) for the period	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**408.683**	**408.683**	**(59.711)**	**348.972**
Total Comprehensive Income / (loss)	-	-	-	**-**	-	**-**	**(148.690)**	**293.827**	**-**	**321.186**	**87.497**	**553.820**	**(59.715)**	**494.105**
Dividend paid	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**(300.158)**	**-**	**(300.158)**	**-**	**(300.158)**
Transfers	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**28.744**	**(28.744)**				
Increase (Decrease) from Other Changes (**)	**-**	**-**	**-**	**(904)**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**(904)**	**904**	**-**
June 30, 2019	**254.371**	**(8.559)**	**214.241**	**(5.652)**	**9.782**	**(20.029)**	**(293.674)**	**3.455.541**	**184.044**	**1.652.554**	**408.683**	**5.851.302**	**766.735**	**6.618.037**

(*) Restated, Note 2.
(**) Non-controlling interest share put option liability

The explanatory notes form an integral part of these condensed consolidated financial statements

Coca-Cola İçecek Anonim Şirketi
Condensed Consolidated Interim Statement of Cash Flows for the six months ended June 30,2019
(Currency - Thousands of Turkish Lira unless otherwise indicated (TL))

		Reviewed	
	Notes	**June 30, 2019**	June 30, 2018 (Restated – Note 2)
Net Income		**348.972**	**174.226**
Adjustments to reconcile net profit / (loss) to net cash provided by operating activities		**818.988**	**826.101**
Depreciation and amortization		**337.475**	288.547
Adjustments for impairment loss (reversal)		**10.135**	**6.859**
- *Provision / (reversal) for doubtful receivable*		*7.924*	*1.772*
- *Provision / (reversal) for inventories*		*(954)*	*(5.536)*
- *Impairment loss / (reversal) in property, plant and equipment*	11,20	*3.165*	*10.623*
Adjustments for provisions		**72.630**	**49.473**
- *Provision / (reversal) for employee benefits*		*72.630*	*49.473*
Adjustments for interest (income) expenses	21	**89.031**	**92.007**
- *Interest income*		*(72.668)*	*(98.582)*
- *Interest expense*		*161.699*	*190.589*
Unrealized foreign exchange (gain) / loss		182.511	309.026
(Gain) / loss from associates	10	146	176
Income tax expense		123.938	76.417
(Gain) / loss on sale of property, plant and equipment and intangible assets	20	(3.255)	(450)
Interest expense of lease payables	21	6.377	4.046
Change in operating activities		**(556.713)**	**(509.416)**
Adjustments for decrease (increase) in trade accounts receivable		**(1.050.522)**	**(806.313)**
- *(Increase) / decrease on due from related parties*		*(130.543)*	*(79.670)*
- *(Increase) / decrease on trade receivables*		*(919.979)*	*(726.643)*
Adjustments for (decrease)/increase in Inventories		**(595.920)**	**(495.189)**
Adjustments for increase (decrease) in trade accounts payable		**1.089.729**	**792.086**
- *Increase / (decrease) on due to related parties*		*195.782*	*118.228*
- *Increase / (decrease) on trade payables*		*893.947*	*673.858*
Cash flows from operating activities:		**611.247**	**490.911**
Interest paid	7	(159.528)	(169.998)
Interest received		72.668	98.582
Payments made for employee benefits		(37.624)	(20.791)
Tax returns / (payments)		(98.350)	15.208
Change in other working capital		181.711	(17.246)
A. NET CASH GENERATED FROM OPERATING ACTIVITIES		**570.124**	**396.666**
Cash outflows arising from purchase of property, plant, equipment and intangible assets		**(459.755)**	**(439.328)**
- *Purchase of property, plant and equipment*	11	*(413.138)*	*(436.567)*
- *Purchase of intangibles*	12	(46.617)	*(2.761)*
Proceeds from sale of property, plant and equipment and intangibles		11.415	8.290
Change in other investing activities		(61.970)	14.623
B. NET CASH (USED) / GENERATED IN INVESTING ACTIVITIES		**(510.310)**	**(416.415)**
Change in lease payables		(20.297)	(24.210)
Proceeds from borrowings	7	561.451	720.426
Repayments of borrowings	7	(804.729)	(1.111.690)
Cash flow hedge reserve		(45.145)	88.514
Dividends paid	18	(300.158)	(211.646)
C. NET CASH (USED) / GENERATED FROM FINANCING ACTIVITIES		**(608.878)**	**(538.606)**
Net increase / (decrease) in cash and cash equivalents before currency translation effects (A+B+C)		**(549.064)**	**(558.355)**
Effects of currency translation on cash and cash equivalents		28.728	435.951
Effects of currency translation intercompany borrowings		42.001	106.859
Currency translation adjustment		36.981	(115.689)
D. CURRENCY TRANSLATION ON CASH AND CASH EQUIVALENTS		**107.710**	**427.121**
Net increase / (decrease) in cash and cash equivalents (A+B+C+D)		**(441.354)**	**(131.234)**
E. CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	4	**2.289.734**	**3.874.702**
CASH AND CASH EQUIVALENTS AT PERIOD END (A+B+C+D+E)	4	**1.848.380**	**3.743.468**

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

(Currency - Thousands of Turkish Lira unless otherwise indicated (TL))

1. CORPORATE INFORMATION and NATURE OF ACTIVITIES

General

Coca-Cola İçecek Anonim Şirketi ("CCI" - "the Company"), is the bottler, distributor and seller of alcohol-free beverages in Turkey, Pakistan, Central Asia and the Middle East. The operations of the Company consist of production, sales and distribution of sparkling and still beverages with The Coca-Cola Company ("TCCC") trademarks. The Company has 10 (2018 - 10) production facilities in different regions of Turkey and operates 16 (2018 - 16) production facilities in countries other than Turkey. The registered office address of CCI is OSB Mah. Deniz Feneri Sok. No:4 Ümraniye İstanbul, Turkey.

CCI is a listed company on the Borsa Istanbul A.Ş. ("BIST"). CCI's American Depositary receipts issued under the Level I ADR program are traded over the counter in the United States, starting from July 2013. In July 2018 Board of Directors has decided to terminate the Regulation S and Rule 144A Global Depositary Receipt Program (GDR) and the Level I ADR programme, trading OTC (over the counter) in the United States, and the programme was terminated as of November 9, 2018. The sale of Capital Markets Board ("CMB") Tranche Issuance Certificated bonds to investors outside of Turkey has been completed as of September 19, 2017, and these bonds were admitted to the Irish Stock Exchange.

The Group consists of the Company, its subsidiaries and joint ventures.

The condensed consolidated financial statements of the Group were approved for issue by the Board of Directors on August 7, 2019, which were signed by the Audit Committee and Chief Financial Officer Andriy Avramenko. The General Assembly and the regulatory bodies have the right to make amendments to the consolidated financial statements after their issuance.

Shareholders of the Company

AG Anadolu Grubu Holding A.Ş. is the ultimate controlling party of the Company. As of June 30, 2019, and December 31, 2018 the composition of shareholders and their respective percentage of ownership can be summarized as follows:

	June 30, 2019		December 31, 2018	
	Nominal Amount	**Percentage**	Nominal Amount	Percentage
Anadolu Efes Biracılık ve Malt Sanayi A.Ş. ("Anadolu Efes")	**102.047**	**40,12%**	102.047	40,12%
The Coca-Cola Export Corporation ("TCCEC")	**51.114**	**20,09%**	51.114	20,09%
Efes Pazarlama ve Dağıtım Ticaret A.Ş. ("Efpa")	**25.788**	**10,14%**	25.788	10,14%
Özgörkey Holding A.Ş.	**5.504**	**2,16%**	6.792	2,67%
Publicly Traded	**69.918**	**27,49%**	68.630	26,98%
	254.371	**100,00%**	254.371	100,00%
Inflation Restatement Effect	**(8.559)**	**-**	(8.559)	-
	245.812		245.812	

Özgörkey Holding A.Ş. shares with a nominal value of TL 894 has been listed to Central Registry Agency, with a sale purpose (December 31, 2018 - TL 433).

Nature of Activities of the Group

CCI and its subsidiary Coca-Cola Satış ve Dağıtım A.Ş. ("CCSD") are among the leading bottlers and distributors of alcohol-free beverages, operating in Turkey. The sole operation area of the Company is the production, sales and distribution of sparkling and still beverages.

The Company has exclusive rights to produce, sell and distribute TCCC branded beverages including Coca-Cola, Coca-Cola Zero, Coca-Cola Zero Sugar, Coca-Cola Light, Fanta, Sprite, Cappy, Sen Sun, Powerade and Fuse Tea in TCCC authorized packages throughout Turkey provided by Bottler's and Distribution Agreements signed between the Group with TCCEC and TCCC. Renewal periods of the signed Bottler's and Distribution Agreements varies between 2019 and 2028.

The Company has exclusive rights to produce, sell and distribute Burn and Gladiator branded energy drinks in authorized packages throughout Turkey, according to the Bottlers Agreements signed between the Company and Monster Energy Company ("MEC") and has the right for selling and distribution of Monster branded products in accordance with the International Distribution Agreement signed with Monster Energy Limited ("MEL") which has taken over TCCC's global energy drink portfolio and is partially owned by TCCC as well.

(Currency - Thousands of Turkish Lira unless otherwise indicated (TL))

1. CORPORATE INFORMATION and NATURE OF ACTIVITIES (continued)

According to the Sales and Distribution Agreement signed with Doğadan Gıda Ürünleri Sanayi ve Pazarlama A.Ş. ("Doğadan"), a subsidiary of TCCC, it's approved that sales and distribution of Doğadan products will be realized by CCSD throughout Turkey starting from September 2008.

The Company's international subsidiaries and joint ventures operating outside of Turkey are also engaged in the production, sales and distribution of sparkling and still beverages with TCCC trademarks.

The Company's subsidiary Mahmudiye Kaynak Suyu Limited Şirketi ("Mahmudiye"), which was acquired by CCI on March 16, 2006, is engaged in the production and filling of natural spring water Damla, a registered trademark of CCI, with TCCC approved packages, in Turkey.

The Group has the exclusive bottling and distribution rights in Turkey for Schweppes branded beverages under Bottler's and Distribution Agreement signed with Schweppes Holdings Limited. Special authorization for the Group operating countries, other than Turkey, may be granted from time to time.

Subsidiaries and Joint Ventures

As of June 30, 2019, and December 31, 2018 the list of CCI's subsidiaries and joint ventures and its effective participation percentages are as follows:

Subsidiaries

				Effective Shareholding and Voting Rights	
		Place of Incorporation	**Principal Activities**	**June 30, 2019**	December 31, 2018
1)	Coca-Cola Satış ve Dağıtım Anonim Şirketi ("CCSD")	Turkey	Distribution and sales of Coca-Cola, Doğadan and Mahmudiye products	**99,97%**	99,97%
2)	Mahmudiye Kaynak Suyu Limited Şirketi ("Mahmudiye")	Turkey	Filling of natural spring water	**100,00%**	100,00%
3)	J.V. Coca-Cola Almaty Bottlers Limited Liability Partnership ("Almaty CC")	Kazakhstan	Production, distribution and sales of Coca-Cola products	**100,00%**	100,00%
4)	Azerbaijan Coca-Cola Bottlers Limited Liability Company ("Azerbaijan CC")	Azerbaijan	Production, distribution and sales of Coca-Cola products	**99,87%**	99,87%
5)	Coca-Cola Bishkek Bottlers Closed Joint Stock Company ("Bishkek CC")	Kyrgyzstan	Production, distribution and sales of Coca-Cola products	**100,00%**	100,00%
6)	CCI International Holland B.V. ("CCI Holland")	Holland	Holding company	**100,00%**	100,00%
7)	Tonus Turkish-Kazakh Joint Venture Limited Liability Partnership ("Tonus")	Kazakhstan	Holding company	**100,00%**	100,00%
8)	The Coca-Cola Bottling Company of Jordan Limited ("TCCBCJ")	Jordan	Production, distribution and sales of Coca-Cola products	**90,00%**	90,00%
9)	Turkmenistan Coca-Cola Bottlers ("Turkmenistan CC")	Turkmenistan	Production, distribution and sales of Coca-Cola products	**59,50%**	59,50%
10)	Sardkar for Beverage Industry/Ltd ("SBIL") (**)	Iraq	Production, distribution and sales of Coca-Cola products	**100,00%**	100,00%
11)	Waha Beverages B.V. ("Waha B.V.")	Holland	Holding Company	**80,03%**	80,03%
12)	Coca-Cola Beverages Tajikistan Limited Liability Company ("Tajikistan CC")	Tajikistan	Production, distribution and sales of Coca-Cola products	**100,00%**	100,00%
13)	Al Waha for Soft Drinks, Juices, Mineral Water, Plastics, and Plastic Caps Production LLC ("Al Waha")	Iraq	Production, distribution and sales of Coca-Cola products	**80,03%**	80,03%
14)	Coca-Cola Beverages Pakistan Limited ("CCBPL") (*)	Pakistan	Production, distribution and sales of Coca-Cola products	**49,67%**	49,67%

(*) CCBPL is fully consolidated since 1 January 2013 in accordance with TFRS, due to amendments made on CCBPL's Shareholders' Agreement for transferring the control of CCBPL to CCI.
(**) The Company decided to change the trade name of (CC) Company for Beverages Industry Limited as Sardkar for Beverage Industry Ltd. ("SBIL") and new trade name was registered as of October 16, 2018.

(Currency - Thousands of Turkish Lira unless otherwise indicated (TL))

1. CORPORATE INFORMATION and NATURE OF ACTIVITIES (continued)

Joint Venture

	Place of Incorporation	Principal Activities	Effective Shareholding and Voting Rights	
			June 30, 2019	December 31, 2018
Syrian Soft Drink Sales and Distribution L.L.C. (“SSDSD”)	Syria	Distribution and sales of Coca-Cola products	**50,00%**	50,00%

Economic Conditions and Risk Factors of Subsidiaries and Joint Ventures

The countries, in which certain subsidiaries and joint ventures operate, have undergone substantial political and economic changes in recent years. Uncertainties regarding the political, legal, tax and/or regulatory environment, including the potential for adverse changes in any of these factors, could significantly affect the subsidiaries’ and joint ventures ability to operate commercially. Group Management closely monitors uncertainties and adverse changes to minimize the probable effects of such changes.

In this context, Risk Detection Committee; which was established under the arrangements, terms and principles of Turkish Commercial Code, Capital Market Legislation and CMB’s “Corporate Governance Principles” assess, manage and report Group risks. Some of the Group priority risks are defined as political instability and security, cyber security, exchange rate volatility, sustainable talent capability, corporate reputation, water and environmental impact of packaging, changing consumer preferences, discriminatory tax and regulations, channel mix shift, economic slowdown, law and order and industrial relations. Group does not expect any adverse effect on the business related to any significant regulatory changes and/or legal arrangements by the authorities. All compliance efforts are in place and there is no legal dispute that may adversely affect the business.

Seasonality of Operations

Sparkling beverages consumption is seasonal, typically resulting in higher demand during the summer season and accordingly the seasonality effects are reflected in the figures. Therefore, the results of operations for the six months ended June 30, 2019 do not automatically constitute an indicator for the results to be expected for the overall fiscal year.

Average Number of Employees

Category-based average number of employees working during the period is as follows (Joint ventures are considered with full numbers for June 30, 2019 and 2018).

	June 30, 2019	June 30, 2018
Blue-collar	**3.356**	3.325
White-collar	**4.933**	4.985
Average number of employees	**8.289**	8.310

2. BASIS OF CONSOLIDATED FINANCIAL STATEMENT PRESENTATION

Basis of Preparation

CCI and its subsidiaries that are incorporated in Turkey maintain their books of account and prepare their statutory financial statements in Turkish Lira (“TL”) in accordance with the regulations on accounting and reporting framework and accounting standards promulgated by the CMB, Turkish Commercial Code (“TCC”) and Tax Legislation and the Uniform Chart of Accounts which is issued by the Ministry of Finance. The subsidiaries incorporated outside of Turkey maintain their books of account and prepare their statutory financial statements in accordance with the regulations of the countries in which they operate.

The condensed consolidated interim financial statements have been prepared from the statutory financial statements of Group’s subsidiaries’ and joint ventures and presented in TL in accordance with CMB Accounting Standards with certain adjustments and reclassifications for the purpose of fair presentation. Such adjustments are primarily related to application of consolidation accounting, accounting for business combinations, accounting for deferred taxes on temporary differences, accounting for employee termination benefits on an actuarial basis and accruals for various expenses. Except for the financial assets carried from their fair values and assets and liabilities included in Business Combination application, condensed consolidated financial statements are prepared on a historical cost basis.

2. BASIS OF CONSOLIDATED FINANCIAL STATEMENT PRESENTATION (continued)

The condensed consolidated interim financial statements and disclosures have been prepared in accordance with the communiqué numbered II-14,1 “Communiqué on the Principles of Financial Reporting in Capital Markets” (“the Communiqué”) announced by the CMB (hereinafter will be referred to as “the CMB Accounting Standards”) on June 13, 2013 which is published on Official Gazette numbered 28676. In addition, the condensed interim consolidated financial statements are presented in accordance with the specified format in “TFRS Taxonomy Announcement” , issued on 15 April 2019 by the POA, and “the Financial Statements Examples and Guidelines for Use” ,which is published by the Capital Markets Board of Turkey.

In accordance with article 5 of the CMB Accounting Standards, companies should apply Turkish Financial Reporting Standards (“TFRS”) and interpretations regarding these standards as adopted by the Public Oversight Accounting and Auditing Standards Authority (“POA”).

The condensed consolidated interim financial statements are based on the statutory records, with adjustments and reclassifications for the purpose of fair presentation in accordance with the Accounting Standards released by POA and are presented in TL.

Interim condensed consolidated financial statements do not include all the information and disclosures required in the annual financial statements. Accordingly, these condensed interim consolidated financial statements should be read in conjunction with the annual consolidated financial statements for the year ended December 31, 2018.

Summary of Significant Accounting Policies and Changes

The interim condensed consolidated financial statements of the Group for the six months ended June 30, 2019 have been prepared in accordance with the accounting policies used in the preparation of annual consolidated financial statements for the year ended December 31, 2018, except for the adoption of new and amended standards.

Comparative Information and Restatement on Prior Period Financial Statements

<u>TFRS 15 “Revenue from Contracts with Customers”</u>

In the scope of TFRS 15 “Revenue from Contracts with Customers”, Group accounts consideration payables to customers as reduction in revenue rather than selling, distribution and marketing expenses, since related expenses are undertaken by customers.

In this context, as of June 30, 2018, total cash concession amounting to TL 73.264 was reflected to “Sales Discounts” by reclassing from “Selling, Distribution and Marketing Expenses” for the aim of comparable presentation with current year consolidated financial statements.

<u>TFRS 16 “Leases”</u>

TFRS 16 provides a comprehensive model for the identification of lease arrangements and their treatment in the financial statements for both lessors and lessees. TFRS 16 supersedes the current lease guidance including TAS 17 Leases and the related Interpretations for accounting periods beginning on or after 1 January 2019.

The group leases various offices, warehouses, equipment and cars. Rental contracts are typically made for more than 1 year and may have extension option. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. The lease agreements do not impose any covenants, but leased assets may not be used as security for borrowing purposes.

The date of initial application of TFRS 16 for the Group is 1 January 2019 retrospectively taking into account the cumulative effect in the financial statements. Under this scope starting with January 1, 2017, leases are recognised as a right-of-use asset and a corresponding liability at the date at which the leased asset is available for use by the group. Each lease payment is allocated between the liability and finance cost. The finance cost is charged to profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. The right-of-use asset is depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis.

(Currency - Thousands of Turkish Lira unless otherwise indicated (TL))

2. BASIS OF CONSOLIDATED FINANCIAL STATEMENT PRESENTATION (continued)

Assets and liabilities arising from a lease are initially measured on a present value basis. Lease liabilities include the net present value of the following lease payments:

- fixed payments
- variable lease payment that are based on an index or a rate
- amounts expected to be payable by the lessee under residual value guarantees
- the exercise price of a purchase option if the lessee is reasonably certain to exercise that option, and
- payments of penalties for terminating the lease, if the lease term reflects the lessee exercising that option.

The lease payments are discounted using the interest rate implicit in the lease. If that rate cannot be determined, the lessee's incremental borrowing rate is used, being the rate that the lessee would have to pay to borrow the funds necessary to obtain an asset of similar value in a similar economic environment with similar terms and conditions.

Right-of-use assets are measured at cost comprising the following:

- the amount of the initial measurement of lease liability
- any lease payments made at or before the commencement date
- any initial direct costs, and
- restoration costs.

On adoption of TFRS 16, the group recognised lease liabilities in relation to leases which had previously been classified as 'operating leases' under the principles of TAS 17 Leases. These liabilities were measured at the present value of the remaining lease payments, discounted using the lessee's incremental borrowing rate as of 1 January 2017.

At December 31, 2018, 2017 and June 30, 2019, minimum and maximum incremental borrowing rates applied to the lease liabilities are as follows:

	June 30, 2019	**December 31, 2018**	**December 31, 2017**
USD	4,37% - 8,00%	4,37% - 8,00%	4,41% - 8,00%
EUR	0,81% - 6,98%	0,81% - 6,98%	0,81% - 0,85%
TRL	10,50% - 25,25%	10,50% - 25,00%	13,20%
JOD	7,25% - 7,75%	7,25%	-
AZN	15,00%	15,00%	15,00%
PKR	6,40% - 10,87%	6,40% - 10,00%	6,40%
IQD	5,70%	5,70%	5,70%

As of June 30, 2019, reconciliation between the restated comparative information for December 31, 2017 and 2018 with the reported financial information during previous periods are as follows:

December 31, 2017	**Reported**	**Effect of TFRS 16**	**December 31, 2017 (Restated)**
Right of use asset	-	185.740	185.740
Depreciation of right of use asset	-	(46.797)	(46.797)
Right of use asset, net	**-**	**138.943**	**138.943**
Deferred tax assets	-	1.648	1.648
Other current and non-current assets	13.394.158	-	13.394.158
Total assets	**13.394.158**	**140.591**	**13.534.749**
Current portion of long-term borrowings	2.716.799	28.367	2.745.166
Long-term borrowings	3.194.034	129.369	3.323.403
Other liabilities	2.043.732	**-**	2.043.732
Total current and non-current liabilities	**7.954.565**	**157.736**	**8.112.301**
Other equity items	633.205	-	633.205
Currency translation adjustment	2.208.338	33	2.208.371
Accumulated profit / loss	1.656.568	(13.412)	1.643.156
Net income / (loss) for the period	237.627	(1.560)	236.067
Equity of the parent	**4.735.738**	**(14.939)**	**4.720.799**
Non-controlling interest	703.855	(2.206)	701.649
Total liabilities	**13.394.158**	**140.591**	**13.534.749**

(Currency - Thousands of Turkish Lira unless otherwise indicated (TL))

2. BASIS OF CONSOLIDATED FINANCIAL STATEMENT PRESENTATION (continued)

December 31, 2018	Reported	Effect of TFRS 16	December 31, 2018 (Restated)
Right of use asset	-	198.327	198.327
Depreciation of right of use asset	-	(66.965)	(66.965)
Right of use asset, net	**-**	**131.362**	**131.362**
Deferred tax assets	8.099	2.812	10.911
Other current and non-current assets	14.012.343	-	14.012.343
Total assets	**14.020.442**	**134.174**	**14.154.616**
Current portion of long-term borrowings	706.358	27.368	733.726
Long-term borrowings	4.024.849	133.452	4.158.301
Other liabilities	2.838.499	-	2.838.499
Total current and non-current liabilities	**7.569.706**	**160.820**	**7.730.526**
Other equity items	455.374	-	455.374
Currency translation adjustment	3.162.108	(394)	3.161.714
Accumulated profit / loss	1.675.242	(14.972)	1.660.270
Net income / (loss) for the period	326.778	(5.592)	321.186
Equity of the parent	**5.619.502**	**(20.958)**	**5.598.544**
Non-controlling interest	831.234	(5.688)	825.546
Total liabilities	**14.020.442**	**134.174**	**14.154.616**

January 1 – June 30, 2018	Reported	Effect of TFRS 16	Effect of TFRS 15	June 30, 2018 (Restated)
Net revenue	5.023.706	-	(73.264)	4.950.442
Cost of sales (-)	(3.252.701)	154	-	(3.252.547)
Gross profit / (loss)	**1.771.005**	**154**	**(73.264)**	**1.697.895**
Operating expenses (-)	(1.148.060)	4.791	73.264	(1.070.005)
Other operating income / expense (-)	38.180	-	-	38.180
Profit / (loss) from operations	**661.125**	**4.945**	**-**	**666.070**
Gain / (loss) from investing activities	(10.173)	-	-	(10.173)
Gain / (loss) from associates	(176)	-	-	(176)
Profit / (loss) before financial income / (expense)	**650.776**	**4.945**	**-**	**655.721**
Financial income / (expense)	(393.383)	(11.695)	-	(405.078)
Profit / (loss) before tax from continuing operations	**257.393**	**(6.750)**	**-**	**250.643**
Tax expense of continuing operations	**(76.517)**	**100**	**-**	**(76.417)**
Deferred tax income / expense (-)	27.454	100	-	27.554
Current period tax expense (-)	(103.971)	-	-	(103.971)
Net income / (loss) from continuing operations	**180.876**	**(6.650)**	**-**	**174.226**
Attributable to:				
Non-controlling interest	39.579	(1.365)	-	38.214
Equity holders of the parent	141.297	(5.285)	-	136.012
Net income / (loss)	**180.876**	**(6.650)**	**-**	**174.226**
Equity Holders Earnings Per Share from Continuing Operations (Full TL)	0,0056	(0,0003)	**-**	0,0053

New and amended TFRS Standards that are effective for the current year

TFRS 16	Leases
Amendments to TAS 28	*Long-term Interests in Associates and Joint Ventures*
TFRSYK 23	*Uncertainty over Income Tax Treatments*
Amendments to *TAS 19 Employee Benefits*	*Plan Amendment, Curtailment or Settlement*
Annual Improvements to TFRS Standards 2015–2017 Cycle	*Amendments to TFRS 3 Business Combinations, TFRS 11 Joint Arrangements*, *TAS 12 Income Taxes and TAS 23 Borrowing Costs*

2. BASIS OF CONSOLIDATED FINANCIAL STATEMENT PRESENTATION (continued)

TFRS 16 Leases

The Group adopted TFRS 16 "Leases" retrospectively. For the contracts entered into before 1 January 2017, the Group determined whether the arrangement was or contained a lease based on the assessment whether:

a) the fulfilment of the arrangement was dependent on the use of specific asset or assets; and
b) the arrangement has conveyed a right of use the asset

In preparation for the first-time application of TFRS 16, the Group has carried out an implementation project and as of January 1, 2017 started to measure lease liabilities at the present value of the remaining lease payments, discounted at the Group's incremental borrowing rate.

The right-of-use assets at an amount equal to the lease liability, adjusted by the amount of any prepaid or accrued lease payments. Group decided to use the following practical expedients;

- Group applied a single discount rate to a portfolio of leases with similar characteristics
- Used hindsight when determining the lease term when the contract contains options to renew or terminate the lease.

Leases

At inception of a contract, the Group assesses whether a contract is, or contains a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period in exchange for consideration. To assess whether a contract conveys the right to control the use of an identified asset, The Group assess whether:

a) the contract involved the use of an identified asset – this may be specified explicitly or implicitly
b) the asset should be physically distinct or represent substantially all the capacity of a physically distinct asset. If the supplier has a substantive substitution right, the asset is not identified;
c) the Group has the right to obtain substantially all the economic benefits from the use of an asset throughout the period of use; and
d) the Group has the right to direct use of the asset. The Group has the right when it has the decision-making rights that are most relevant to changing the how and for what purpose the asset is used is predetermined, the Group has the right the use of asset if either:
   i. the Group has the right to operate the asset or;
   ii. the Group designed the asset in a way that predetermines how and for what purpose it will be used.

Right of use asset

The Group recognizes a right-of use asset and a lease liability at the lease commencement date.

The right of use asset is initially recognized at cost comprising of:

a) amount of the initial measurement of the lease liability;
b) any initial direct costs incurred by the Group; and

The Group re-measure the right of use asset:

a) after netting-off depreciation and reducing impairment losses from right of use asset,
b) adjusted for certain re-measurements of the lease liability recognized at the present value

The Group applied TAS16 "Property, Plant and Equipment" to calculate the right of use asset depreciation.

2. BASIS OF CONSOLIDATED FINANCIAL STATEMENT PRESENTATION (continued)

Lease Liability

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date. Lease liabilities are discounted using the Group' incremental borrowing rate.

Lease payment that included measurement of the lease obligation at the effective date of leasing consist of payments below that will be made for right of asset during leasing period of underlying asset and has not been paid at the date effective date of leasing.

Lease payments included in the measurement of the lease liability comprise the following:

a) fixed payments, including in-substance fixed payments;
b) variable lease payments that depend on an index or a rate, initially measured using the index or rate as the commencement date;

After initial recognition, the lease liability is measured:

a) increasing the carrying amount to reflect interest on lease liability;
b) reducing the carrying amount to reflect the lease payments made; and
c) remeasuring the carrying amount to reflect any reassessment or lease modifications or to reflect revised in-substance fixed lease payments.

The Group reassesses the lease liabilities starting from the commencement date under consideration of changes in the lease contracts. The Group recognizes the amount of the re-measurement of lease liability as an adjustment to the right of use asset. Where there is a change in lease terms, the Group reflects the effects on future periods of the contract. In such case, the Group remeasures the lease liabilities by discounting the revised lease payments using an unchanged discount rate.

The Group accounts for a lease modification as a separate lease if both:

a) the modification increases the scope of the lease by adding the right to use one or more underlying assets and
b) consideration for the lease increases by an amount commensurate with the stand-alone price for the increase in scope and any appropriate adjustments to that stand-alone price to reflect the circumstances of the contract.

Finance leases

The main differences between TFRS 16 and TAS 17 with respect to assets formerly held under a finance lease is the measurement of the residual value guarantees provided by the lessee to the lessor. TFRS 16 requires that the Group recognizes as part of its lease liability only the amount expected to be payable under a residual value guarantee, rather than the maximum amount guaranteed as required by TAS 17. On initial application the Group will present equipment previously included in property, plant and equipment within the line item for right-of-use assets and the lease liability, previously presented within borrowing, will be presented in a separate line for lease liabilities.

Based on an analysis of the finance leases as at June 30, 2019 and based on the facts and circumstances that exist at that date, there isn't any material impact on the Group's consolidated financial statements.

Property leased by the Group includes coolers, vehicles, buildings, machinery and equipment. As of June 30, 2019, net book value of assets under finance leases included in property, plant and equipment is amounting to TL 843 (December 31, 2018 - TL 936).

Amendments to TAS 28 *Long-term Interests in Associates and Joint Ventures*

This amendment clarifies that an entity applies TFRS 9 Financial Instruments to long-term interests in an associate or joint venture that form part of the net investment in the associate or joint venture but to which the equity method is not applied.

TFRS Interpretation 23 *Uncertainty over Income Tax Treatments*

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

(Currency - Thousands of Turkish Lira unless otherwise indicated (TL))

2. BASIS OF CONSOLIDATED FINANCIAL STATEMENT PRESENTATION (continued)

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

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

b) New and revised TFRSs in issue but not yet effective

The Group has not yet adopted the following standards and amendments and interpretations to the existing standards:

TFRS 17	Insurance Contracts
Amendments to TFRS 3	Business Combinations
Amendments to TAS 1	Presentation of Financial Statements
Amendments to TAS 8	Accounting Policies, Changes in Accounting Estimates and Errors

Amendments to TFRS 3 Business Combinations

The definition of "business" is important because the accounting for the acquisition of an activity and asset group varies depending on whether the group is a business or only an asset group. The definition of "business" in TFRS 3 Business Combinations standart has been amended. With this change:

• By confirming that a business should include inputs and a process; clarified that the process should be essential and that the process and inputs should contribute significantly to the creation of outputs.
• The definition of a business has been simplified by focusing on the definition of goods and services offered to customers and other income from ordinary activities.
• An optional test has been added to facilitate the process of deciding whether a company acquired a business or a group of assets.

Amendments to TAS 1 Presentation of Financial Statements and TAS 8 Accounting Policies, Changes in Accounting Estimates and Errors - Definition of Material

The amendments in Definition of Material (Amendments to TAS 1 and TAS 8) clarify the definition of 'material' and align the definition used in the Conceptual Framework and the standards.

Annual Improvements to TFRS Standards 2015–2017 Cycle

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

Other than TFRS 16, these standards, amendments and improvements have no material impact on the consolidated financial position and performance of the Group.

Estimation Uncertainty

For the condensed consolidated interim financial statements, as of June 30, 2019, Group management has to make key assumptions concerning the future and other key sources of estimation uncertainty on the balance sheet date that have significant risks of causing a material adjustment to the carrying amounts of assets and liabilities in the preparation of condensed consolidated financial statements. Actual results can be different from estimations. These estimations are reviewed at each balance sheet date; required corrections are made and reflected in the results of operations of the related period. The key assumptions concerning the future and other key resources of estimation at the balance sheet date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year and the significant judgments (apart from those involving estimations) with the most significant effect on amounts recognized in the financial statements are consistent with the assumptions and estimations made for the year ended December 31, 2018, except for the necessary considerations made for income taxes.

(Currency - Thousands of Turkish Lira unless otherwise indicated (TL))

2. BASIS OF CONSOLIDATED FINANCIAL STATEMENT PRESENTATION (continued)

Functional and Presentation Currency

The majority of the consolidated foreign subsidiaries and joint venture are regarded as foreign operations since they are financially, economically and organizationally autonomous. In accordance with "TAS 21 The Effects of Changes in Foreign Exchange Rates", there has been a change in the functional currency of the foreign subsidiaries and joint venture from US Dollars ("USD") to the foreign subsidiaries' and joint ventures' local currencies effective from January 1, 2017. This was done considering the multinational structure of foreign operations and realization of most of their operations, by assessing the currency of the primary economic environment of foreign operations, the currency that influences sales prices for goods and services, the currency in which receipts from operating activities are usually retained and the currency that mainly influences costs and other expenses for providing goods and services. The group has applied the change in functional currency prospectively, in accordance with the requirements of TFRS and the relevant Accounting Standards. All assets and liabilities are converted into the new functional currency using the exchange rate at the date of the change. The resulting translated amounts for non-monetary items are treated as their historical cost

Functional and presentation currency of the Company is Turkish Lira (TL).

Functional Currencies of the Subsidiaries and Joint Ventures

	June 30, 2019		December 31, 2018	
	Local Currency	**Functional Currency**	Local Currency	Functional Currency
CCSD	**Turkish Lira**	**Turkish Lira**	Turkish Lira	Turkish Lira
Mahmudiye	**Turkish Lira**	**Turkish Lira**	Turkish Lira	Turkish Lira
Almaty CC	**Kazakh Tenge**	**Kazakh Tenge**	Kazakh Tenge	Kazakh Tenge
Tonus	**Kazakh Tenge**	**Kazakh Tenge**	Kazakh Tenge	Kazakh Tenge
Azerbaijan CC	**Manat**	**Manat**	Manat	Manat
Turkmenistan CC	**Turkmen Manat**	**Turkmen Manat**	Turkmen Manat	Turkmen Manat
Bishkek CC	**Som**	**Som**	Som	Som
TCCBCJ	**Jordanian Dinar**	**Jordanian Dinar**	Jordanian Dinar	Jordanian Dinar
SBIL	**Iraq Dinar**	**Iraq Dinar**	Iraq Dinar	Iraq Dinar
SSDSD	**Syrian Pound**	**Syrian Pound**	Syrian Pound	Syrian Pound
CCBPL	**Pakistan Rupee**	**Pakistan Rupee**	Pakistan Rupee	Pakistan Rupee
CCI Holland	**Euro**	**U.S. Dollars**	Euro	U.S. Dollars
Waha B.V.	**Euro**	**U.S. Dollars**	Euro	U.S. Dollars
Al Waha	**Iraq Dinar**	**Iraq Dinar**	Iraq Dinar	Iraq Dinar
Tajikistan CC	**Somoni**	**Somoni**	Somoni	Somoni

Foreign Currency Translations

Transactions in foreign currencies are recorded at the rate ruling at the date of the transaction. All differences are recorded in the consolidated income statement of the relevant period, as foreign currency loss or gain. Foreign currency translation rates announced by the Central Bank of the Republic of Turkey used by the Group's subsidiaries in Turkey. USD amounts presented in the balance sheet are translated into TL with the official TL exchange rate for purchases of USD on June 30, 2019, USD 1,00 (full) = TL 5,7551 (December 31, 2018; USD 1,00 (full) = TL 5,2609). Furthermore, USD amounts in the income statement have been translated into TL, at the average TL exchange rate for purchases of USD for the period is USD 1,00 (full) = TL 5,6197 (June 30, 2018; USD 1,00 (full) = TL 4,0860).

The assets and liabilities of subsidiaries and joint ventures operating in foreign countries are translated at the rate of exchange ruling at the balance sheet date and the income statements of foreign subsidiaries and joint ventures are translated at average exchange rates. Differences that occur by the usage of closing and average exchange rates are followed under currency translation differences classified under equity.

(Currency - Thousands of Turkish Lira unless otherwise indicated (TL))

3. SEGMENT REPORTING

The Company produces segment reports for the chief operating decision maker (Board of Directors and Executive Management) in accordance with basis of preparation as explained in Note 2. Reported information is used by management for observing performance at operation segments and for deciding resource allocation. Transfer prices between related parties are on an arm's length basis in a manner similar to transactions with third parties.

In the measurement and reporting of segment revenues obtained from transactions between Group's operation segments and other segments, transfers between departments are performed at normal market prices and conditions.

Group’s subsidiaries are presented under Note 1 and Group’s segment reporting is as follows:

	June 30, 2019			
	Domestic	**International**	**Elimination**	**Consolidated**
Net Revenue	2.810.978	3.308.727	(2.455)	6.117.250
Cost of sales (-)	(1.614.418)	(2.427.794)	3.072	(4.039.140)
Gross profit	**1.196.560**	**880.933**	**617**	**2.078.110**
Operating expenses (-)	(738.257)	(520.900)	35.601	(1.223.556)
Other operating income / (expense), net	238.792	(92.104)	(250.363)	(103.675)
Profit from operations	**697.095**	**267.929**	**(214.145)**	**750.879**
Gain from investing activities	983	2.582	(310)	3.255
Loss from investing activities (-)	(308)	(3.167)	310	(3.165)
Gain / (loss) from associates	-	(146)	-	(146)
Profit before financial income / (expense)	**697.770**	**267.198**	**(214.145)**	**750.823**
Financial income	213.177	20.178	(9.226)	224.129
Financial expense (-)	(501.584)	(148.692)	148.234	(502.042)
Profit before tax	**409.363**	**138.684**	**(75.137)**	**472.910**
Tax income / (expense)	19.511	(88.387)	(55.062)	(123.938)
Net income	**428.874**	**50.297**	**(130.199)**	**348.972**
Non-controlling interest	-	(58.829)	(882)	(59.711)
Equity holders of the parent	**428.874**	**109.126**	**(129.317)**	**408.683**
Purchase of property, plant, equipment and intangible asset	**165.950**	**293.805**	**-**	**459.755**
Amortization expense of right of use assets	11.859	7.702	-	19.561
Depreciation and amortization expenses	91.640	226.727	(453)	317.914
Other non-cash items	28.251	24.233	346	52.830
Earnings before interest and tax (EBITDA)	**828.845**	**526.591**	**(214.252)**	**1.141.184**

	June 30, 2019			
	Domestic	**International**	**Elimination**	**Consolidated**
Total Assets	**7.201.956**	**8.868.243**	**(157.899)**	**15.912.300**
Total Liabilities	**5.394.313**	**3.730.251**	**169.699**	**9.294.263**

As of June 30, 2019, the portion of Almaty CC in the consolidated net revenue and total assets is 14% and 10% respectively.

As of June 30, 2019, the portion of CCBPL in the consolidated net revenue and total assets is 21% and 15% respectively.

As of June 30, 2018, the portion of Almaty CC in the consolidated net revenue and total assets is 12% and 8% respectively.

As of June 30, 2018, the portion of CCBPL in the consolidated net revenue and total assets is 25% and 15% respectively.

(Currency - Thousands of Turkish Lira unless otherwise indicated (TL))

3. SEGMENT REPORTING (continued)

	June 30, 2018			
	Domestic	**International**	**Elimination**	**Consolidated**
Net Revenue	2.299.584	2.651.412	(554)	4.950.442
Cost of sales (-)	(1.396.358)	(1.857.237)	1.048	(3.252.547)
Gross profit	**903.226**	**794.175**	**494**	**1.697.895**
Operating expenses (-)	(637.882)	(457.600)	25.477	(1.070.005)
Other operating income / (expense), net	207.858	14.864	(184.542)	38.180
Profit / (loss) from operations	**473.202**	**351.439**	**(158.571)**	**666.070**
Gain from investing activities	2.004	(1)	(1.553)	450
Loss from investing activities (-)	(538)	(11.638)	1.553	(10.623)
Gain / (loss) from associates	-	(176)	-	(176)
Profit before financial income/(expense)	**474.668**	**339.624**	**(158.571)**	**655.721**
Financial income	787.023	32.070	(15.176)	803.917
Financial expense (-)	(1.285.352)	(110.905)	187.262	(1.208.995)
Profit before tax	**(23.661)**	**260.789**	**13.515**	**250.643**
Tax income / (expense)	39.353	(61.388)	(54.382)	(76.417)
Net income	**15.692**	**199.401**	**(40.867)**	**174.226**
Non-controlling interest	-	35.022	3.192	38.214
Equity holders of the parent	**15.692**	**164.379**	**(44.059)**	**136.012**
Purchase of property, plant, equipment and intangible asset	**151.292**	**288.036**	**-**	**439.328**
Amortization expense of right of use assets	11.257	5.400	-	16.657
Depreciation and amortization expenses	85.730	186.586	(426)	271.890
Other non-cash items	(9.959)	2.953	(1.650)	(8.656)
Earnings before interest and tax (EBITDA)	**560.230**	**546.378**	**(160.647)**	**945.961**

	December 31, 2018			
	Domestic	International	Elimination	Consolidated
Total Assets	6.694.699	7.762.190	(302.273)	14.154.616
Total Liabilities	4.934.249	2.913.441	(117.164)	7.730.526

In addition to the requirements of segment reporting, The Group's management presented this information for certain financial statements readers to utilize this data during their analyses.

Company's "Earnings Before Interest, Taxes, Depreciation and Amortization (EBITDA)" definition and calculation is defined as; "Profit / (Loss) From Operations" plus relevant non-cash expenses including depreciation and amortization, provision for employee benefits like retirement and vacation pay (provisions for management bonus and long term incentive plan not included) and other non-cash expenses like negative goodwill and value increase due to change in scope of consolidation.

As of June 30, 2019, and 2018, reconciliation of EBITDA to profit / (loss) from operations is explained in the following table:

	June 30, 2019	June 30, 2018
Profit / (loss) from operations	**750.879**	666.070
Depreciation and amortization	**317.914**	271.890
Provision for employee benefits	**26.095**	12.663
Foreign exchange gain / (loss) under other operating income / (expense)	**26.735**	(21.319)
Amortization of right of use assets	**19.561**	16.657
EBITDA	**1.141.184**	945.961

(Currency - Thousands of Turkish Lira unless otherwise indicated (TL))

4. CASH AND CASH EQUIVALENTS

	June 30, 2019	December 31, 2018
Cash on hand	**15.825**	2.143
Cash in banks		
-Time	**1.179.044**	1.857.359
-Demand	**619.451**	425.143
Cheques	**34.060**	5.089
	1.848.380	2.289.734

As of June 30, 2019, time deposits with maturities less than 3 months in foreign currencies equivalent to TL 1.050.122, existed for periods varying between 1 day to 58 days (December 31, 2018 - TL 1.246.056, 1 day to 51 days) and earned interest between 0,20% - 10,25% (December 31, 2018 - 0,20% - 8,00%).

As of June 30, 2019, time deposits in local currency amounting to TL 128.922 existed for periods between 1 days and 26 days (December 31, 2018 - TL 611.303, 2 days to 39 days) and earned interest between 23,80% - 24,75% (December 31, 2018 - 21,10% - 24,50%).

As of June 30, 2019, there is TL 2.603 (December 31, 2018 - TL 9.692) of interest income accrual on time deposits with maturities less than 3 months. As of June 30, 2019, and December 31, 2018, the fair values of cash and cash equivalents are equal to book value.

As of June 30, 2019, TL 442.292 (USD 76,9 million) for 2019, on time deposits are reserved for the future raw materials purchases (December 31, 2018 - TL 789.135, equivalent to USD 150 million) and related cash flow hedge reserve reflected to other comprehensive gain.

5. INVESTMENTS IN SECURITIES

	June 30, 2019	December 31, 2018
Time deposits with maturities more than 3 months	**83.133**	21.163
	83.133	21.163

As of June 30, 2019, time deposits with maturities over 3 months are composed of USD and KZT with 180 days' maturity left and have 4,50% interest rate for USD, 11,00% for KZT.

As of December 31, 2018, time deposits with maturities over 3 months are composed of USD and KZT with 31 and 361 days' maturity and have 1,00% - 4,50% interest rates for USD, 11,00% for KZT.

6. DERIVATIVE FINANCIAL INSTRUMENTS

As of June 30, 2019, the Company has 4 aluminium swap transactions with a total nominal amount of TL 90.470 for 7.662 tones. The total of these aluminium swap contracts is designated as hedging instruments as of July 19, 2018 and October 11, 2018, in cash flow hedges related to forecasted cash flow for the high probability purchases of production material exposed to commodity price risk for the year 2019.

As of December 31, 2018, the Company has 4 aluminium swap transactions with a total nominal amount of TL 153.639 for 14.234 tones. The total of these aluminium swap contracts is designated as hedging instruments as of July 19, 2018 and October 11, 2018, in cash flow hedges related to forecasted cash flow for the high probability purchases of production material exposed to commodity price risk for the year 2019.

As of June 30, 2019, the Company has a cross currency swap contract with a total amount of USD 150 Million signed on January 16, 2018 and due on September 19, 2024, for the probability of arising exchange rate exposure in the long term. Spot intrinsic total value of the options under this transaction is TL 293.265. (December 31, 2018 – TL 219.135)

As of June 30, 2019, CCBPL has FX forward transactions with a total nominal amount of TL 35.494, for a forward purchase contract amounting to CNY 43,4 million for 4.972 tonnes. The total of these FX forward contracts are designated as cash flow hedges related to forecasted cash flow, for the high probability purchases of resin, exposed to foreign currency risk.

(Currency - Thousands of Turkish Lira unless otherwise indicated (TL))

6. DERIVATIVE FINANCIAL INSTRUMENTS (continued)

All the changes in the fair value of commodity swap and forward derivative financial instruments, that are accounted as hedge accounting, are effective and recognized in consolidated other comprehensive income.

	June 30, 2019		December 31, 2018	
	Nominal Value	**Fair Value Assets / (Liabilities)**	Nominal Value	Fair Value Assets / (Liabilities)
Held for hedging:				
Commodity swap contracts fair value assets / (liabilities)	**90.470**	**(11.808)**	153.639	(13.485)
Forward contracts assets /(liabilities)	**35.494**	**5.293**	-	-
	125.964	**(6.515)**	153.639	(13.485)

7. BORROWINGS

	June 30, 2019	December 31, 2018
Short-term borrowings	**149.932**	210.448
Current portion of long-term borrowings	**1.138.839**	706.358
Total short-term borrowings	**1.288.771**	916.806
Long-term borrowings	**3.789.763**	4.022.525
Total borrowings	**5.078.534**	4.939.331

As of June 30, 2019, there is interest expense accrual amounting to TL 51.995 on total amount of borrowings (December 31, 2018 - TL 44.337).

As of June 30, 2019, net interest expense on cross currency swap contract is amounting to TL 25.100 (December 31, 2018 – 44.990).

The Group has complied with the financial covenants of its borrowing facilities during the 2019 and 2018 reporting period. Short and long-term borrowings denominated in TL and foreign currencies as of June 30, 2019 and December 31, 2018 are as follows:

	June 30, 2019		December 31, 2018	
	Short-term	**Long-term**	Short-term	Long-term
USD	**627.955**	**2.695.203**	232.752	2.883.233
EUR	**489.127**	**524.560**	450.199	564.260
TL	**9.572**	**570.000**	16.285	570.000
Pakistan Rupee	**140.306**	**-**	195.899	-
Kazakh Tenge	**13.332**	**-**	14.054	5.032
Jordanian Dinar	**8.479**	**-**	7.617	-
	1.288.771	**3.789.763**	916.806	4.022.525

Range for the minimum and maximum effective interest rates on the balance sheet date are as follows:

	June 30, 2019	December 31, 2018
Short-term		
USD denominated borrowings	**(3,85%) - (4,44%)**	(3,00%) - (4,70%)
EURO denominated borrowings	**(1,00%) - (3M Euribor + 2,75%)**	(3M Euribor + 0,90%) - (3M Euribor + 2,75%)
Jordanian Dinar denominated borrowings	**(9,63%)**	(9,63%)
Pakistan Rupee denominated borrowings	**(3M Kibor+0,50%) - (1M Kibor+0,30%)**	(3M Kibor + 0,50%) - (1M Kibor + 0,30%)
KZT denominated borrowings	**(6,00%)**	(6,00%)
Long-term		
USD denominated borrowings	**(4,22%) - (4,44%)**	(3,85%) - (4,44%)
EUR denominated borrowings	**(6M Euribor + 1,50%) - (3M Euribor + 2,75%)**	(6M Euribor + 1,50%) - (3M Euribor + 2,75%)
KZT denominated borrowings	**-**	(6,00%)
TL denominated borrowings	**(11,74%)**	(11,74%)

(Currency - Thousands of Turkish Lira unless otherwise indicated (TL))

7. BORROWINGS (continued)

Repayment plans of long-term borrowings as of June 30, 2019 and December 31, 2018 are scheduled as follows (including current portion of long-term borrowings):

	June 30, 2019	December 31, 2018
2019	**278.111**	706.358
2020	**933.456**	574.223
2021	**93.242**	85.475
2022	**106.966**	98.091
2023	**809.232**	740.095
2024	**2.707.595**	2.524.641
	4.928.602	4.728.883

Net debt reconciliation on bank borrowings

Movements of net financial borrowing as of June 30, 2019 and December 31, 2018 are as follows:

	June 30, 2019	December 31, 2018
Cash and cash equivalents	**1.848.380**	2.289.734
Borrowings – repayable within one year	**(1.288.771)**	(916.806)
Borrowings – repayable after one year	**(3.789.763)**	(4.022.525)
	(3.230.154)	(2.649.597)
Cash and cash equivalents	**1.848.380**	2.289.734
Borrowings – with fixed interest rate	**(4.088.439)**	(3.729.104)
Borrowings – with floating interest rate	**(990.095)**	(1.210.227)
	(3.230.154)	(2.649.597)

Movements of debt as of June 30, 2019 and 2018 are as follows:

	June 30, 2019	June 30, 2018
Financial borrowing at beginning of year	**4.939.331**	5.985.393
Proceeds from borrowings	561.451	720.426
Repayments of borrowings	(804.729)	(1.111.690)
Foreign exchange gain / (loss) from foreign currency denominated borrowings	389.683	1.016.222
Cash flows	**146.405**	624.958
Interest expense	161.699	190.589
Interest paid	(159.528)	(169.998)
Changes in interest accruals	**2.171**	20.591
Currency translation adjustment	**(9.373)**	92.651
Financial borrowing at period end	**5.078.534**	6.723.593

Financial Lease Payable

As of June 30, 2019, net present value of assets under finance lease is amounting to TL 2.993 with following lease payables (December 31, 2018 – TL 4.134).

	June 30, 2019	December 31, 2018
Less than 1 year	1.751	1.893
Next 1-3 years	1.314	2.366
Minimum lease payable	**3.065**	4.259
Lease interest	(72)	(125)
Finance lease liability	**2.993**	4.134
Less than 1 year	1.695	1.810
Next 1-3 years	1.298	2.324
Net present value of finance lease payables	**2.993**	4.134

(Currency - Thousands of Turkish Lira unless otherwise indicated (TL))

7. BORROWINGS (continued)

Lease Payables

As of June 30, 2019, net present value of liabilities under lease payables is amounting to TL 173.479. Movement tables of lease payables as of June 30, 2019 and 2018 are as follows:

	June 30, 2019	June 30, 2018
Balance as of January 1st	**160.820**	157.736
Increase in lease payables	**40.539**	25.750
Payments during period	**(13.920)**	(20.164)
Interest expense of lease payables	**(6.377)**	(4.046)
Foreign exchange gain/(loss)	**(7.583)**	11.212
Balance at the end of period	**173.479**	170.488

8. OTHER RECEIVABLES AND PAYABLES

Other Receivables

	June 30, 2019	December 31, 2018
Due from personnel	**11.567**	8.578
Deposits and guarantees given	**1.977**	4.336
Receivable from tax office and other official receivables	**13.315**	13.747
Other	**4.311**	5.680
	31.170	32.341

Other Payables

	June 30, 2019	December 31, 2018
Deposits and guarantees	**270.903**	226.066
Taxes and duties payable	**172.208**	56.960
Other	**6.479**	5.077
	449.590	288.103

9. PREPAID EXPENSES

a) Short term prepaid expenses

	June 30, 2019	December 31, 2018
Prepaid marketing expenses	**115.283**	108.242
Prepaid insurance expenses	**3.097**	11.108
Prepaid rent expenses	**7.219**	6.485
Prepaid other expenses	**10.363**	12.889
Advances given	**124.748**	52.391
	260.710	191.115

b) Long term prepaid expenses

	June 30, 2019	December 31, 2018
Prepaid marketing expenses	**213.576**	218.568
Prepaid rent expenses	**23.526**	29.245
Prepaid other expenses	**215**	317
Advances given	**45.960**	10.346
	283.277	258.476

(Currency - Thousands of Turkish Lira unless otherwise indicated (TL))

10. INVESTMENT IN ASSOCIATES

Investment in associates, consolidated under the equity method of accounting, is carried in the consolidated balance sheet at cost plus post-acquisition changes in the Group's share of net assets of the associates, less any impairment in value. The consolidated income statement reflects the Group's share of the results of operations of the associates.

As of June 30, 2019, and December 31, 2018 total assets, total liabilities, net sales and current period loss of SSDSD is as follows:

	June 30, 2019	December 31, 2018
Total Assets	**1.186**	1.227
Total Liabilities	**8.441**	7.586
Equity	**(7.255)**	(6.359)

	June 30, 2019	June 30, 2018
Revenue	**-**	-
Net Loss	**(292)**	(352)
Group's share in loss	**(146)**	(176)

11. PROPERTY, PLANT AND EQUIPMENT

For the six months ended June 30, 2019 and 2018, the additions and disposals on property, plant and equipment and net book values are as follows:

	Additions	**Transfers**	**Disposals**	**Net book value at June 30, 2019**
Land and Buildings	**934**	**42.941**	**(427)**	**2.062.097**
Machinery and Equipment	**48.907**	**101.135**	**(3.692)**	**3.130.880**
Vehicles	**3.638**	**-**	**(2.478)**	**70.175**
Furniture and Fixtures	**1.302**	**(4.646)**	**2.627**	**50.742**
Other Tangible Assets	**157.899**	**63.957**	**(2.135)**	**1.126.185**
Leasehold Improvements	**-**	**-**	**-**	**525**
Construction in Progress	**200.458**	**(203.387)**	**-**	**317.102**
	413.138	**-**	**(6.105)**	**6.757.706**

	Additions	Transfers	Disposals	Net book value at June 30, 2018
Land and Buildings	1.614	70.492	(685)	1.877.687
Machinery and Equipment	48.993	94.228	(2.756)	2.915.802
Vehicles	7.349	25	(2.117)	73.767
Furniture and Fixtures	3.034	192	(106)	51.677
Other Tangible Assets	152.497	44.628	(2.176)	1.002.190
Leasehold Improvements	-	-	-	671
Construction in Progress	223.080	(209.565)	-	161.813
	436.567	-	(7.840)	6.083.607

Impairment Loss

As of June 30, 2019, the Group had provided impairment losses amounting to TL 3.165 (June 30, 2018 – TL 10.623) for property, plant and equipment that had greater carrying value than its estimated recoverable amount. This impairment had been provided for "Out of Use" tangible assets. As of June 30, 2019, there isn't any reversal from impairment losses provided in prior years (June 30, 2018 - None) (Note 20).

For the six months ended June 30, 2019, there isn't any capitalized borrowing costs on construction in progress (June 30, 2018 - None).

(Currency - Thousands of Turkish Lira unless otherwise indicated (TL))

11. PROPERTY, PLANT AND EQUIPMENT (continued)

Right of Use Asset

The Group applied TFRS 16 “Leases” retrospectively and recognizes a right-of use asset and a lease liability in financial statements at the lease commencement date.

The right of use asset is initially recognized at cost comprising of:
a) amount of the initial measurement of the lease liability;
b) any initial direct costs incurred by the Group; and

The Group re-measure the right of use asset:
a) after netting-off depreciation and reducing impairment losses from right of use asset,
b) adjusted for certain re-measurements of the lease liability recognized at the present value

The Group applied TAS16 “Property, Plant and Equipment” to calculate the right of use asset depreciation.

For the six months ended June 30, 2019 and 2018, balances and depreciation and amortization expenses of right of use assets are as follows:

	December 31, 2018	**Additions**	**Disposals, net**	**Currency translation**	**Depreciation charge for the current year**	**June 30, 2019**
Land and Buildings	**102.469**	**11.599**	**(2.294)**	**(8.802)**	**(6.313)**	**96.659**
Machinery and Equipment	**4.941**	**2.428**	**-**	**(301)**	**(1.504)**	**5.564**
Vehicles	**18.029**	**29.491**	**(495)**	**507**	**(10.299)**	**37.233**
Furniture and Fixtures	**5.923**	**-**	**-**	**41**	**(1.445)**	**4.519**
	131.362	**43.518**	**(2.789)**	**(8.555)**	**(19.561)**	**143.975**

	December 31, 2017	**Additions**	**Disposals, net**	**Currency translation**	**Depreciation charge for the current year**	**June 30, 2018**
Land and Buildings	98.463	5.551	-	9.460	(6.378)	107.096
Machinery and Equipment	7.208	-	-	(1)	(1.134)	6.073
Vehicles	28.547	2.179	-	663	(7.960)	23.429
Furniture and Fixtures	4.725	3.709	-	55	(1.185)	7.304
	138.943	11.439	-	10.177	(16.657)	143.902

12. INTANGIBLE ASSETS

For the six months ended June 30, 2019 and 2018, the additions on intangible assets and net book values are as follows:

	Additions	**Disposals**	**June 30, 2019**
Bottlers and distribution agreements	**-**	**-**	**1.918.254**
Other Rights	**2.799**	**(2.055)**	**60.805**
Construction in Progress	**43.818**	**-**	**43.818**
	46.617	**(2.055)**	**2.022.877**

	Additions	Disposals	June 30, 2018
Water sources usage right	-	-	88
Bottlers and distribution agreements	-	-	1.700.231
Other Rights	2.761	-	58.299
	2.761	-	1.758.618

There is no water sources usage right acquired through government incentive.

(Currency - Thousands of Turkish Lira unless otherwise indicated (TL))

13. GOODWILL

As of June 30, 2019, and December 31, 2018 movements of goodwill are as follows:

	January 1, 2019	**Currency Translation Difference**	**June 30, 2019**
Cost	**887.360**	**(14.016)**	**873.344**
Impairment reserve	**(67.914)**	**-**	**(67.914)**
Net book value	**819.446**	**(14.016)**	**805.430**

	January 1, 2018	Currency Translation Difference	December 31, 2018
Cost	787.306	100.054	887.360
Impairment reserve	(67.914)	-	(67.914)
Net book value	719.392	100.054	819.446

14. GOVERNMENT INCENTIVES

As of June 30, 2019, total investments made for Bursa, Elazığ, Köyceğiz, Çorlu, Ankara, Mersin, İzmir and Mahmudiye production line investments under the scope of investment incentives are amounting to TL 205.441 (December 31, 2018, TL 205.441) with a total tax advantage of TL 50.795 (December 31, 2018, TL 41.209). Tax advantage calculated from the beginning date of the incentives by considering the future advantages is amounting to TL 2.392 (December 31, 2018, TL 2.119).

15. PROVISIONS, CONTINGENT ASSETS and LIABILITIES

CCI and its Subsidiaries in Turkey

Litigations against the Group

CCI and subsidiaries in Turkey are involved on an ongoing basis in litigation arising in the ordinary course of business as of June 30, 2019 with an amount of TL 10.368 (December 31, 2018 - TL 8.714). As of June 30, 2019, no court decision has been granted yet. Group management does not expect any adverse consequences related with these litigations that would materially affect Group’s operation results or financial status or liquidity.

Guarantee Letters

As of June 30, 2019, total amount of letters of guarantee obtained from banks and given to suppliers and government authorities is TL 274.721 (December 31, 2018 - TL 228.205).

Subsidiaries and joint ventures operating in foreign countries

Litigations against the Group

As of June 30, 2019, CCBPL has tax litigations. If the claims are resulted against CCBPL, the tax liability would be PKR 1.478 million, equivalent to USD 9 million (December 31, 2018 - PKR 1.472 million, equivalent to USD 10,6 million).

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

Mortgages

As of June 30, 2019, the mortgages on buildings and lands of TCCBCJ and CCBPL amounts to TL 20.264 (December 31, 2018 - TL 18.524) and TL 93.567 (December 31, 2018 - TL 101.162) respectively, for the credit lines obtained.

15. PROVISIONS, CONTINGENT ASSETS and LIABILITIES (continued)

Letter of Credit

As of June 30, 2019, CCBPL obtained letter of credits amounting to USD 0,1 million, EUR 1,2 million and CNY 52,2 million. (December 31, 2018 - CCBPL USD 1 million, EUR 3,7 million and CNY 139,7 million).

Guarantee Letters and Potential Liabilities

As of June 30, 2019, total amount of letters of guarantee obtained from banks and given to suppliers and government authorities is TL 12.062 (December 31, 2018 - TL 12.881).

As of June 30, 2019, and December 31, 2018 total guarantees and pledges given by the Group are as follows:

	June 30, 2019					
	Total TL Equivalent	**Original TL Amount**	**Original USD in Thousands**	**Original EUR in Thousands**	**Original PKR in Thousands**	**Other Foreign Currency TL Equivalent**
A. Total guarantees and pledges given by the Company for its own corporation	**388.583**	**273.311**	**13**	**204**	**2.667.000**	**20.264**
B. Total guarantees and pledges given by the Company for its subsidiaries consolidated for using the full consolidation method	**572.904**	**-**	**-**	**75.400**	**1.740.887**	**17.885**
C. Total guarantees and pledges given by the Company for other third parties for its ordinary commercial activities	-	-	-	-	-	-
D. Other guarantees, and pledges given	-	-	-	-	-	-
i. Total guarantees and pledges given by the Company for its parent company	-	-	-	-	-	-
ii. Total guarantees and pledges given by the Company for other group companies which are not covered in B and C clauses	-	-	-	-	-	-
iii. Total guarantees and pledges given by the Company for other third parties which are not covered in the C clause	-	-	-	-	-	-
Total guarantees and pledges	**961.487**	**273.311**	**13**	**75.604**	**4.407.887**	**38.149**
Other guarantees and pledges given / Total equity (%)						

	December 31, 2018					
	Total TL Equivalent	Original TL Amount	Original USD in Thousands	Original EUR in Thousands	Original PKR in Thousands	Other Foreign Currency TL Equivalent
A. Total guarantees and pledges given by the Company for its own corporation	347.892	226.908	13	204	2.667.000	18.524
B. Total guarantees and pledges given by the Company for its subsidiaries consolidated for using the full consolidation method	616.390	-	-	85.121	2.222.331	18.987
C. Total guarantees and pledges given by the Company for other third parties for its ordinary commercial activities	-	-	-	-	-	-
D. Other guarantees, and pledges given	-	-	-	-	-	-
i. Total guarantees and pledges given by the Company for its parent company	-	-	-	-	-	-
ii. Total guarantees and pledges given by the Company for other group companies which are not covered in B and C clauses	-	-	-	-	-	-
iii. Total guarantees and pledges given by the Company for other third parties which are not covered in the C clause	-	-	-	-	-	-
Total guarantees and pledges	964.282	226.908	13	85.325	4.889.331	37.511
Other guarantees and pledges given / Total equity (%)	-	-	-	-	-	-

Contingent liability related to letter of credits, guarantee letters and borrowings utilized under asset pledges are totally covered by the pledge amount in the related countries, and not separately disclosed under total guarantee and pledge position table.

(Currency - Thousands of Turkish Lira unless otherwise indicated (TL))

15. PROVISIONS, CONTINGENT ASSETS and LIABILITIES (continued)

Tax and Legal Matters

Legislation and regulations regarding taxation and foreign currency transactions in most of the territories in which the Group operates out of Turkey continue to evolve. The various legislation and regulations are not always clearly written, and the interpretation related with the implementation of these regulations is subject to the opinions of the local, regional and national tax authorities, the Central Bank and Ministry of Finance. Tax declarations, together with other legal compliance areas are subject to review and investigation by a number of authorities, who are enabled by law to impose significant fines, penalties and interest charges. These facts create tax risks in the territories in which the Group operates substantially more so than typically found in countries with more developed tax systems.

As per the change in governing law in Pakistan, “Capacity Tax” was started to be applied as of July 9, 2013, replacing “Sales and Excise Tax”. CCBPL fulfilled all the obligations as per the new law and change in regulations.

As of May 2014, “Capacity Tax” application was cancelled by the constitutional court and the law has been reverted to “Sales and Excise Tax”. After this withdrawal, CCBPL fulfilled all the obligations again according to “Sales and Excise Tax” system.

After the withdrawal, Federal tax office in Pakistan requested PKR 3.505 million (equivalent to USD 21,4 million) additional tax payment from CCBPL, by arguing that “Sales and Excise Tax” should be applied retrospectively by considering the period before the cancellation of “Capacity Tax” application. Company Management objected and litigated this request, since withdrawal decisions of constitutional court could not be applied retrospectively in principle. In the opinion of Management, the outcome of the litigation will be favourable (December 31, 2018 - PKR 3.505 million, equivalent to USD 25,3 million).

16. COMMITMENTS

Murabaha

CCBPL has signed Murabaha facility agreements with Habib Bank Limited and Standard Chartered Bank (“Banks”). Based on these agreements, the Banks and CCBPL agree that they shall enter into a series of sugar and resin purchase transactions from time to time on the dates and in the amounts to be agreed between them subject to the terms of this agreement. As of 30 June 2019, CCBPL has USD 11,2 million sugar purchase commitment to the Banks until the end of Dec 2019 and has USD 10,8 million sugar purchase commitment to the Banks until the end of March 2020 and has USD 10,9 million resin purchase commitment to the Banks until the end of Nov 2019 and has USD 4,7 million sugar purchase commitment to the Banks until the end of May 2020.

As of December 31, 2018, CCBPL has USD 4,5 million sugar purchase commitment to the Banks until the end of April 2019 and has USD 25,3 million sugar purchase commitment to the Banks until the end of December 2019 and has USD 17 million resin purchase commitment to the Banks until the end of November 2019.

17. OTHER ASSETS AND LIABILITIES

a) Other Current Assets

	June 30, 2019	December 31, 2018
VAT receivables	**185.511**	283.447
Other	**18.755**	14.619
	204.266	298.066

b) Other Non-Current Assets

None (December 31, 2018 – TL 643 is related to VAT receivables).

c) Other Current Liabilities

	June 30, 2019	December 31, 2018
Advance received	**29.339**	20.430
Buying option of share from non-controlling interest	**13.582**	12.416
Other	**9.727**	17.279
	52.648	50.125

(Currency - Thousands of Turkish Lira unless otherwise indicated (TL))

17. OTHER ASSETS AND LIABILITIES (continued)

The obligation of TL 13.582 results from the buying option carried, for the purchase of 12,5% of Turkmenistan CC shares from Day Investment Ltd., with a consideration of USD 2.360 thousand. USD amount is converted with the official USD purchase rate announced by Central Bank of Republic of Turkey and resulting TL amount is reflected under other current liabilities. The Share Purchase Agreement was signed with Day Investment Ltd. in 2011 however, there has not yet been any share transfer carried out according to local Turkmenistan regulations and existing shareholder agreement requirements, and accordingly, no payment has been made for the of share purchase.

d) Other Non-Current Liabilities

According to the put option signed with European Refreshments (“ER”), which became effective after the completion of Al Waha acquisition and exercisable between December 31, 2016 and 2021, ER has an option to sell (and CCI will have an obligation to buy) its remaining 19,97% participatory shares in Waha B.V. This obligation is recorded as put option liability in the Group’s consolidated financial statements. Based on the contract, fair value of the put option liability amounting to TL 216.622 is calculated using the following period financial budget estimation for earnings before interest and tax, by using the conditions underlined in the contract (December 31, 2018-TL 198.020).

18. EQUITY

Share Capital

	June 30, 2019	December 31, 2018
Common shares 1 Kr par value		
Authorized and issued (units)	**25.437.078.200**	25.437.078.200

Legal reserves

As of June 30, 2019, and December 31, 2018 breakdown of the equity of the Company in its tax books is as follows.

	June 30, 2019			December 31, 2018		
	Historical Amount	**Inflation Restatement Differences**	**Restated Amount**	Historical Amount	Inflation Restatement Differences	Restated Amount
Share Capital	**254.371**	**(8.559)**	**245.812**	254.371	(8.559)	245.812
Restricted reserves allocated from net profit	**170.648**	**13.396**	**184.044**	141.904	13.396	155.300
Extraordinary Reserves	**237.394**	**9.551**	**246.945**	456.393	9.551	465.944

Dividends

The distribution of a total TL 300.157,5 gross dividends (TL 1,18 (full) per 100 shares, representing TL 1 nominal value) was paid starting from May 31, 2019. After legal liabilities are deducted, TL 101.000 of this amount was paid from 2018 net income, and TL 199.157,5 was paid from extraordinary reserves, the remainder of 2018 net income was added to the extraordinary reserves.

In year 2018 the Group paid dividends to its shareholders with an amount of TL 200.190 (TL 0,787 (full) was paid per 100 shares, representing TL 1 nominal value).

The Company’s wholly owned subsidiary CCSD distributed total gross dividend amounting to TL 16 (TL 16,68 (full) was paid per 100 shares, representing TL 1 nominal value) as of December 12, 2018.

There is not any privilege granted to shareholders related to dividend payments.

(Currency - Thousands of Turkish Lira unless otherwise indicated (TL))

19. OTHER INCOME / EXPENSE

Other operating income / expense	January 1 – June 30, 2019	April 1 – June 30, 2019	January 1 – June 30, 2018	April 1 – June 30, 2018
Other operating income				
Gain on sale of scrap materials	**11.847**	**6.944**	10.218	3.036
Insurance compensation income	**11**	**4**	172	150
Foreign exchange gains	**16.476**	**7.774**	50.955	39.354
Other income	**7.800**	**3.630**	16.459	9.904
	36.134	**18.352**	77.804	52.444
Other operating expense				
Donations	**(24)**	**41**	(3)	(2)
Foreign exchange loss	**(43.211)**	**(27.675)**	(29.636)	(20.172)
Administrative fines(*)	**(69.681)**	**(69.681)**	-	-
Other expenses	**(26.893)**	**(8.436)**	(9.985)	(4.333)
	(139.809)	**(105.751)**	(39.624)	(24.507)

(*) Administrative fines applied in Turkmenistan were related to arguments on regulatory applications and due to validity of various production licences and certificates.

20. GAIN / LOSS FROM INVESTING ACTIVITIES

Gain / (Loss) from Investing Activities	January 1 – June 30, 2019	April 1 – June 30, 2019	January 1 – June 30, 2018	April 1 – June 30, 2018
Gain from Investing Activities				
Gain on disposal of property, plant and equipment	**3.255**	**1.223**	450	450
	3.255	**1.223**	450	450
Loss from Investing Activities				
Impairment reversal in property, plant and equipment	**(3.165)**	**(1.595)**	(10.623)	(8.320)
Loss on disposal of property, plant and equipment	**-**	-	-	476
	(3.165)	**(1.595)**	(10.623)	(7.844)

21. FINANCIAL INCOME / EXPENSE

	January 1 – June 30, 2019	April 1 – June 30, 2019	January 1 – June 30, 2018	April 1 – June 30, 2018
Interest expense, net	**(89.031)**	**(50.488)**	(92.007)	(45.981)
Interest expense of lease payables	**(6.377)**	**(3.242)**	(4.046)	(2.089)
Foreign exchange gain / (loss), net	**(182.505)**	**(107.274)**	(309.025)	(175.396)
	(277.913)	**(161.004)**	(405.078)	(223.466)

As of June 30, 2019, and 2018 foreign exchange gain / (loss) from foreign currency denominated borrowings are as follows:

	January 1 – June 30, 2019	April 1 – June 30, 2019	January 1 – June 30, 2018	April 1 – June 30, 2018
Foreign exchange gain / (loss) from foreign currency denominated borrowings, net	**(389.683)**	**(168.107)**	(1.016.222)	(745.566)

(Currency - Thousands of Turkish Lira unless otherwise indicated (TL))

22. TAX RELATED ASSETS AND LIABILITIES

General information

The Group is subject to taxation in accordance with the tax regulations and the legislation effective in the countries in which the Group companies operate. In Turkey, the tax legislation does not permit a parent company and its subsidiaries to file a consolidated tax return. Therefore, provision for taxes, as reflected in the consolidated financial statements, has been calculated on a separate-entity basis.

In Turkey, corporate tax rate is 22% (December 31, 2018 - 22%). In accordance with the regulation numbered 7061, published in Official Gazette on 5 December 2017, corporate tax rate for the years 2018, 2019 and 2020 has increased from 20% to 22%. Therefore, deferred tax assets and liabilities as of 31 December 2018 are calculated with 22% tax rate for the temporary differences which will be realized in 2018, 2019 and 2020, and with 20% tax for those which will be realized after 2021 and onwards.
Corporate tax returns are required to be filed by the twenty-fifth day of the fourth month following the balance sheet date and taxes must be paid in full by the end of the fourth month. The tax legislation provides for a provisional tax of 22% (2018 - 22%) to be calculated and paid based on earnings generated for each quarter. The amounts thus calculated and paid are offset against the final corporate tax liability for the year. Corporate tax losses can be carried forward for a maximum period of 5 years following the year in which the losses were incurred. The tax authorities can inspect tax returns and the related accounting records for a retrospective maximum period of 5 years.

Different corporate tax rates of foreign subsidiaries are as follows:

	June 30, 2019	December 31, 2018
Kazakhstan	**20%**	20%
Azerbaijan	**20%**	20%
Kyrgyzstan	**10%**	10%
Turkmenistan	**8%**	8%
Tajikistan	**13%**	13%
Jordan	**16%**	14%
Iraq	**15%**	15%
Pakistan	**29%**	29%

The list of temporary differences and the resulting deferred tax liabilities, as of June 30, 2019, and December 31, 2018 using the prevailing effective statutory tax rate is as follows:

	June 30, 2019		December 31, 2018	
	Cumulative Temporary Difference	**Deferred Tax Assets / (Liabilities)**	Cumulative Temporary Difference	Deferred Tax Assets / (Liabilities)
Tangible and intangible assets	**(3.044.741)**	**(773.900)**	(2.823.576)	(721.936)
Right of use assets	**1.394**	**481**	9.897	2.812
Borrowings	**(25.709)**	**(5.462)**	(25.067)	(5.310)
Employee termination, other employee benefits and other payable accruals	**121.274**	**24.820**	93.007	18.888
Unused investment incentive	**205.441**	**50.795**	205.441	41.209
Carry forward tax loss	**492.456**	**127.852**	270.394	84.973
Trade receivables, payables and other	**377.651**	**77.973**	155.440	29.237
Derivative financial instruments	**101.206**	**21.072**	89.342	18.699
Inventory	**(49.951)**	**(9.772)**	(32.752)	(6.356)
Deferred tax liability, net	**(1.820.979)**	**(486.141)**	(2.057.874)	(537.784)

Carried forward tax losses of Pakistan which were formed by the depreciation expenses according to local tax regulations are subject to deferred tax. In accordance with the local tax regulations in Pakistan, these tax losses has an exception of normal time limit (6 years) and can be carried forward with an indefinite life.

(Currency - Thousands of Turkish Lira unless otherwise indicated (TL))

22. TAX RELATED ASSETS AND LIABILITIES (continued)

As of June 30, 2019, and 2018, the movement of net deferred tax liability is as follows:

	June 30, 2019	June 30, 2018
Balance at January 1,	**537.784**	406.267
Deferred tax expense / (income)	**(81.940)**	(27.554)
Tax expense recognized in comprehensive income	**475**	17.141
Currency translation adjustment	**29.822**	70.627
	486.141	466.481

23. EARNINGS / (LOSSES) PER SHARE

Basic earnings / (losses) per share is calculated by dividing net income / (loss) for the period by the weighted average number of ordinary shares outstanding during the related period. The Company has no diluted instruments.

As of June 30, 2019, and 2018 earnings / (losses) per share is as follows:

	January 1 – June 30, 2019	**April 1 – June 30, 2019**	January 1 – June 30, 2018	April 1 – June 30, 2018
Net income for the period	**408.683**	**411.278**	136.012	185.216
Weighted average number of ordinary shares	**25.437.078.200**	**25.437.078.200**	25.437.078.200	25.437.078.200
Net Earnings Per Share (Full TL)	**0,0161**	**0,0162**	0,0053	0,0073

(Currency - Thousands of Turkish Lira unless otherwise indicated (TL))

24. RELATED PARTY BALANCES AND TRANSACTIONS

The Group has various transactions with related parties in normal course of the business. The most significant transactions with related parties are as follows:

	June 30, 2019				
	Sales to related parties and other revenues	**Purchases from related parties and other expenses**	**Amounts owed by related parties**	**Amounts owed to related parties**	
Related Parties and Shareholders				**Short Term**	**Long Term**
Anadolu Group Companies (1)	**157.650**	**11.990**	**127.738**	**1.842**	**-**
The Coca-Cola Company (1)	**77.646**	**1.560.895**	**119.665**	**468.579**	**57.534**
Özgörkey Holding Group Companies (1)	**436**	**14.092**	**4.495**	**-**	**-**
Syrian Soft Drink Sales and Distribution L.L.C.(4)	**-**	**-**	**5.290**	**-**	**-**
Doğadan (2)	**25.762**	**115.879**	**-**	**19.900**	**-**
Day Trade (2)	**-**	**-**	**-**	**16.844**	**-**
National Beverage Co. (3)	**10.527**	**736**	**-**	**-**	**-**
Total	**272.021**	**1.703.592**	**257.188**	**507.165**	**57.534**

	June 30, 2018		December 31, 2018		
	Sales to related parties and other revenues	**Purchases from related parties and other expenses**	**Amounts owed by related parties**	**Amounts owed to related parties**	
Related Parties and Shareholders				**Short Term**	**Long Term**
Anadolu Group Companies (1)	191.048	18.410	66.127	6.659	-
The Coca-Cola Company (1)	54.344	1.141.937	55.797	268.380	40.782
Özgörkey Holding Group Companies (1)	459	11.828	-	1.616	-
Syrian Soft Drink Sales and Distribution L.L.C.(4)	-	-	4.721	-	-
Doğadan (2)	17.216	117.709	-	35.448	-
Day Trade (2)	-	-	-	16.031	-
National Beverage Co. (3)	7.654	1.841	-	-	-
Total	270.721	1.291.725	126.645	328.134	40.782

(1) Shareholder of the Company, subsidiaries and joint ventures of the shareholder
(2) Related parties of the shareholder
(3) Other shareholders of the joint ventures and subsidiaries
(4) Investment in associate consolidated under equity method of accounting

As of June 30, 2019, and 2018, purchases from related parties and significant portion of other expenses consist of services obtained, fixed asset and raw material purchases and toll production.

As of June 30, 2019, and 2018, sales to related parties and other revenues consist of sale of finished goods and support charges of promotional expenses reflected to related parties.

As of June 30, 2019, and 2018, remuneration received by the executive members of the Board of Directors, Chief Executive Officer, Chief Operating Officers and Directors of the Company are as follows:

	June 30, 2019		June 30, 2018	
	Board of Directors	**Executive Directors**	Board of Directors	Executive Directors
Short-term employee benefits	**308**	**11.382**	256	7.248
Other long-term benefits	**-**	**782**	-	693
	308	**12.164**	256	7.941
Number of top executives	**4**	**13**	7	12

(Currency - Thousands of Turkish Lira unless otherwise indicated (TL))

25. NATURE AND LEVEL OF RISKS ARISING FROM FINANCIAL INSTRUMENTS

The Group's principal financial instruments are comprised of bank borrowings, bond issues, cash and short-term deposits. The main purpose of these financial instruments is to raise financing for the Group's operations. The Group has various other financial instruments such as trade debtors and trade creditors, which arise directly from its operations.

The main risks arising from the Group's financial instruments are interest rate risk, liquidity risk, foreign currency risk, and credit risk. The Group management reviews and agrees policies for managing each of these risks which are summarized below. The Group also monitors the market price risk arising from all financial instruments.

(a) Capital Management

The primary objective of the Group's capital management is to ensure that it maintains a strong credit rating and healthy capital ratio in order to support its business and maximize shareholder value.

The Group manages its capital structure and adjusts it in light of changes in economic conditions. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders or return capital to shareholders and may decide on issue of new shares or sell assets to decrease net financial debt.

As of June 30, 2019, and December 31, 2018 debt to equity ratio, obtained by dividing the total net debt to share capital is as follows:

Net debt is the financial borrowings, lease and financial lease payables less cash and cash equivalents and short-term financial assets.

	June 30, 2019	December 31, 2018
Borrowings	**5.255.006**	5.104.285
Less: Cash and cash equivalents and short-term financial assets	**(1.931.513)**	(2.310.897)
Net debt	**3.323.493**	2.793.388
Total share capital	**254.371**	254.371
Net debt / Total equity ratio (%)	**13,07**	10,98

(b) Interest Rate Risk

The Group is exposed to interest rate risk through the impact of rate changes on interest bearing assets and liabilities. The Group manages interest rate risk by balancing the interest rate of assets and liabilities or derivative financial instruments.

Certain parts of the interest rates related to borrowings are based on market interest rates; therefore, the Group is exposed to interest rate fluctuations on domestic and international markets. The Group's exposure to market risk for changes in interest rates relates primarily to the Group's debt obligations.

As of June 30, 2019, if variable interest rate on the Group's borrowings would have been 100 basis points higher / lower with all other variables held constant, then profit / (loss) before tax and non-controlling interest for September 30, 2019, which is the following reporting period would be:

	Effect on Profit Before Tax and Non-Controlling Interest	
	June 30, 2019	June 30, 2018
Increase / decrease of 1% interest in USD denominated borrowing interest rate	**359**	284
Increase / decrease of 1% interest in Euro denominated borrowing interest rate	**1.751**	2.097
Increase / decrease of 1% interest in PKR denominated borrowing interest rate	**316**	324
Total	**2.426**	2.705

(Currency - Thousands of Turkish Lira unless otherwise indicated (TL))

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

As of June 30, 2019, and 2018, the analysis of financial assets of the Group exposed to interest risk as follows:

Interest Rate Risk	June 30, 2019	June 30, 2018
Financial instruments with fixed interest rate		
Time deposits (Not 4, 5)	**1.262.177**	3.336.510
Financial liabilities related to bank borrowings (Note 7)	**4.088.439**	5.627.097
Financial instruments with floating interest rate		
Financial liabilities related to bank borrowings (Note 7)	**990.095**	1.096.496

(c) Foreign Currency Risk

The Group is exposed to exchange rate fluctuations due to the nature of its business. This risk occurs due to purchases, sales, demand / time deposits and bank borrowings of the Group, which are denominated in currencies other than the functional currency. The Group manages its foreign currency risk by balancing the amount of foreign currency denominated assets and liabilities.

	January 1 – June 30, 2019	April 1 – June 30, 2019	January 1 – June 30, 2018	April 1 – June 30, 2018
Total export	**13.129**	**1.637**	14.882	5.896
Total import	**1.566.129**	**1.016.239**	1.007.363	575.411

Foreign Currency Position

As of June 30, 2019, and December 31, 2018, the foreign currency position (except functional currency) of the Group and its subsidiaries is as follows:

	Foreign Currency Position Table June 30, 2019					
	Total TL Equivalent	USD	TL Equivalent	Euro	TL Equivalent	Other Foreign Currency TL Equivalent
1. Trade Receivables and Due from Related Parties	63.279	10.995	63.279	-	-	-
2a. Monetary Financial Assets (Cash and cash equivalents included)	1.172.096	201.186	1.157.845	2.175	14.246	5
2b. Non-monetary Financial Assets	-	-	-	-	-	-
3. Other Current Assets and Receivables	2.211	56	322	275	1.802	87
4. Current Assets (1+2+3)	**1.237.586**	**212.237**	**1.221.446**	**2.450**	**16.048**	**92**
5. Trade Receivables and Due from Related Parties	-	-	-	-	-	-
6a. Monetary Financial Assets	-	-	-	-	-	-
6b. Non-monetary Financial Assets	-	-	-	-	-	-
7. Other	5.810	-	-	887	5.810	-
8. Non-Current Assets (5+6+7)	**5.810**	**-**	**-**	**887**	**5.810**	**-**
9. Total Assets (4+8)	**1.243.396**	**212.237**	**1.221.446**	**3.337**	**21.858**	**92**
10. Trade Payables and Due to Related Parties	616.897	105.858	609.222	1.172	7.675	-
11. Short-term Borrowings and Current Portion of Long - term Borrowings	1.117.082	109.113	627.955	74.668	489.127	-
12a. Monetary Other Liabilities	23.076	3.696	21.269	276	1.807	-
12b. Non-monetary Other Liabilities	104	18	104	-	-	-
13. Current Liabilities (10+11+12)	**1.757.159**	**218.685**	**1.258.550**	**76.116**	**498.609**	**-**
14. Trade Payables and Due to Related Parties	-	-	-	-	-	-
15. Long-Term Borrowings	3.226.899	469.485	2.701.935	80.139	524.964	-
16 a. Monetary Other Liabilities	216.622	37.640	216.622	-	-	-
16 b. Non-monetary Other Liabilities	478	83	478	-	-	-
17. Non-Current Liabilities (14+15+16)	**3.443.999**	**507.208**	**2.919.035**	**80.139**	**524.964**	**-**
18. Total Liabilities (13+17)	**5.201.158**	**725.893**	**4.177.585**	**156.255**	**1.023.573**	**-**
19. Off Balance Sheet Derivative Items' Net Asset / (Liability) Position (19a-19b)	**1.618.789**	**281.279**	**1.618.789**	**-**	**-**	**-**
19a. Total Hedged Assets	**1.618.789**	**281.279**	**1.618.789**	-	-	-
19b. Total Hedged Liabilities	**-**	**-**	**-**	**-**	**-**	**-**
20. Net Foreign Currency Asset / (Liability) Position (9-18+19)	**(2.338.973)**	**(232.377)**	**(1.337.350)**	**(152.918)**	**(1.001.715)**	**92**
21. Monetary Items Net Foreign Currency Asset / (Liability) Position (TFRS 7, B23) (=1+2a+5+6a-10-11-12a-14-15-16a)	**(3.965.679)**	**(513.694)**	**(2.956.357)**	**(154.080)**	**(1.009.327)**	**5**
22. Total Fair Value of Financial Instruments Used to Manage the Foreign Currency Position	**-**	**-**	**-**	**-**	**-**	**-**

(Currency - Thousands of Turkish Lira unless otherwise indicated (TL))

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

	Foreign Currency Position Table					
	December 31, 2018					
	Total TL Equivalent	**USD**	**TL Equivalent**	**Euro**	**TL Equivalent**	**Other Foreign Currency TL Equivalent**
1. Trade Receivables and Due from Related Parties	55.356	10.522	55.356	-	-	-
2a. Monetary Financial Assets (Cash and cash equivalents included)	1.213.267	229.541	1.207.591	942	5.676	-
2b. Non-monetary Financial Assets	-	-	-	-	-	-
3. Other Current Assets and Receivables	6.444	356	1.874	756	4.555	15
4. Current Assets (1+2+3)	**1.275.067**	**240.419**	**1.264.821**	**1.698**	**10.231**	**15**
5. Trade Receivables and Due from Related Parties	-	-	-	-	-	-
6a. Monetary Financial Assets	-	-	-	-	-	-
6b. Non-monetary Financial Assets	-	-	-	-	-	-
7. Other	3.439	6	31	564	3.400	8
8. Non-Current Assets (5+6+7)	**3.439**	**6**	**31**	**564**	**3.400**	**8**
9. Total Assets (4+8)	**1.278.506**	**240.425**	**1.264.852**	**2.262**	**13.631**	**23**
10. Trade Payables and Due to Related Parties	448.803	81.040	426.341	3.545	21.368	1.094
11. Short-term Borrowings and Current Portion of Long - term Borrowings	682.951	44.242	232.752	74.685	450.199	-
12a. Monetary Other Liabilities	14.074	2.360	12.416	275	1.658	-
12b. Non-monetary Other Liabilities	-	-	-	-	-	-
13. Current Liabilities (10+11+12)	**1.145.828**	**127.642**	**671.509**	**78.505**	**473.225**	**1.094**
14. Trade Payables and Due to Related Parties	-	-	-	-	-	-
15. Long-Term Borrowings	3.455.627	549.510	2.890.920	93.681	564.707	-
16 a. Monetary Other Liabilities	198.020	37.640	198.020	-	-	-
16 b. Non-monetary Other Liabilities	-	-	-	-	-	-
17. Non-Current Liabilities (14+15+16)	**3.653.647**	**587.150**	**3.088.940**	**93.681**	**564.707**	**-**
18. Total Liabilities (13+17)	**4.799.475**	**714.792**	**3.760.449**	**172.186**	**1.037.932**	**1.094**
19. Off Balance Sheet Derivative Items' Net Asset / (Liability) Position (19a-19b)	**1.479.781**	**281.279**	**1.479.781**	-	-	**-**
19a. Total Hedged Assets	1.479.781	281.279	1.479.781	-	-	-
19b. Total Hedged Liabilities	-	-	-	-	-	-
20. Net Foreign Currency Asset / (Liability) Position (9-18+19)	**(2.041.188)**	**(193.088)**	**(1.015.816)**	**(169.924)**	**(1.024.301)**	**(1.071)**
21. Monetary Items Net Foreign Currency Asset / (Liability) Position (TFRS 7.B23) (=1+2a+5+6a-10-11-12a-14-15-16a)	**(3.530.852)**	**(474.729)**	**(2.497.502)**	**(171.244)**	**(1.032.256)**	**(1.094)**
22. Total Fair Value of Financial Instruments Used to Manage the Foreign Currency Position	-	-	-	-	-	-

The following table demonstrates the sensitivity of the Group's profit before tax to a reasonably possible change in the USD, Euro and other foreign currency denominated exchange rates against TL by 10%, with all other variables held constant.

	Foreign Currency Position Sensitivity Analysis			
	June 30, 2019		June 30, 2018	
	Income / (Loss)	**Income / (Loss)**	Income / (Loss)	Income / (Loss)
	Increase of the foreign currency	**Decrease of the foreign currency**	Increase of the foreign currency	Decrease of the foreign currency
Changes in the USD against TL by 10%:				
1- USD denominated net asset / (liability)	**(295.614)**	**295.614**	**(87.561)**	**87.561**
2- USD denominated hedging instruments (-)	**161.879**	**(161.879)**	**-**	**-**
3- Net effect in USD (1+2)	**(133.735)**	**133.735**	**(87.561)**	**87.561**
Changes in the Euro against TL by 10%:				
4- Euro denominated net asset / (liability)	**(100.172)**	**100.172**	**(95.434)**	**95.434**
5- Euro denominated hedging instruments (-)	**-**	**-**	**-**	**-**
6- Net effect in Euro (4+5)	**(100.172)**	**100.172**	**(95.434)**	**95.434**
Average changes in the other foreign currencies against TL by 10%:				
7- Other foreign currency denominated net asset / (liability)	**9**	**(9)**	**7**	**(7)**
8- Other foreign currency hedging instruments (-)	**-**	**-**	**-**	**-**
9- Net effect in other foreign currency (7+8)	**9**	**(9)**	**7**	**(7)**
TOTAL (3+6+9)	**(233.898)**	**233.898**	**(182.988)**	**182.988**

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

(d) Credit Risk

Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss. Financial instruments that potentially subject the Group to significant concentration of credit risk consist principally of cash and cash equivalents and trade receivables. Maximum credit risk on the Group is limited to the amounts disclosed on the financial statements.

The Group maintains cash and cash equivalents with various financial institutions. It is the Group's policy to limit exposure to any one institution and revalue the credibility of the related financial institutions continuously.

The credit risk associated with trade receivables is partially limited due to a large customer base and due to management's limitation on the extension of credit to customers. The Group generally requires collateral to extend credit to its customers excluding its distributors.

(e) Liquidity Risk

Liquidity risk is the risk that an entity will be unable to meet its net funding requirements. The risk is mitigated by matching the cash in and out flow volume supported by committed lending limits from qualified credit institutions, bond issues, cash and short-term deposits.

The maturity breakdown of financial assets and liabilities has been indicated by considering the period from the balance sheet date to maturity date. Those financial assets and liabilities which have no maturities have been classified under "1 to 5 years".

(f) Commodity Price Risk

The Company may be affected by the price volatility of certain commodities such as sugar, aluminium and resin. As its operating activities require the ongoing purchase of these commodities, the Company's management has a risk management strategy regarding commodity price risk and its mitigation.

Based on a 12-month anticipated purchase of can, the Company hedges the purchase price using commodity (aluminium) swap contracts and aluminium swap call option (Note 6).

26. FINANCIAL INSTRUMENTS

Fair Values

Fair value is the amount at which a financial instrument could be exchanged in a current transaction between willing parties, other than in a forced sale or liquidation, and best evidenced by a quoted market price, if one exists.

Foreign currency-denominated financial assets and liabilities are revalued at the exchange rates prevailing at the balance sheet dates.

The following methods and assumptions were used in the estimation of the fair value of the Group's financial instrument:

***Financial Assets* –** The fair values of certain financial assets carried at cost, including cash and cash equivalents and held to maturity investments plus the respective accrued interest are considered to approximate their respective carrying values due to their short-term nature and negligible credit losses. The carrying values of trade receivables along with the related allowances for bad debt are estimated to be at their fair values.

***Financial Liabilities* –** The fair values of trade payables and other monetary liabilities are estimated to approximate carrying values, due to their short-term nature. The fair values of bank borrowings are considered to approximate their respective carrying values, since the initial rates applied to bank borrowings are updated periodically by the lender to reflect active market price quotations. The carrying values of trade payable are estimated to be their fair values due to their short-term nature.

(Currency - Thousands of Turkish Lira unless otherwise indicated (TL))

26. FINANCIAL INSTRUMENTS (continued)

Fair value hierarchy table

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

Level 1: Market price valuation techniques for the determined financial instruments traded in markets
Level 2: Other valuation techniques includes direct or indirect observable inputs
Level 3: Valuation techniques does not contain observable market inputs

June 30, 2019	**Level 1**	**Level 2**	**Level 3**
a) Assets presented at fair value			
Derivative financial instruments	**-**	**5.293**	**-**
Total assets	**-**	**5.293**	**-**
b) Liabilities presented at fair value			
Derivative financial instruments	-	**11.808**	-
Buying option of share from non-controlling interest	**13.582**	**-**	**216.622**
Total liabilities	**13.582**	**11.808**	**216.622**

December 31, 2018	Level 1	Level 2	Level 3
a) Assets presented at fair value			
Derivative financial instruments	-	-	-
Total assets	-	-	-
b) Liabilities presented at fair value			
Derivative financial instruments	-	13.485	-
Buying option of share from non-controlling interest	12.416	-	198.020
Total liabilities	12.416	13.485	198.020

As of June 30, 2019, and 2018 movement table of buying option of share from non-controlling interest under level 3 is as follows;

	June 30, 2019
Balance at January 1	**198.020**
Currency translation adjustment	**18.602**
Period end	**216.622**

27. SUBSEQUENT EVENTS

None.