

**BİM BİRLEŞİK MAĞAZALAR A.Ş.**

**CONVENIENCE TRANSLATION INTO ENGLISH OF  
CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE PERIOD 1 JANUARY - 31 DECEMBER 2018  
TOGETHER WITH AUDITOR'S REPORT**

**(ORIGINALLY ISSUED IN TURKISH)**



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

**INDEPENDENT AUDITOR'S REPORT**

To the General Assembly of BİM Birleşik Mağazalar A.Ş.

**A. Audit of the Consolidated Financial Statements**

**1. Opinion**

We have audited the accompanying consolidated financial statements of BİM Birleşik Mağazalar A.Ş. (the "Company") and its subsidiaries (collectively referred to as the "Group"), which comprise the consolidated statement of financial position as at 31 December 2018 and the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements comprising a summary of significant accounting policies.

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of the Group as at 31 December 2018, and its financial performance and its cash flows for the year then ended in accordance with Turkish Financial Reporting Standards ("TFRS").

**2. Basis for Opinion**

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

**3. Key Audit Matters**

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

When we compare the key audit matters of the Group with the previous year, land and buildings described in Note 2 have not been revalued since there were no significant changes in the circumstances. Therefore, the fair value of land and buildings has not been mentioned as a key audit matter.



<b>Key audit matters</b>	<b>How our audit addressed the key audit matter</b>
<b>Revenue recognition</b>	
<p>The Group operates in hard discount retail markets on domestic and abroad with 7.438 stores in total as of 31 December 2018.</p> <p>In addition to being the most important financial statement line item for the retail industry, revenue is one of the most important criteria for evaluation of performance and results of strategies applied by the management.</p> <p>Revenue, amounting to TRY 32,322,987 for the year ended 31 December 2018 is material to the financial statements and its audit is a key audit matter since the completeness and accuracy of revenue transactions are difficult to audit due to the high volume of transactions, due to number of stores and the high number of sales points.</p>	<p>The audit procedures performed include a combination of validation of key controls in revenue recognition process, substantive tests and analytical procedures.</p> <p>The revenue recognition process was understood by way of inquiries with the process owners and the design effectiveness, implementation and operating effectiveness of key controls were evaluated with the support of our experts in Information Technology ("IT").</p> <p>Access to programs, program changes and program development controls were tested by our IT experts.</p> <p>The controls of accounting entry of sales data to make sure that it can only be performed by the approval of accounting department, automatic transfers of sales data to accounting system, sales prices to cashboxes and sales transactions of stores to the accounting system at the end of the day were tested to make sure that pricing and invoicing of revenue are complete and accurate.</p> <p>Testing on a sample basis was performed for recognition of daily transfers made to the cash boxes.</p> <p>Substantive analytical procedures were performed in order to assess the variance in revenue. Annual inflation rate used in the analytics was obtained from independent sources, the square meters were tested by tracing to documents of stores on a sample basis. Thus, the reliability of data used was validated. Product and category based sales and gross margins were compared to prior periods and their consistency was evaluated.</p>



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

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

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

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

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

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

Our aim is to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an independent auditor's report that includes our opinion. Reasonable assurance expressed as a result of an independent audit conducted in accordance with SIA is a high level of assurance but does not guarantee that a material misstatement will always be detected. Misstatements can arise from fraud or error. Misstatements are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an independent audit conducted in accordance with SIA, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement in the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Assess the internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.



- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our independent auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

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

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



**B. Other Responsibilities Arising From Regulatory Requirements**

1. No matter has come to our attention that is significant according to subparagraph 4 of Article 402 of Turkish Commercial Code (“TCC”) No. 6102 and that causes us to believe that the Company’s bookkeeping activities concerning the period from 1 January to 31 December 2018 period are not in compliance with the TCC and provisions of the Company’s articles of association related to financial reporting.
2. In accordance with subparagraph 4 of Article 402 of the TCC, the Board of Directors submitted the necessary explanations to us and provided the documents required within the context of our audit.
3. In accordance with subparagraph 4 of Article 398 of the TCC, the auditor’s report on the early risk identification system and committee was submitted to the Company’s Board of Directors on 6 March 2019.

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

Gökhan Yüksel, SMMM  
Partner

Istanbul, 6 March 2019

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

**BİM BİRLEŞİK MAĞAZALAR A.Ş.**

**CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD  
1 JANUARY - 31 DECEMBER 2018**

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

**BİM BİRLEŞİK MAĞAZALAR A.Ş.**

**CONSOLIDATED BALANCE SHEETS FOR THE YEARS ENDED  
31 DECEMBER 2018 AND 2017**

(Amounts expressed in thousands of Turkish Lira ("TRY") unless otherwise stated and all other currencies are expressed in full amounts unless otherwise stated.)

**ASSETS**

	Notes	Audited 31 December 2018	Audited 31 December 2017
<b>Current assets</b>		<b>4.842.262</b>	<b>3.602.483</b>
Cash and cash equivalents	4	546.919	980.378
Financial investments	5	446.650	-
Trade receivables		1.159.602	877.380
- Trade receivables from third parties	7	1.159.602	877.380
Other receivables	8	25.321	21.621
- Other receivables from related parties		158	225
- Other receivables from third parties		25.163	21.396
Inventory	9	2.097.894	1.456.249
Prepaid expenses	13	251.033	67.681
Current income tax assets	24	271.932	174.182
Other current assets	15	42.911	24.992
<b>Non-current assets</b>		<b>4.105.688</b>	<b>3.423.192</b>
Financial investments	5	350.761	309.731
Other receivables		8.083	4.463
- Other receivables from third parties		8.083	4.463
Property, plant and equipment	10	3.698.551	3.057.725
Intangible assets	11	16.460	13.193
Prepaid expenses	13	28.494	35.229
Deferred tax assets	24	3.339	2.851
<b>Total assets</b>		<b>8.947.950</b>	<b>7.025.675</b>

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



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

**BİM BİRLEŞİK MAĞAZALAR A.Ş.**

**CONSOLIDATED BALANCE SHEETS FOR THE YEARS ENDED  
31 DECEMBER 2018 AND 2017**

(Amounts expressed in thousands of Turkish Lira ("TRY") unless otherwise stated and all other currencies are expressed in full amounts unless otherwise stated.)

**LIABILITIES**

	<b>Notes</b>	<b>Audited 31 December 2018</b>	<b>Audited 31 December 2017</b>
<b>Current liabilities</b>		<b>5.131.245</b>	<b>3.830.814</b>
<b>Short-term liabilities</b>	6	<b>37.853</b>	<b>-</b>
<b>Trade payables</b>		<b>4.516.139</b>	<b>3.400.270</b>
- Trade payables due to related parties	26	485.466	356.137
- Trade payables due to third parties	7	4.030.673	3.044.133
<b>Other payables</b>		<b>97</b>	<b>141</b>
- Other payables due to third parties		97	141
<b>Deferred revenue</b>		<b>22.343</b>	<b>23.396</b>
<b>Payables related to employee benefits</b>		<b>47.181</b>	<b>76.494</b>
<b>Short term provisions</b>		<b>58.755</b>	<b>46.948</b>
- Provision for employee benefits	12	18.918	14.395
- Other short term provisions	12	39.837	32.553
<b>Current income tax liabilities</b>	24	<b>354.356</b>	<b>214.182</b>
<b>Other current liabilities</b>	15	<b>94.521</b>	<b>69.383</b>
<b>Non-current liabilities</b>		<b>304.689</b>	<b>236.981</b>
<b>Non-current provisions</b>		<b>128.634</b>	<b>99.142</b>
- Provision for employee benefits	14	128.634	99.142
<b>Deferred tax liabilities</b>	24	<b>176.055</b>	<b>137.839</b>
<b>Equity</b>		<b>3.512.016</b>	<b>2.957.880</b>
<b>Equity holders of the parent</b>		<b>3.512.016</b>	<b>2.957.880</b>
<b>Paid-in share capital</b>	16	<b>303.600</b>	<b>303.600</b>
<b>Treasury shares</b>	16	<b>(235.729)</b>	<b>(61.111)</b>
<b>Other comprehensive income/(expense) not to be reclassified to profit or loss</b>		<b>879.126</b>	<b>889.301</b>
- Property and equipment revaluation reserve	10,16	785.683	810.869
- Revaluation gain/(loss) on defined benefit plans		(90.164)	(66.197)
- Fair value changes in available-for-sale financial assets		183.607	144.629
<b>Other comprehensive income/(expense) to be reclassified to profit or loss</b>		<b>41.025</b>	<b>(18.646)</b>
- Currency translation difference		41.025	(18.646)
<b>Restricted reserves</b>	16	<b>571.193</b>	<b>340.409</b>
<b>Retained earnings</b>		<b>702.337</b>	<b>641.326</b>
<b>Net income for the period</b>		<b>1.250.464</b>	<b>863.001</b>
<b>Total Liabilities</b>		<b>8.947.950</b>	<b>7.025.675</b>

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

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

**BİM BİRLEŞİK MAĞAZALAR A.Ş.**

**STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME  
FOR THE YEARS ENDED 31 DECEMBER 2018 AND 2017**

(Amounts expressed in thousands of Turkish Lira ("TRY") unless otherwise stated and all other currencies are expressed in full amounts unless otherwise stated.)

	Notes	Audited 31 December 2018	Audited 31 December 2017
<b>PROFIT OR LOSS</b>			
Revenue	17	32.322.987	24.779.408
Cost of sales (-)	17	(26.613.139)	(20.553.994)
<b>GROSS PROFIT</b>		<b>5.709.848</b>	<b>4.225.414</b>
Marketing expenses (-)	18	(3.663.526)	(2.770.661)
General administrative expenses (-)	18	(516.480)	(415.774)
Other operating income	20	36.371	31.605
Other operating expense (-)	20	(22.699)	(10.907)
<b>OPERATING PROFIT</b>		<b>1.543.514</b>	<b>1.059.677</b>
Income from investing activities	23	44.327	3.037
Expense from investing activities	23	-	(1.575)
<b>OPERATING PROFIT BEFORE FINANCIAL EXPENSES</b>		<b>1.587.841</b>	<b>1.061.139</b>
Financial income	21	51.567	45.203
Financial expense (-)	22	(12.596)	(10.489)
<b>PROFIT BEFORE TAX FROM CONTINUED OPERATIONS</b>		<b>1.626.812</b>	<b>1.095.853</b>
- Current tax expense	24	(359.576)	(217.609)
- Deferred tax expense	24	(16.772)	(15.243)
<b>PROFIT FROM CONTINUED OPERATIONS</b>		<b>1.250.464</b>	<b>863.001</b>
<b>NET INCOME FOR THE PERIOD</b>		<b>1.250.464</b>	<b>863.001</b>
<b>Profit for the period attributable to</b>			
Non-controlling interest		-	-
Equity holders of the parent		<b>1.250.464</b>	<b>863.001</b>
<b>Earnings per share</b>			
Earnings per share from continued operations (Full TRY)	25	<b>4,155</b>	<b>2,854</b>
Earnings per share from discontinued operations		-	-
<b>Other comprehensive gain/(loss)</b>			
<b>Items not to be reclassified to profit /(loss):</b>		<b>(10.175)</b>	<b>628.947</b>
Losses on remeasurements of defined benefit plans, net		(23.967)	(17.843)
Gains on revaluation of property, plant and equipment, net		(25.186)	530.912
Gains on revaluation of available for sale financial assets, net		38.978	115.878
<b>Items to be reclassified to profit /(loss):</b>		<b>59.671</b>	<b>18.310</b>
Currency translation difference		59.671	18.310
<b>Other comprehensive income/(loss)</b>		<b>49.496</b>	<b>647.257</b>
<b>Total comprehensive income</b>		<b>1.299.960</b>	<b>1.510.258</b>
<b>Total comprehensive income attributable to</b>			
Non-controlling interest		-	-
Equity holders of the parent		<b>1.299.960</b>	<b>1.510.258</b>

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

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

BİM BİRLEŞİK MAĞAZALAR A.Ş.

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY FOR THE YEARS ENDED 31 DECEMBER 2018 AND 2017

(Amounts expressed in thousands of Turkish Lira ("TRY") unless otherwise stated and all other currencies are expressed in full amounts unless otherwise stated.)

	Audited							Other comprehensive income to be reclassified to profit or loss	Retained earnings	Total Equity
	Paid-in share capital	Treasury shares	Restricted reserves	Other comprehensive income not to be reclassified to profit or loss			Currency translation differences			
				Fair value changes in available-for-sale financial assets	Tangible assets fair value reserve	Revaluation loss on defined benefit plans				
								Retained earnings	Net income for the period	
Balance at 1 January 2017	303.600	(61.111)	296.387	28.751	279.957	(48.354)	(36.956)	468.044	670.859	1.901.177
Transfers	-	-	44.022	-	-	-	-	626.837	(670.859)	-
Dividend (Note 16)	-	-	-	-	-	-	-	(453.555)	-	(453.555)
Total comprehensive income	-	-	-	115.878	530.912	(17.843)	18.310	-	863.001	1.510.258
Balance at 31 December 2017	303.600	(61.111)	340.409	144.629	810.869	(66.197)	(18.646)	641.326	863.001	2.957.880
Balance at 1 January 2018	303.600	(61.111)	340.409	144.629	810.869	(66.197)	(18.646)	641.326	863.001	2.957.880
Transfers	-	-	230.784	-	-	-	-	632.217	(863.001)	-
Increase/(decrease) of shares due to repurchase transactions	-	(174.618)	-	-	-	-	-	-	-	(174.618)
Dividend (Note 16)	-	-	-	-	-	-	-	(571.206)	-	(571.206)
Total comprehensive income	-	-	-	38.978	(25.186)	(23.967)	59.671	-	1.250.464	1.299.960
Balance at 31 December 2018	303.600	(235.729)	571.193	183.607	785.683	(90.164)	41.025	702.337	1.250.464	3.512.016

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

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FINANCIAL STATEMENTS ORIGINALLY ISSUED IN TURKISH**

**BİM BİRLEŞİK MAĞAZALAR A.Ş.**

**CONSOLIDATED STATEMENTS OF CASH FLOW FOR THE YEARS ENDED  
31 DECEMBER 2018 AND 2017**

(Amounts expressed in thousands of Turkish Lira ("TRY") unless otherwise stated and all other currencies are expressed in full amounts unless otherwise stated.)

	Notes	Audited 1 January 31 December 2018	Audited 1 January 31 December 2017
<b>A. CASH FLOWS FROM OPERATING ACTIVITIES</b>		<b>1.559.358</b>	<b>1.410.479</b>
Profit for the period		1.250.464	863.001
Adjustments to reconcile profit for the period		672.049	505.470
Depreciation and amortisation	10,11,19	348.708	256.547
Provisions for impairments		21.161	6.146
- Provisions for impairments of inventories	9	11.524	6.041
- Allowance for doubtful receivables	8	9.637	105
Adjustments related to provisions		54.210	77.991
- Adjustments related to provision for employment termination benefits		46.926	59.789
- Adjustments related to the legal provisions	12	4.259	5.661
- Adjustments related to other provisions		3.025	12.541
Deferred financing income arising from forward purchases		(30.193)	(25.083)
Adjustments related to interest income and other financial instruments		(90.306)	(39.396)
Fair value losses/(gains) related fixes		-	(2.125)
Adjustments for tax income/(losses)	24	376.348	232.852
(Gain)/Loss on sale of property and equipment	23	(3.600)	1.575
Other adjustments related to cash flows arising from investing and financing activities		(4.279)	(3.037)
<b>Changes in net working capital</b>		<b>(22.882)</b>	<b>278.198</b>
Increases/decreases in inventories		(653.169)	(343.270)
Increases/decreases in trade receivables		(282.222)	(231.875)
Increases/decreases in other assets		7.753	4.144
Increases/decreases in trade payables		1.146.062	776.512
Increases/decreases in other payables		(44)	(51)
Increases/decreases other net working capital		(241.262)	72.738
<b>Net cash generated from operating activities</b>		<b>1.899.631</b>	<b>1.646.669</b>
Income taxes paid	24	(311.932)	(215.251)
Other cash inflows (Collections of doubtful receivables)		134	125
Employee benefits paid	14	(28.475)	(21.064)
<b>B. CASH FLOWS FROM INVESTING ACTIVITIES</b>		<b>(1.318.594)</b>	<b>(586.526)</b>
Proceeds from sale of tangible and intangible assets	10,11,23	33.430	19.027
Cash outflows from purchases of tangible and intangible assets	10,11	(958.006)	(610.004)
- Purchases of tangible assets		(951.097)	(601.145)
- Purchases of intangible assets		(6.909)	(8.859)
Participation (profit) share and cash outflows from other financial instruments	5	(437.004)	-
Participation (profit) share and cash inflows from other financial instruments		36.448	-
Cash advances given and liabilities		2.259	1.414
Dividend income		4.279	3.037
<b>C. CASH FLOWS FROM FINANCING ACTIVITIES</b>		<b>(657.087)</b>	<b>(419.915)</b>
Proceeds from financial liabilities	6	37.853	-
Dividend paid		(571.206)	(453.555)
Participation (profit) shares and cash inflows from other financial instruments		50.884	33.640
Cash outflows related to the company's own shares and receivables based on other equity instruments		(174.618)	-
<b>NET DECREASE IN CASH AND CASH EQUIVALENTS BEFORE CURRENCY TRANSLATION DIFFERENCES (A+B+C)</b>		<b>(416.323)</b>	<b>404.038</b>
<b>D. EFFECTS OF CURRENCY TRANSLATION DIFFERENCES ON CASH AND CASH EQUIVALENTS</b>		<b>(10.464)</b>	<b>(7.851)</b>
<b>NET INCREASE IN CASH AND CASH EQUIVALENTS (A+B+C+D)</b>		<b>(426.787)</b>	<b>396.187</b>
<b>E. CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE PERIOD</b>	4	<b>973.706</b>	<b>577.519</b>
<b>CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD(A+B+C+D+E)</b>	4	<b>546.919</b>	<b>973.706</b>

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

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

## BİM BİRLEŞİK MAĞAZALAR A.Ş.

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2018

(Amounts expressed in thousands of Turkish Lira ("TRY") unless otherwise stated and all other currencies are expressed in full amounts unless otherwise stated.)

#### 1. Organization and nature of operations of the Group

BİM Birleşik Mağazalar Anonim Şirketi ("BİM" or "the Company") was established on 31 May 1995 and commenced its operations in September 1995. The registered address of the Group is Ebubekir Cad. No: 73 Sancaktepe, İstanbul.

The Company is engaged in operating retail stores through its retail shops throughout Turkey, which sell an assortment of approximately 700 items, including a number of private labels. The Company is publicly traded in Istanbul Stock Exchange (ISE) since July 2005.

The Company established a new company named BIM Stores SARL on 19 May 2008 with 100% ownership in Morocco which is engaged in hard discount retail sector and started to operate on 11 July 2009. BIM Stores SARL financial statements are consolidated by using the full consolidation method.

The Company established a new company named BIM Stores LLC on 24 July 2012 with 100% ownership in Egypt which is engaged in hard discount retail sector and first stores of BIM Stores LLC has been opened in April 2013. BIM Stores LLC financial statements are consolidated by using the full consolidation method as of 31 December 2018.

GDP Gıda Paketleme ve Sanayi ve Ticaret A.Ş. ("GDP Gıda"), which is a 100% subsidiary to provide the supply and packaging of various foodstuffs, especially rice and pulses became a legal entity and started its activities with the completion of the registration procedures in 2017. GDP Gıda financial statements are consolidated by using the full consolidation method as of 31 December 2018.

Hereinafter, the Company and its consolidated subsidiaries together will be referred to as "the Group".

Shareholder structure of the Group is stated in Note 16. The consolidated financial statements were authorized for issue on 6 March 2019 by the Board of Directors of the Company.

Although there is no such intention, the General Assembly and certain regulatory bodies have the power to amend the financial statements after issues.

For the periods ended 31 December 2018 and 2017, the average number of employees in accordance with their categories is shown below:

	1 January - 31 December 2018	1 January - 31 December 2017
Office personnel	3.307	3.123
Warehouse personnel	4.403	3.872
Store personnel	37.383	33.367
<b>Total</b>	<b>45.093</b>	<b>40.362</b>

As of 31 December 2018, the Group operates in 7.478 stores (31 December 2017: 6.765).

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

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### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2018

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#### 2. Basis of preparation of financial statements

##### 2.1 Basis of presentation

The consolidated financial statements of the Group have been prepared in accordance with the Turkish Financial Reporting Standards, ("TFRS") and interpretations as adopted in line with international standards by the Public Oversight Accounting and Auditing Standards Authority of Turkey ("POA") in line with the communiqué numbered II-14.1 "Communiqué on the Principles of Financial Reporting In Capital Markets" ("the Communiqué") announced by the Capital Markets Board of Turkey ("CMB") on June 13, 2013 which is published on Official Gazette numbered 28676. TFRS are updated in harmony with the changes and updates in International Financial and Accounting Standards ("IFRS") by the communiqués announced by the POA.

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

The consolidated financial statements are presented in accordance with formats that are determined in "Announcement regarding TAS Taxonomy" and "Financial Statement Examples and Instructions" by Turkish Accounting Standards issued by Public Oversight Accounting and Auditing Standards Authority ("POAASA") on 2 June 2016.

##### Going concern assumption

The consolidated financial statements including the accounts of the Group have been prepared assuming that the Group will continue as a going concern on the basis that the entity will be able to realize its assets and discharge its liabilities in the normal course of business.

##### 2.2 New and amended International Financial Reporting Standards

The accounting policies adopted in preparation of the consolidated financial statements as at 31 December 2018 are consistent with those of the previous financial year, except for the adoption of new and amended IFRS and IFRIC interpretations effective as of 1 January 2018. The effects of these standards and interpretations on the Group's financial position and performance have been disclosed in the related paragraphs.

The Group has adopted the new and revised standards and interpretations issued by the "POAASA" and effective from January 1, 2018, related to its business activity.

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

## BİM BİRLEŞİK MAĞAZALAR A.Ş.

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2018

(Amounts expressed in thousands of Turkish Lira ("TRY") unless otherwise stated and all other currencies are expressed in full amounts unless otherwise stated.)

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#### 2. Basis of preparation of financial statements (Continued)

##### 2.2 New and amended International Financial Reporting Standards (Continued)

*a. The new standards, amendments and interpretations which are effective for the financial statements as of 31 December 2018:*

- **TFRS 9, 'Financial instruments'**; effective from annual periods beginning on or after 1 January 2018. This standard replaces the guidance in TAS 39. It includes requirements on the classification and measurement of financial assets and liabilities; it also includes an expected credit losses model that replaces the current incurred loss impairment model.
- **TFRS 15, 'Revenue from contracts with customers'**; effective from annual periods beginning on or after 1 January 2018. TFRS 15, 'Revenue from contracts with customers' is a converged standard from the IASB and FASB on revenue recognition. The standard will improve the financial reporting of revenue and improve comparability of the top line in financial statements globally.
- **Amendment to TFRS 15, 'Revenue from contracts with customers'**, effective from annual periods beginning on or after 1 January 2018. These amendments comprise clarifications of the guidance on identifying performance obligations, accounting for licences of intellectual property and the principal versus agent assessment (gross versus net revenue presentation). New and amended illustrative examples have been added for each of those areas of guidance. The IASB has also included additional practical expedients related to transition to the new revenue standard.
- **Amendments to TFRS 4, 'Insurance contracts'** regarding the implementation of TFRS 4, 'Financial Instruments'; effective from annual periods beginning on or after 1 January 2018. These amendments introduce two approaches: an overlay approach and a deferral approach. The amended standard will:
  - Give all companies that issue insurance contracts the option to recognise in other comprehensive income, rather than profit or loss, the volatility that could arise when TFRS 9 is applied before the new insurance contracts standard is issued; and
  - Give companies whose activities are predominantly connected with insurance an optional temporary exemption from applying TFRS 9 until 2021. The entities that defer the application of TFRS 9 will continue to apply the existing financial instruments standard TAS 39.
- **Amendment to TAS 40, 'Investment property'** relating to transfers of investment property; effective from annual periods beginning on or after 1 January 2018. These amendments clarify that to transfer to, or from, investment properties there must be a change in use. To conclude if a property has changed use there should be an assessment of whether the property meets the definition. This change must be supported by evidence.

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

## BİM BİRLEŞİK MAĞAZALAR A.Ş.

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2018

(Amounts expressed in thousands of Turkish Lira ("TRY") unless otherwise stated and all other currencies are expressed in full amounts unless otherwise stated.)

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#### 2. Basis of preparation of financial statements (Continued)

##### 2.2 New and amended International Financial Reporting Standards (Continued)

###### *a. The new standards, amendments and interpretations which are effective for the financial statements as of 31 December 2018 (Continued):*

- **Amendments to TFRS 2, 'Share based payments'** on clarifying how to account for certain types of share-based payment transactions; effective from annual periods beginning on or after 1 January 2018. This amendment clarifies the measurement basis for cash-settled, share-based payments and the accounting for modifications that change an award from cash-settled to equity-settled. It also introduces an exception to the principles in TFRS 2 that will require an award to be treated as if it was wholly equity-settled, where an employer is obliged to withhold an amount for the employee's tax obligation associated with a share-based payment and pay that amount to the tax authority.

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

- TFRS 1, 'First time adoption of TFRS'; regarding the deletion of short-term exemptions for first-time adopters regarding TFRS 7, TAS 19 and TFRS 10,
- TAS 28, 'Investments in associates and joint venture' regarding measuring an associate or joint venture at fair value.
- **IFRIC 22, 'Foreign currency transactions and advance consideration'**; effective from annual periods beginning on or after 1 January 2018. This IFRIC addresses foreign currency transactions or parts of transactions where there is consideration that is denominated or priced in a foreign currency. The interpretation provides guidance for when a single payment/receipt is made as well as for situations where multiple payments/receipts are made. The guidance aims to reduce diversity in practice.

The mentioned standards and amendments have no material impact on Group's financial statements.

###### *b. Standards, amendments and interpretations that are issued but not effective as at 31 December 2018:*

- **Amendment to TFRS 9, 'Financial instruments'**; effective from annual periods beginning on or after 1 January 2019. This amendment confirm that when a financial liability measured at amortised cost is modified without this resulting in de-recognition, a gain or loss should be recognised immediately in profit or loss. The gain or loss is calculated as the difference between the original contractual cash flows and the modified cash flows discounted at the original effective interest rate. This means that the difference cannot be spread over the remaining life of the instrument which may be a change in practice from TAS 39. Although the studies on the impact of the amendment on the financial position and performance of the Group continues, no significant impact is expected.
- **Amendment to TAS 28, 'Investments in associates and joint venture'**; effective from annual periods beginning on or after 1 January 2019. These amendments clarify that companies account for long-term interests in associate or joint venture to which the equity method is not applied using TFRS 9.



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## BİM BİRLEŞİK MAĞAZALAR A.Ş.

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2018

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#### 2. Basis of preparation of financial statements (Continued)

##### 2.2 New and amended International Financial Reporting Standards (Continued)

##### *b. Standards, amendments and interpretations that are issued but not effective as at 31 December 2018 (Continued):*

- **TFRS 16, 'Leases'**; effective from annual periods beginning on or after 1 January 2019, with earlier application permitted if TFRS 15 'Revenue from Contracts with Customers' is also applied. This standard replaces the current guidance in TAS 17 and is a farreaching change in accounting by lessees in particular. Under TAS 17, lessees were required to make a distinction between a finance lease (on balance sheet) and an operating lease (off balance sheet). TFRS 16 now requires lessees to recognise a lease liability reflecting future lease payments and a 'right of use asset' for virtually all lease contracts. The IASB has included an optional exemption for certain short-term leases and leases of low-value assets; however, this exemption can only be applied by lessees. For lessors, the accounting stays almost the same. However, as the IASB has updated the guidance on the definition of a lease (as well as the guidance on the combination and separation of contracts), lessors will also be affected by the new standard. At the very least, the new accounting model for lessees is expected to impact negotiations between lessors and lessees. Under TFRS 16, a contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

**IFRIC 23, 'Uncertainty over income tax treatments'**; effective from annual periods beginning on or after 1 January 2019. This IFRIC clarifies how the recognition and measurement requirements of TAS 12 'Income taxes', are applied where there is uncertainty over income tax treatments. The IFRS IC had clarified previously that TAS 12, not TAS 37, 'Provisions, contingent liabilities and contingent assets', applies to accounting for uncertain income tax treatments. IFRIC 23 explains how to recognise and measure deferred and current income tax assets and liabilities where there is uncertainty over a tax treatment. An uncertain tax treatment is any tax treatment applied by an entity where there is uncertainty over whether that treatment will be accepted by the tax authority. For example, a decision to claim a deduction for a specific expense or not to include a specific item of income in a tax return is an uncertain tax treatment if its acceptability is uncertain under tax law. IFRIC 23 applies to all aspects of income tax accounting where there is an uncertainty regarding the treatment of an item, including taxable profit or loss, the tax bases of assets and liabilities, tax losses and credits and tax rates.

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

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

- TFRS 3, 'Business combinations', – a company remeasures its previously held interest in a joint operation when it obtains control of the business.
- TFRS 11, 'Joint arrangements', – a company does not remeasure its previously held interest in a joint operation when it obtains joint control of the business.
- TAS 12, 'Income taxes', – a company accounts for all income tax consequences of dividend payments in the same way.
- TAS 23, 'Borrowing costs', – a company treats as part of general borrowings any borrowing originally made to develop an asset when the asset is ready for its intended use or sale.

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

## BİM BİRLEŞİK MAĞAZALAR A.Ş.

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2018

(Amounts expressed in thousands of Turkish Lira ("TRY") unless otherwise stated and all other currencies are expressed in full amounts unless otherwise stated.)

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#### 2. Basis of preparation of financial statements (Continued)

##### 2.2 New and amended International Financial Reporting Standards (Continued)

##### *b. Standards, amendments and interpretations that are issued but not effective as at 31 December 2018 (Continued):*

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

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

**Amendments to TAS 1 and TAS 8 on the definition of material;** effective from Annual periods beginning on or after 1 January 2020. These amendments to TAS 1, 'Presentation of financial statements', and TAS 8, 'Accounting policies, changes in accounting estimates and errors', and consequential amendments to other TFRSs:

- i) Use a consistent definition of materiality throughout TFRSs and the Conceptual Framework for Financial Reporting;
- ii) Clarify the explanation of the definition of material; and
- iii) Incorporate some of the guidance in TAS 1 about immaterial information.

**Amendments to TFRS 3 - definition of a business;** effective from Annual periods beginning on or after 1 January 2020. This amendment revises the definition of a business. According to feedback received by the IASB, application of the current guidance is commonly thought to be too complex, and it results in too many transactions qualifying as business combinations.

The effect of changes on the Group's financial position or performance. continue to evaluate by Group Management.

#### **Standards issued but not yet effective and not early adopted**

Standards, interpretations and amendments to existing standards that are issued but not yet effective up to the date of issuance of the consolidated financial statements as of 31 December 2018 are as follows. The Group will make the necessary changes if not indicated otherwise, which will be affecting the consolidated financial statements and disclosures, when the new standards and interpretations become effective.

#### **TFRS 16 Leases**

The Group will apply the standard from its mandatory adoption date of 1 January 2019. The Group intends to apply the simplified transition approach and will not restate comparative amounts for the year prior to first adoption. As a result, all right-of-use assets will be measured at the amount of the lease liability on adoption (adjusted for any prepaid or accrued lease expenses). When the standard will be applied, Group's assets and liabilities in the consolidated financial statements will increase by the amount of right of use asset and lease liability respectively. When we compare the impact of rent payments which were accounted by straight line basis in accordance with the existing standard, the total of amortization of right of use asset and interest expense of financial liabilities will affect the income statement more in the first years but the impact on net income will decrease in the following years. In addition, operating cash flows will decrease and financing cash flows increase as repayment of the principal portion of the lease liabilities will be classified as cash flows from financing activities. The Group has assessed the impact of TFRS 16 on the consolidated financial statements, including its subsidiaries, and according to the draft assesment, The Group expect to recognize right of use asset and lease liability at the rate of 30-35% of the total of the consolidated assets based on the existing lease agreements.

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## BİM BİRLEŞİK MAĞAZALAR A.Ş.

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(Amounts expressed in thousands of Turkish Lira ("TRY") unless otherwise stated and all other currencies are expressed in full amounts unless otherwise stated.)

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#### 2. Basis of preparation of financial statements (Continued)

##### 2.3. Compliance with TAS

The Group prepared its consolidated financial statements for the period ended 31 December 2018 in accordance with the framework of the Communiqué Serial: II and numbered 14.1 and its related announcements. The consolidated financial statements and its accompanying notes are presented in compliance with the format recommended by CMB, including the mandatory disclosures.

##### 2.4. Presentation and functional currency

The individual financial statements of each group entity are presented in the currency of the primary economic environment in which the entity operates (its functional currency). For the purpose of the consolidated financial statements, the results and financial position of each entity consolidated are expressed in Turkish Lira ("TRY"), which is the functional of the Company and the presentation currency of the Group. The functional currency of the Company's subsidiary, BIM Stores SARL, is Moroccan Dirham ("MAD").

In the consolidated financial statements, MAD amounts presented in the balance sheet are translated into Turkish Lira at the TRY exchange rate for purchases of MAD at the balance sheet date, TRY 1 = MAD1,8170 amounts in the statement of comprehensive income have been translated into TRY, at the average TRY exchange rate for purchases of MAD, is TRY 1 = MAD1,9994. Differences that occur by the usage of closing and average exchange rates are followed under currency translation differences classified under equity.

The functional currency of the Company's other subsidiary, BIM Stores LLC is Egyptian Pound ("EGP"). In the consolidated financial statements, EGP amounts presented in the balance sheet and in the statement of comprehensive income are translated into Turkish Lira at the TRY exchange rate for purchase of EGP at the balance sheet date, TRY 1 = EGP3,3974, at the average TRY exchange rate for purchases of EGP, is TRY 1 = EGP3,6865. Differences that occur by the usage of closing and average exchange rates are followed under currency translation differences classified under equity.

The financial statements of the Group for the current period are prepared comparatively with the previous period in order to enable the determination of the financial situation and performance trends. Comparative information is reclassified in the current period in order to comply with the presentation of the financial statements. In the current period, there has been no classification of past turnover.

#### Basis of consolidation

The consolidated financial statements comprise the financial statements of the parent company BİM and its subsidiaries prepared for the period ended 31 December 2018. Subsidiaries are consolidated from the date on which control is transferred to the Group. The consolidated financial statements cover BİM and the subsidiaries with 100% control.

Subsidiaries are consolidated by using the full consolidation method; therefore, the carrying value of subsidiaries is eliminated against the related shareholders' equity.

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

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#### 2. Basis of preparation of financial statements (Continued)

#### 2.5 Comparatives and restatement of prior periods' financial statements (Continued)

#### 2.5 Comparatives and restatement of prior periods' financial statements

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

In the current period, the Group has made some reclassifications in prior period financial statements. The nature, reason and amounts of the classifications are explained below:

- Payables related with uninvoiced transactions amounting to TRY23.666 thousand was classified as other short-term provisions as of 1 January- 31 December 2018 have been reclassified as trade payables to third parties in consolidated balance sheets to conform to changes in presentation in the current period consolidated financial statements as of 31 December 2018..
- Advances given to related parties amounting to TRY24.844 thousand was classified as other receivables from related parties as of 1 January- 31 December 2017 have been reclassified as prepaid expenses in consolidated balance sheets to conform to changes in presentation in the current period consolidated financial statements as of 31 December 2018.

#### Offsetting

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

#### Accounting estimates

The preparation of financial statements in accordance with TAS require the Group management to make estimates and assumptions that affect certain reported assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported revenues and expenses during the reporting year. Actual results could differ from those estimates. Those estimates are reviewed periodically, and as adjustments become necessary, they are reported in income statement in the periods in which they become known.

Significant estimates used in the preparation of these financial statements and the significant judgments with the most significant effect on amounts recognized in the financial statements are mainly related with accounting of employee termination benefits, provision for inventories, revaluation of land and buildings, assessment of economic useful lives of property, plant and equipment and intangibles and provision for income taxes.

#### 2.6 Changes in accounting policies

The Group changes accounting policies when it is believed that the change will lead to better presentation of transactions and events in the financial statements. When the intentional change can affect the prior period results, the change is applied retrospectively as though it was already applied before. Accounting policy changes arising from the application of a new standard are applied considering the transition principles of the related standard, if any, retrospectively or forward. If no transition principle for the standard exists, the changes are applied retrospectively. The works are managed in a way to include the Group's subsidiaries. When the standard is applied, the assets and liabilities of the Company's balance sheet will increase by the amount of asset utilization right and lease liability respectively. Comparing the net profit effect of the annual lease payments, which are accounted linearly to the previous standard according to the new standard, the sum of the interest expense of depreciation of the right to use the asset and lease liability is higher in the first years, but in the following periods the net profit effect will decrease. In addition, since the repayment of the principal portion of the leasing debts will be classified as cash flows arising from financing activities, operating cash outflows will decrease and the financing cash outflows will increase with the same amount.

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

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#### 2. Basis of preparation of financial statements (Continued)

##### 2.6 Changes in accounting policies (Continued)

#### TFRS 15 "Revenue From Contracts with Customers"

##### Revenue recognition

The Group adopted TFRS 15 "Revenue From Contracts with Customers" from 1 January 2018 which proposes a five step model framework mentioned below for recognizing the revenue.

- Identification the contact with customers
- Identification separate performance obligations in the contract
- Determination the transaction price in contract
- Allocation the transaction price to the performance obligations in the contract
- Recognitipm revenue

The Group assess the goods or services promised in a cotract with a customer ans identify as a performance obligation each promise to transfer to the customer.

For each performance obligation identified, the entity determine at contract inception whether it satisfies the performance obligation over time or satisfies the performance obligation at a point in time. If the Group transfers control of a good or service over time and therefore satisfies a performance obligation and recognises revenue over time.

The Group recognise revenue when the entity satisfies a performance obligation by transferring a promised good or service to the customer. An asset is transferred when the customer obtains control of that asset or service.

The Group considers the following in the assessment of transfer of control of goods sold and services,

- a) The entity has a right to payment for the goods or service,
- b) The customer has legal title to the goods or service,
- c) The entity has transferred physical possession of the asset,
- d) The customer has the significant risks and rewards related to the ownership of the goods or services,
- e) The customer has accepted the goods or services.

#### *First time adoption of TFRS 15 "Revenue From Contracts with Customers"*

The Group assessed the cumulative effect of initial application of TFRS 15 "Revenue From Contracts with Customers" which replaced "TMS 18 Revenue" retrospectively ("cumulative effect approach") as of the date of first time adoption which is 1 January 2018 and concluded that the standard did not have a significant retrospective effect.

#### TFRS 9 "Financial Instruments"

##### Classification and measurement

The Group classifies the financial assets as two groups such as subsequently measured at amortised cost and fair value through other comprehensive income The classification is made on the basis of the entity's business model for managing the financial assets and the contractual cash flow characteristics of the financial asset. The Group reclassifies the financial assets on the date of purchase.

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(Amounts expressed in thousands of Turkish Lira ("TRY") unless otherwise stated and all other currencies are expressed in full amounts unless otherwise stated.)

#### 2. Basis of preparation of financial statements (Continued)

##### 2.6 Changes in accounting policies (Continued)

"Financial assets measured at amortised cost", are the financial assets held within a business model whose objective is to hold financial assets in order to collect contractual cash flows and the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding, not have an active market and non derivative financial assets. "Cash and cash equivalents", "trade receivables" are classified as financial assets measured at amortised cost. They are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method. Gains and losses recognised as a result of the fair value adjustments of financial assets amortised at cost and non derivative financial assets are included in the income statement.

"Financial assets measured at fair value through other comprehensive income", are non-derivative assets that are held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets and the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding. Gains or losses on a financial asset measured at fair value through other comprehensive income is recognized in other comprehensive income, except for impairment gains or losses and foreign exchange gains and losses until the financial asset is derecognized or reclassified. When the financial asset is derecognized the cumulative gain or loss previously recognized in other comprehensive income is reclassified to retained earnings.

The changes in the classification of financial assets and liabilities in accordance with TFRS 9 is explained below. Those reclassification differences do not have any impact of the measurement of financial instruments asset for financial assets:

Financial assets	Classification in accordance with TMS 39	New classification in accordance with TFRS 9
Cash and cash equivalents	Loans and receivables	Amortised cost
Short term financial investments	-	Amortised cost
Trade receivables	Loans and receivables	Amortised cost
Long term financial investments	Available for sale	Fair value through other comprehensive income/ profit or loss statements
Financial liabilities	Classification in accordance with TMS 39	New classification in accordance with TFRS 9
Borrowings	Amortised cost	Amortised cost
Trade payables	Amortised cost	Amortised cost

#### *Impairment*

The recognition of credit losses defined in TMS 39 "Financial Instruments: Recognition and Measurement" which was effective before 1 January 2018 is replaced by recognition of expected credit losses. The objective of the impairment requirements is to recognise lifetime expected credit losses for all financial instruments for which there have been significant increases in credit risk since initial recognition whether assessed on an individual or collective basis considering all reasonable and supportable information, including that which is forward-looking.

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#### 2. Basis of preparation of financial statements (Continued)

##### 2.6 Changes in accounting policies (Continued)

###### *Trade receivables*

The Group has chosen "practical expedient" explained in TFRS 9 for the calculation of impairment of trade receivables (with maturities less than one year) that do not contain a significant financing component and accounted at amortised cost. Accordingly, the Group measured the loss allowance for trade receivables at an amount equal to lifetime expected credit losses in the previous reporting period, but determines at the current reporting date that is no longer met, the entity shall measure the loss allowance at an amount equal to 12-month expected credit losses at the current reporting date.

The Group uses a provision matrix in the calculation of expected credit losses. Provision rate is calculated based on the overdue days of trade receivables and the rates are revised each reporting period if necessary. The change in expected credit losses is recognised in operational expense/income in income statement.

###### *First time adoption of TFRS 9 "Financial assets"*

The Group assessed the cumulative effect of initial application of TFRS 9 "Financial Instruments" which replaced "TMS 39 Financial Instruments: Recognition and Measurement" retrospectively as of the date of first time adoption which is 1 January 2018 and concluded that the standard did not have a significant retrospective effect.

##### 2.7 Summary of significant accounting policies

###### **Revenue recognition**

Revenue is recognized on accrual basis over the amount obtained or the current value of the amount to be obtained when the delivery is realized, the income can be reliably determined and the inflow of the economic benefits related with the transaction to the Group is reasonably assured. Revenue is recognized when customers obtain control of the goods. The cycle of control takes place at a certain time of time. Net sales represent the invoiced value of goods less any sales returns. Retail sales are done generally with cash or credit cards and the control is transferred to customers at the same time and revenue is recognized at the time of sale.

###### Sales of Goods

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

- Identification of contracts with customers,
- Definition of performance obligations in contracts,
- Determination of transaction price in contracts,
- Distribution of transaction fee to performance obligations, and
- Revenue recognition.

###### Financial income

Profit shares income from participation banks are recognized in accrual basis.

###### Dividend income

Dividend income from investments. Dividend payables are recognized in the period that the profit distribution is declared.

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#### 2. Basis of preparation of financial statements (Continued)

#### 2.7 Summary of significant accounting policies (Continued)

##### Cash and cash equivalents

Cash and cash equivalents comprise cash on hand, cash in transit and demand deposits, and other short-term highly liquid investments which their maturities are three months or less from date of acquisition and that are readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value.

##### Trade receivables

Trade receivables comprise trade receivables, credit card receivables and other receivables with fixed or determinable payments and are not quoted in an active market; which have an average maturity of 11 days term (31 December 2017: 11 days) as of balance sheet date are measured at original invoice amount and if they have long term maturity, the imputing interest is netted off and the provision of doubtful receivable is deducted. Trade receivables, net of unearned financial income, are measured at amortized cost, using the effective interest rate method, less the unearned financial income. Short duration receivables with no stated interest rate and credit card receivables are measured at the original invoice. Estimate is made for the doubtful provision when the collection of the trade receivable is not probable. If the amount of the impairment subsequently decreases due to an event occurring after the write-down, the release of the provision is credited to other operating income.

Group has preferred to apply "simplified approach" defined in IFRS 9 for the recognition of impairment losses on trade receivables, carried at amortised cost and that do not comprise of any significant finance component (those with maturity less than 12 months). In accordance with the simplified approach, Group measures the loss allowances regarding its trade receivables at an amount equal to "lifetime expected credit losses" except incurred credit losses in which trade receivables are already impaired for a specific reason.

##### Inventories

Inventories are valued at the lower of cost or net realizable value. Costs comprise purchase cost and, where applicable and those overheads that have been incurred in bringing the inventories to their present location and condition. Cost is determined using the first-in, first-out (FIFO) method.

Rebates which generate from sales from ordinary operations are deducted from cost of inventories and associated with cost of sales.

Net realizable value is the estimated selling price less estimated costs necessary to realize sale.

##### Property, plant and equipment

All property and equipment is initially recorded at cost. Land and building are subsequently measured at revalued amounts which are the fair value at the date of the revaluation, based on valuations by external independent valuers, less subsequent depreciation for building. Group revalues the amounts of their lands and buildings every 3 years unless there is a change in the circumstances. All other property and equipment is stated at cost less accumulated depreciation and accumulated impairment loss. When assets are sold or retired, their cost and accumulated depreciation are eliminated from the related accounts and any gain or loss resulting from their disposal is included in the statement of income. On disposal of revalued assets, amounts in revaluation reserves relating to that asset are transferred to retained earnings.



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#### 2. Basis of preparation of financial statements (Continued)

##### 2.7 Summary of significant accounting policies (Continued)

The initial cost of property and equipment comprises its purchase price, including import duties and non-refundable purchase taxes and any directly attributable costs of bringing the asset ready for use. Expenditures incurred after the fixed assets have been put into operation, such as repairs and maintenance, are normally charged to income in the year the costs are incurred. If the asset recognition criteria are met, the expenditures are capitalized as an additional cost of property and equipment.

Increases in the carrying amount arising on revaluation of property are initially credited to revaluation reserve in shareholders' equity net of the related deferred tax. Decreases that offset previous increases of the same asset are charged in other comprehensive income and debited against property and equipment revaluation reserve directly in equity; all other decreases are charged to the income statement.

Depreciation is provided on cost or revalued amount of property and equipment except for land and construction in progress on a straight-line basis. The depreciation periods for property and equipment, which approximate the estimated economic useful lives of such assets, are as follows:

	Duration (Years)
Land improvements	5
Buildings	25
Leasehold improvements	5- 10
Machinery and equipment	4- 10
Vehicles	5- 10
Furniture and fixtures	5- 10

The economic useful life, the present value and the depreciation method are regularly reviewed for possible effects of changes in estimates, the method used and the period of depreciation are closely aligned with the economic benefits to be gained from the related asset and are recognized on a prospective basis.

When a revalued asset is sold, revaluation reserve account is transferred to retained earnings.

#### Intangible assets

Intangible assets which mainly comprise software rights are measured initially at cost. Intangible assets are recognized if it is probable that the future economic benefits that are attributable to the asset will flow to the enterprise; and the cost of the asset can be measured reliably. After initial recognition, intangible assets are measured at cost less accumulated amortization and any accumulated impairment losses. Intangible assets excluding development costs, created within the business are not capitalized and expenditure is charged against profits in the year in which it is incurred. The useful lives of intangible assets are assessed to be either finite or indefinite.

Intangible assets with finite lives are amortized on a straight line basis over the best estimate of their useful lives. The amortization period and the amortization method for an intangible asset with a finite useful life are reviewed at least at each financial year-end.

Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset is accounted for by changing the amortization period or method, as appropriate, and treated as changes in accounting estimates. The amortization expense on intangible assets with finite lives is recognized in the statement of income in the expense category consistent with the function of the intangible asset.

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#### 2. Basis of preparation of financial statements (Continued)

##### 2.7 Summary of significant accounting policies (Continued)

The Group does not have any intangible assets with indefinite useful lives.

The carrying values of intangible assets are reviewed for impairment when events or changes in circumstances indicate that the carrying value may not be recoverable.

#### Impairment of non-financial assets

The carrying values of assets are reviewed for impairment when events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Whenever the carrying amount of an asset exceeds its recoverable amount, an impairment loss is recognized in the statement of income.

The recoverable amount of property and equipment is the greater of net selling price and value in use. Value in use is the present value of estimated future cash flows expected to arise from the continuing use of an asset and from its disposal at the end of its useful life while the net selling price is the amount obtainable from the sale of an asset after cost of sales deducted. For the purposes of assessing impairment, assets are grouped by regions which are determined operationally (cash-generating units).

#### Financial assets

##### Classification

The group classifies its financial assets in the following categories: loans and receivables, and available for sale. The classification depends on the purpose for which the financial assets were acquired. Management determines the classification of its financial assets at initial recognition.

##### *Financial assets measured at amortized cost*

Financial assets measured at amortized cost are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for maturities greater than 12 months after the end of the reporting period. These are classified as non-current assets. Trade receivables, cash and cash equivalents, lease certificate and investment funds are classified in this category

##### *Financial assets measured at fair value through other comprehensive income*

Financial assets measured at fair value through other comprehensive income are non-derivatives that are either designated in this category or not classified in any of the other categories. They are included in non-current assets unless the investment matures or management intends to dispose of it within 12 months of the end of the reporting period.

#### Recognition and measurement

Regular purchases and sales of financial assets are recognised on the trade-date the date on which the group commits to purchase or sell the asset. Investments are initially recognised at fair value plus transaction costs for all financial assets not carried at fair value through profit or loss. Financial assets carried at fair value through profit or loss are initially recognised at fair value, and transaction costs are expensed in the income statement. Financial assets are derecognised when the rights to receive cash flows from the investments have expired or have been transferred and the group has transferred substantially all risks and rewards of ownership. Financial assets measured at fair value through other comprehensive income and financial assets at fair value through profit or loss are subsequently carried at fair value. Financial assets measured at amortized cost are subsequently carried at amortised cost using the effective interest method.

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#### 2. Basis of preparation of financial statements (Continued)

##### 2.7 Summary of significant accounting policies (Continued)

Group may make an irrevocable election at initial recognition for particular investments in equity instruments that would otherwise not to be measured at fair value through profit or loss, to present subsequent changes in fair value in other comprehensive income. In such cases, dividends from those investments are accounted for under consolidated statement of income.

##### Offsetting financial instruments

Financial assets and liabilities are offset and the net amount reported in the balance sheet when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis or realise the asset and settle the liability simultaneously.

##### Recognition and derecognition of financial assets and liabilities

The Group recognizes a financial asset or financial liability in its balance sheet when only when it becomes a party to the contractual provisions of the instrument. The Group derecognizes a financial asset or a portion of it only when the control on rights under the contract is discharged. The Group derecognizes a financial liability when the obligation under the liability is discharged or cancelled or expires.

All the normal sales or purchase transactions of financial assets are recorded at the transaction date that the Group guaranteed to purchase or sell the financial asset. These transactions generally require the transfer of financial asset in the period specified by the general conditions and the procedures in the market.

All regular way financial asset purchase and sales are recognized at the date of the transaction, the date the Group committed to purchase or sell.

##### Impairment of financial assets

The Group assesses at each balance sheet date whether a financial asset is impaired.

##### *Financial assets measured at amortized cost*

If there is objective evidence that an impairment loss on assets carried at amortized cost has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future expected credit losses that have not been incurred) discounted at the financial asset's original effective interest rate.

The carrying amount of the asset is reduced through use of an allowance account. The amount of the loss is recognized in the consolidated statement of income.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognized, the previously recognized impairment loss is reversed, to the extent that the carrying value of the asset does not exceed its amortized cost at the reversal date.

Provision for impairment is provided when there is an objective evidence of uncollectibility of trade receivables. Reserve is provided for the overdue uncollectible receivables. Also portfolio reserve is provided for the not due receivables based on certain criteria. The carrying amount of the receivable is reduced through use of an allowance account.

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#### 2. Basis of preparation of financial statements (Continued)

##### 2.7 Summary of significant accounting policies (Continued)

When securities classified as available for sale are sold or impaired, the accumulated fair value adjustments recognised in equity are included in the income statement as 'Gains and losses from investment securities'.

#### Trade payables

Trade payables which generally have an average of 53 days term (31 December 2017: 53 days) are initially recorded at original invoice amount and carried at amortized cost less due date expense. Due date expense is accounted for under cost of sales. This amount is the fair value of consideration to be paid in the future for goods and services received, whether or not billed.

#### Borrowing costs

Borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset shall be capitalized as part of the cost of that asset. Such borrowing costs are capitalized as part of the cost of the asset when it is probable that they will result in future economic benefits to the entity and the costs can be measured reliably. Other borrowing costs are recognized as an expense in the period in which they are incurred.

#### Foreign currency transactions

Transactions in foreign currencies during the period have been translated at the exchange rates prevailing at the dates of such transactions. Exchange rate differences arising on reporting monetary items at rates different from those at which they were initially recorded or on the settlement of monetary items or are recognized in the comprehensive income statement in the period in which they arise.

Foreign currency conversion rates used by the Group for the related period ended are as follows:

	USD/TRY (full)	EUR/TRY (full)
31 December 2018	5,2609	6,0280
31 December 2017	3,7719	4,5155

#### Earnings per share

Earnings per share are determined by dividing net income by the weighted average number of shares that have been outstanding during the period concerned. The weighted average number of shares outstanding during the year has been adjusted in respect of free shares issued without corresponding increase in resources

In Turkey, companies can raise their share capital by distributing "Bonus Shares" to shareholders from retained earnings. In computing earnings per share, such "Bonus Share" distributions are assessed as issued shares. Accordingly, the retrospective effect for those share distributions is taken into consideration in determining the weighted-average number of shares outstanding used in this computation.

#### Events after balance sheet date

Post year/period-end events that provide additional information about the Group's position at the balance sheet date (adjusting events), are reflected in the financial statements. Post year/period-end events that are not adjusting events are disclosed in the notes when material.

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#### 2. Basis of preparation of financial statements (Continued)

##### 2.7 Summary of significant accounting policies (Continued)

#### Provisions, contingent assets and contingent liabilities

##### i) Provisions

Provisions are recognized when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. If the effect of the time value of money is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability. Where discounting is used, the increase in the provision due to the passage of time is recognized as interest expense.

##### ii) Contingent assets and liabilities

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

#### Leases

##### Operating leases

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

#### Related parties

- a) A person or a close member of that person's family is related to a reporting entity if that person:
  - i) Has control or joint control over the reporting entity,
  - ii) Has significant influence over the reporting entity, or,,
  - iii) Is a member of the key management personnel of the reporting entity or of a parent of the reporting entity.
- b) An entity is related to a reporting entity if any of the following conditions applies:
  - i) The entity and the reporting entity are members of the same group,
  - ii) One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member),
  - iii) Both entities are joint ventures of the same third party,
  - iv) One entity is a joint venture of a third entity and the other entity is an associate of the third entity,
  - v) The entity is a post-employment benefit plan for the benefit of employees of either the reporting entity or an entity related to the reporting entity. If the reporting entity is itself such a plan, the sponsoring employers are also related to the reporting entity,
  - vi) The entity is controlled or jointly controlled by a person identified in (a),
  - vii) A person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).

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#### 2. Basis of preparation of financial statements (Continued)

##### 2.7 Summary of significant accounting policies (Continued)

#### Income taxes

##### Current Income Taxes and Deferred Tax

The tax expense for the period comprises current and deferred tax. Tax is recognized in the statement of income, except to the extent that it relates to items recognized directly in equity or other comprehensive income. In such case, the tax is recognized in shareholders' equity or other comprehensive income.

The current period tax on income is calculated for the Group's subsidiaries, associates and joint ventures considering the tax laws that are applicable in the countries where they operate.

Deferred tax liability or asset is recognized on differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases which are used in the computation of taxable profit. However, deferred income tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred income tax is determined using tax rates and tax regulations that have been enacted or substantially enacted by the balance sheet date and are expected to apply when the related deferred income tax asset is realized or the deferred income tax liability is settled.

The main temporary differences are from the time differences between carrying amount of tangible assets and their tax base amounts, the available expense accruals that are subject to tax and tax allowances that are not utilized.

Deferred tax liabilities are recognized for all taxable temporary differences, where deferred tax assets resulting from deductible temporary differences are recognized to the extent that it is probable that future taxable profit will be available against which the deductible temporary difference can be utilized.

When the deferred tax assets and deferred tax liabilities relate to income taxes levied by the same taxation authority and there is a legally enforceable right to set off current tax assets against current tax liabilities, deferred tax assets and deferred tax liabilities are offset accordingly.

#### Statement of Cash Flows

The Group prepares statements of cash flows as an integral part of its of financial statements to enable financial statement analysis about the change in its net assets, financial structure and the ability to direct cash flow amounts and timing according to evolving conditions. Cash flows include those from operating activities, working capital, investing activities and financing activities.

Cash flows from operating activities represent the cash flows generated from the Group's activities. Cash flows related to investing activities represent the cash flows that are used in or provided from the investing activities of the Group (fixed investments and financial investments).

Cash flows arising from financing activities represent the cash proceeds from the financing activities of the Group and the repayments of these funds.

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**2. Basis of preparation of financial statements (Continued)**

**2.7 Summary of significant accounting policies (Continued)**

**Employee Benefits**

**a) Defined benefit plans:**

In accordance with existing social legislation in Turkey, the Company is required to make lump-sum termination indemnity payments to each employee who has completed over one year of service with the Company and whose employment is terminated due to retirement or for reasons other than resignation or misconduct. As detailed in Note 14, the employee benefit liability is provided for in accordance with TAS 19 "Employee Benefits" and is based on an independent actuarial study.

Actuarial gains and losses that calculated by professional actuaries, are recognized in the actuarial gain/loss fund regarding employee termination benefits in the equity. Recognized gains and losses shall not be transferred to comprehensive statement of income in the following periods. Reserve for employee termination benefits is recognized to financial statements that calculated with the discount rate estimated by professional actuarial.

**b) Unused vacation**

Unused vacation rights accrued in the consolidated financial statements represents estimated total provision for potential liabilities related to employees' unused vacation days as of the balance sheet date.

**3. Segment reporting**

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision makers of the Group. The chief operating decision makers, who are responsible for allocation resources and assessing performance of the operating segments, have been identified as the senior management that makes strategic decisions.

The senior management of the Group makes strategic decisions as a whole over the operations of the Group as the Group operates in a single industry and operations outside Turkey do not present an important portion in overall operations. Based on those reasons, there is a single reportable segment in accordance with the provisions in TFRS 8 and segment reporting is not applicable.

**4. Cash and cash equivalents**

	<b>31 December 2018</b>	<b>31 December 2017</b>
Cash on hand	200.278	183.359
Banks		
- Demand deposits	228.861	173.896
- Profit share deposits	1.614	510.758
Cash in transit	116.166	112.365
	<b>546.919</b>	<b>980.378</b>
Less: Accrual for profit share	-	(6.672)
<b>Cash and cash equivalents for cash flow</b>	<b>546.919</b>	<b>973.706</b>

As of 31 December 2018 and 2017 there is no restricted cash. As of 31 December 2018, total profit share deposits are in EGP (31 December 2017: TRY) and the gross rate for profit share from participation banks for EGP is gross 13% per annum (31 December 2017: gross 10.71% per annum). Since the profit share deposits are not used for investment purposes by the Group, are readily convertible to a known amount of cash and be subject to an insignificant risk of changes in value, profit share deposits are classified as cash and cash equivalents.

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**5. Financial assets**

**a) Short-term financial assets**

As of 31 December 2018 Group's short-term financial investments, consisting out of lease certificates and real estate investment funds, are detailed on the table below;

	<b>31 December 2018</b>	<b>31 December 2017</b>
Lease certificate	167.167	-
Real estate investment fund	279.483	-
	<b>446.650</b>	<b>-</b>

**b) Long term financial assets**

Financial investments amounting to TRY350.761 as of 31 December 2018 are detailed below (31 December 2017: TRY309.731):

**g) Subsidiaries:**

The details of subsidiaries and associates financial investment of the Group are as below:

<b>Name of subsidiary</b>	<b>Share (%)</b>	<b>31 December 2018</b>	<b>31 December 2017</b>
İdeal Standart İşletmecilik ve Mümessillik San. ve Tic. A.Ş. ("İdeal Standart") (*)	100	12.590	12.590
		<b>12.590</b>	<b>12.590</b>

(\*) İdeal Standart is carried at cost with the consideration of possible value and the financial results are not included in the scope of consolidation since the Group does not have any significant effect on the financial results of the Group; as of 31 December 2018, the total assets and liabilities of the current year are not more than 1% of the total assets and ceiling of the Group in the current year. Cost value of the financial investment reflects its fair value.

**ii) Financial assets measured at fair value through other comprehensive income:**

The details of financial assets measured at fair value through other comprehensive income and fair values of the Group are as below:

<b>Name of subsidiary</b>	<b>Share(%)</b>	<b>31 December 2018</b>	<b>31 December 2017</b>
FLO Mağazacılık ve Pazarlama A.Ş. (*)	11,5	338.171	297.141
		<b>338.171</b>	<b>297.141</b>

(\*) As of 31 December 2018 the fair value of available-for-sale financial asset is calculated by an independent valuation company by using discounted cash flow analysis method. The netoff deferred tax amount of increase in fair value of available-for-sale financial asset which is amounting to TRY41.030 is shown net under "Fair Value Changes in Available-For-Sale Financial Assets" in other comprehensive income. ±0,5 change effect of the discount rate used as 23% (31 December 2017: 18,1%) in the calculations is measured (16)/17 full million TRY (31 December 2017: (19)/22 full million TRY) and as ± 0,2% change effect of the final growth rate used as 9.7% is 5/(5) full million TRY(31 December 2017: 21/(18) full million TRY).



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**6. Financial liabilities**

As of 31 December, 2018, the Group has short-term interest-free financial debts from various banks amounting to TRY37.853 (31 December 2017: None). These financial debts were closed on 2 January 2019.

**7. Trade receivables and payables**

**a) Trade receivables from third parties**

	<b>31 December 2018</b>	<b>31 December 2017</b>
Credit card receivables	1.159.602	877.380
	<b>1.159.602</b>	<b>877.380</b>

As of 31 December 2018 the average term of credit card receivables is 11 days (31 December 2017: 11 days).

**b) Trade payables due to third parties**

	<b>31 December 2018</b>	<b>31 December 2017</b>
Trade payables	4.057.641	3.066.626
Unincurred rediscount expense (-)	(26.968)	(22.493)
	<b>4.030.673</b>	<b>3.044.133</b>

As of 31 December 2018 the average term of trade payables is 54 days (31 December 2017: 53 days). As of 31 December 2018 letters of guarantee and cheques are amounting to TRY72.260 and mortgages are amounting to TRY10.168 (31 December 2017: TRY76.105 letters of guarantee and cheques, TRY40.601 mortgages).

**8. Other receivables**

**a) Other receivables from related parties**

	<b>31 December 2018</b>	<b>31 December 2017</b>
Receivables from related parties	158	225
	<b>158</b>	<b>225</b>

**b) Other receivables from third parties**

	<b>31 December 2018</b>	<b>31 December 2017</b>
Other receivables	25.163	21.396
Doubtful receivables	9.928	425
Less: Allowance for doubtful receivables	(9.928)	(425)
	<b>25.163</b>	<b>21.396</b>

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**8. Other receivables (Continued)**

Current period movement of allowance for doubtful receivables is as follows:

	<b>31 December 2018</b>	<b>31 December 2018</b>
Balance at the beginning of the period - 1 January	425	445
Allowance for doubtful receivables	9.637	105
Collection in current year	(134)	(125)
<b>Balance at the end of the period - 31 December</b>	<b>9.928</b>	<b>425</b>

**9. Inventories**

	<b>31 December 2018</b>	<b>31 December 2017</b>
Trade goods, net	2.087.653	1.442.833
Other	10.241	13.416
	<b>2.097.894</b>	<b>1.456.249</b>

Cost of inventories amounting to TRY26.613.139 (31 December 2017: TRY20.553.994) expensed under cost of sales.

The movement of impairment for inventories in 2018 and 2017 is as follows:

	<b>31 December 2018</b>	<b>31 December 2017</b>
Balance at the beginning of the period - 1 January	6.041	5.992
Current year reversal	(6.041)	(5.992)
Allowance for impairment	11.524	6.041
<b>Balance at the end of the period - 31 December</b>	<b>11.524</b>	<b>6.041</b>

As of 31 December 2018, allowance for impairment on trade goods amounting to TRY11.524 (31 December 2017: TRY6.041).

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**10. Property, plant and equipment**

The movements of property and equipment and the related accumulated depreciation for the periods ended 31 December 2018 and 2017 are as follows:

	1 January 2018	Additions	Disposals	Transfers	Currency translation differences	31 December 2018
<b>Cost or revalued amount</b>						
Land	809.864	11.361	(8.005)	-	4.640	817.860
Land improvements	13.126	2.047	(29)	182	-	15.326
Buildings	939.124	111.614	(1.889)	147.820	3.437	1.200.106
Machinery and equipment	957.870	253.699	(27.323)	8.255	37.733	1.230.234
Vehicles	180.581	65.886	(16.852)	6.567	5.894	242.076
Furniture and fixtures	366.021	92.825	(10.109)	1.608	8.984	459.329
Leasehold improvements	810.553	199.955	(16.072)	4.049	56.544	1.055.029
Construction in progress	72.828	213.710	(1.955)	(168.862)	575	116.296
	<b>4.149.967</b>	<b>951.097</b>	<b>(82.234)</b>	<b>(381)</b>	<b>117.807</b>	<b>5.136.256</b>
<b>Less : Accumulated depreciation</b>						
Land improvements	(7.065)	(1.904)	-	-	-	(8.969)
Land	-	(59.619)	104	-	(54)	(59.569)
Machinery and equipment	(424.076)	(106.235)	21.242	-	(22.226)	(531.295)
Vehicles	(91.211)	(37.452)	13.506	-	(3.321)	(118.478)
Furniture and fixtures	(233.342)	(52.552)	9.765	-	(4.276)	(280.405)
Leasehold improvements	(336.548)	(86.904)	7.826	-	(23.363)	(438.989)
	<b>(1.092.242)</b>	<b>(344.666)</b>	<b>52.443</b>		<b>(53.240)</b>	<b>(1.437.705)</b>
<b>Net book value</b>	<b>3.057.725</b>					<b>3.698.551</b>

  

	1 January 2017	Additions	Disposals	Transfers	Netoff	Revaluation	Impairment	Currency translation differences	31 December 2017
<b>Cost or revalued amount</b>									
Land	532.773	17.685	-	-	-	257.938	(220)	1.688	809.864
Land improvements	9.389	2.385	(299)	1.651	-	-	-	-	13.126
Buildings	542.005	22.314	(1.892)	74.318	(58.146)	359.884	(199)	840	939.124
Leasehold improvements	651.107	144.173	(8.579)	4.392	-	-	-	19.460	810.553
Machinery and equipment	784.924	176.464	(20.075)	4.809	-	-	-	11.748	957.870
Vehicles	142.003	48.773	(13.901)	1.863	-	-	-	1.843	180.581
Furniture and fixtures	305.452	62.781	(6.268)	1.246	-	-	-	2.810	366.021
Leasehold improvements	39.486	126.570	(5.129)	(88.279)	-	-	-	180	72.828
	<b>3.007.139</b>	<b>601.145</b>	<b>(56.143)</b>	<b>-</b>	<b>(58.146)</b>	<b>617.822</b>	<b>(419)</b>	<b>38.569</b>	<b>4.149.967</b>
<b>Less : Accumulated depreciation</b>									
Land improvements	(5.712)	(1.353)	-	-	-	-	-	-	(7.065)
Buildings	(28.110)	(30.104)	92	-	58.146	-	-	(24)	-
Leasehold improvements	(265.211)	(68.513)	4.446	-	-	-	-	(7.270)	(336.548)
Machinery and equipment	(348.280)	(83.772)	14.534	-	-	-	-	(6.558)	(424.076)
Vehicles	(72.235)	(28.571)	10.633	-	-	-	-	(1.038)	(91.211)
Furniture and fixtures	(196.767)	(41.130)	5.843	-	-	-	-	(1.288)	(233.342)
	<b>(916.315)</b>	<b>(253.443)</b>	<b>35.548</b>	<b>-</b>	<b>58.146</b>	<b>-</b>	<b>-</b>	<b>(16.178)</b>	<b>(1.092.242)</b>
<b>Net book value</b>	<b>2.090.824</b>								<b>3.057.725</b>

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### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2018

(Amounts expressed in thousands of Turkish Lira ("TRY") unless otherwise stated and all other currencies are expressed in full amounts unless otherwise stated.)

#### 10. Property, plant and equipment (Continued)

Depreciation expense amounting to TRY320.595 (1 January - 31 December 2017: TRY234.453) were accounted for in marketing expenses and TRY24.071 (1 January - 31 December 2017: TRY18.990) in general and administrative expenses for the period 1 January – 31 December 2018. The land and buildings were revalued and reflected to financial statements with their fair value. The book values of such assets were adjusted to the revalued amounts and the resulting surplus net of deferred income tax was credited to revaluation surplus in the equity. The revaluation surplus is not available for distribution to shareholders.

If the Group does not adopt the revaluation model in accordance with TAS 16, the net book values of the items of property and equipment as of 31 December 2018 and 2017 are as follows:

	1 January - 31 December 2018	1 January - 31 December 2017
Land	195.936	220.684
Buildings	856.739	606.960
	<b>1.052.675</b>	<b>827.644</b>

#### Fair values of land and buildings

An independent valuation of the group's land and buildings was performed by valuers to determine the fair value of the land and buildings as at 31 December 2018. The revaluation surplus, as of 31 December 2017 net of applicable deferred income taxes was credited to other comprehensive income and is shown in 'property and equipment revaluation reserve' in shareholders equity. The fair value of non-financial assets by valuation method is calculated by inputs observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices) (Level 2).

#### Valuation techniques used to derive level 2 fair values

Sale or purchase costs or tax deductions are not taken into account in assumption of Level 2 fair value of land and buildings. The most common valuation techniques used is market comparable method, and for some land and buildings cost and income approach including discounted cash flow analysis are also used. Comparable value per square meter is determined based on assumptions such as bargaining share and adjustment for location in market comparable method.

#### Market comparable method

A property's fair value is estimated based on comparison of sales and market data of similar or comparable properties. The revaluated property is compared with the sales of similar properties in the market or asked price and bid price.

#### Discounted cash flow method

Value assumption is conducted through discount method by taking into account the data of expenditure and revenue belong to the revaluated property. The reduction is associated with value and revenue converting the amount of revenue to value assumption. Either the ratio of proceeds or/and discount should be taken into consideration. Within this approach, Direct Capitalization of Income and Cash Flow Analysis are applied predominantly. During the application of Direct Capitalization of Income, rental data belong to the similar real estate in the same region where the property based in has been used. Unless enough data for probable ratio of capitalization is attained, the method aforementioned has not been applied on.

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#### 10. Property, plant and equipment (Continued)

##### Cost approach

Instead of purchase of property, the probability of construction of the same of the property or another property provides the same benefit is taken into account. In practice the estimated value includes the amortization of old and less functional properties in case new one's cost exceeds the potential price to be paid for revaluation of the property.

It determines how transaction will be traded in the market and the approach and methods will be used in estimation of fair value of land and building. Sales prices of comparable land and buildings in close proximity are adjusted for differences in key attributes such as property size. The most significant input into the valuation approach is price per square meter.

In the market comparable method, one of the methods applied during the valuation, room for negotiation has been considered and reconciliation has done for the positive and negative features of property with respect to the precedents.

##### Valuation processes of the group

The Group's finance department reviews the fair value of land and buildings for reporting purposes. On an annual basis, the Group engages external, independent and CMB licensed valuation firm.

Revaluations are performed with sufficient regularity to ensure that the fair value of a revalued asset does not differ materially from its carrying amount as of balance sheet date. Group revaluates the amount of their lands and buildings every 3 years unless there is a change in the circumstances. The valuation of land and buildings was performed as of 31 December 2017.

The fair values of the land and buildings (administrative building, warehouses and stores) of the Group have been determined by a real estate appraisal company who has CMB license, holds a recognised and relevant professional qualification and has recent experience in the location and category of the the land and buildings.

The movement of revaluation fund of land and buildings owned by the Group are shown in the following table:

	1 January - 31 December 2018	1 January - 31 December 2017
Balance at the beginning of the period - 1 January	810.869	279.957
Revaluation increase	-	615.277
Deferred tax arising from revaluation increase (*)	(25.186)	(84.365)
<b>Balance at the end of the period - 31 December</b>	<b>785.683</b>	<b>810.869</b>

(\*) According to law amendment which was published in the Official Gazette dated 5 December 2017, the tax exemption about revaluation increase was reduced from 75% to 50%.

##### Pledges and mortgages on assets

As of 31 December 2018 and 2017, there is no pledge or mortgage on property and equipment of the Group.

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**11. Intangible assets**

The movements of intangible assets and related accumulated amortization for the periods ended 31 December 2018 and 2017 are as follows:

	<b>1 January 2018</b>	<b>Additions</b>	<b>Disposals</b>	<b>Transfers</b>	<b>Currency translation differences</b>	<b>31 December 2018</b>
<b>Cost</b>						
Right	31.972	6.860	(693)	381	693	39.213
Other intangible assets	216	49	-	-	-	265
	32.188	6.909	(693)	381	693	39.478
<b>Accumulated amortization</b>						
Right	(18.894)	(3.955)	656	-	(637)	(22.830)
Other intangible assets	(101)	(87)	-	-	-	(188)
	(18.995)	(4.042)	656	-	(637)	(23.018)
<b>Net book value</b>	<b>13.193</b>					<b>16.460</b>

	<b>1 January 2017</b>	<b>Additions</b>	<b>Disposals</b>	<b>Currency translation differences</b>	<b>31 December 2017</b>
<b>Cost</b>					
Right	23.094	8.782	(179)	275	31.972
Other intangible assets	139	77	-	-	216
	23.233	8.859	(179)	275	32.188
<b>Accumulated amortization</b>					
Right	(15.782)	(3.052)	172	(232)	(18.894)
Other intangible assets	(49)	(52)	-	-	(101)
	(15.831)	(3.104)	172	(232)	(18.995)
<b>Net book value</b>	<b>7.402</b>				<b>13.193</b>

As of 31 December 2018 amortisation expense amounting to TRY3.760 (1 January - 31 December 2017: TRY2.871) has been charged in marketing expenses and TRY282 (1 January - 31 December 2017: TRY233) in general and administrative expenses.

The intangible assets are amortized over estimated useful life which is 5 years. Major part of the rights is software licenses.

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**12. Provisions, contingent assets and liabilities**

**a) Short term provisions for employee benefits**

Unused vacation amounting to TRY18.918 is shown on the current provisions for employee benefits amounting in the Group account of short term provisions for the period ended 31 December 2018 (31 December 2017: TRY14.395).

Current period movement of short term unused vacation provision is as follows:

	<b>1 January - 31 December 2018</b>	<b>1 January - 31 December 2017</b>
Balance at the beginning of the period - 1 January	14.395	11.032
Reversals during period	(14.395)	(11.032)
Provision of unused vacation	18.918	14.395
<b>Balance at the end of the period - 31 December</b>	<b>18.918</b>	<b>14.395</b>

**b) Other short term provisions**

	<b>31 December 2018</b>	<b>31 December 2017</b>
Legal provisions (*)	27.837	23.578
Other	12.000	8.975
<b>Total</b>	<b>39.837</b>	<b>32.553</b>

(\*) As of 31 December 2018 and 2017, the total amount of outstanding lawsuits filed against the Group, TRY45.341 and TRY39.567 (in historical terms), respectively. The Group recognized provisions amounting to TRY27.837 and TRY23.578 for the related periods, respectively.

Current period movement of provision for lawsuits is as follows:

	<b>2018</b>	<b>2017</b>
Balance at the beginning of the period - 1 January	23.578	17.918
Provisions required	4.259	5.660
<b>Balance at the end of the period - 31 December</b>	<b>27.837</b>	<b>23.578</b>

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**12. Provisions, contingent assets and liabilities (Continued)**

**Letter of guarantees, mortgages and pledges given by the Group**

As of 31 December 2018 and 2017, breakdown of the guarantees, mortgage and pledges given by the Group is as follows:

	<b>31 December 2018</b>				
	<b>Total TRY equivalent</b>	<b>TRY</b>	<b>USD</b>	<b>EUR</b>	<b>Moroccan Dirham</b>
A. Total amount of guarantees, pledges and mortgages given in the name of	<b>127.085</b>	<b>125.765</b>	<b>250.870</b>	-	-
<i>Guarantee</i>	127.085	125.765	250.870	-	-
<i>Pledge</i>	-	-	-	-	-
<i>Mortgage</i>	-	-	-	-	-
B. Total amount of guarantees, pledges and mortgages provided on behalf of the parties which are included in the scope of full consolidation	-	-	-	-	-
<i>Guarantee</i>	-	-	-	-	-
<i>Pledge</i>	-	-	-	-	-
<i>Mortgage</i>	-	-	-	-	-
C. Total amount of guarantees, pledges and mortgages provided on behalf of third parties to conduct business activities	-	-	-	-	-
D. Total amount of other guarantees, pledges and mortgages	-	-	-	-	-
i. On behalf of majority Shareholder	-	-	-	-	-
ii. On behalf of other group companies which are not covered in B and C above	-	-	-	-	-
iii. On behalf of third parties which are not covered by item C	-	-	-	-	-
<b>Total</b>	<b>127.085</b>	<b>125.765</b>	<b>250.870</b>	-	-



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**12. Provisions, contingent assets and liabilities (Continued)**

	31 December 2017				
	Total TRY equivalent	TRY	USD	EUR	Moroccan Dirham
A. Total amount of guarantees, pledges and mortgages given in the name of	<b>94.086</b>	<b>93.139</b>	<b>250.870</b>	-	-
<i>Guarantee</i>	94.086	93.139	250.870	-	-
<i>Pledge</i>	-	-	-	-	-
<i>Mortgage</i>	-	-	-	-	-
B. Total amount of guarantees, pledges and mortgages provided on behalf of the parties which are included in the scope of full consolidation	-	-	-	-	-
<i>Guarantee</i>	-	-	-	-	-
<i>Pledge</i>	-	-	-	-	-
<i>Mortgage</i>	-	-	-	-	-
C. Total amount of guarantees, pledges and mortgages provided on behalf of third parties to conduct business activities	-	-	-	-	-
D. Total amount of other guarantees, pledges and mortgages	-	-	-	-	-
i. On behalf of majority Shareholder	-	-	-	-	-
ii. On behalf of other group companies which are not covered in B and C above	-	-	-	-	-
iii. On behalf of third parties which are not covered by item C	-	-	-	-	-
<b>Total</b>	<b>94.086</b>	<b>93.139</b>	<b>250.870</b>	-	-

**Insurance coverage on assets**

As of 31 December 2018 and 2017, insurance coverage on assets of the Group is TRY2.213.517 and TRY1.820.975 respectively.

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**13. Prepaid expenses**

**a) Short term prepaid expenses**

	<b>31 December 2018</b>	<b>31 December 2017</b>
Order advances given to third parties	171.897	33.263
Order advances given to related parties (*)	55.596	24.844
Other	23.540	9.574
	<b>251.033</b>	<b>67.681</b>

(\*) Other advances given to related parties consist of advance payment related with purchase from related parties in 2019 (Note 26).

**b) Short term prepaid expenses**

	<b>31 December 2018</b>	<b>31 December 2017</b>
Advances given for property, plant and equipment	27.593	29.852
Other	901	5.377
	<b>28.494</b>	<b>35.229</b>

**14. Employee termination benefits**

	<b>31 December 2018</b>	<b>31 December 2017</b>
Provision for employee termination benefits	128.634	99.142
	<b>128.634</b>	<b>99.142</b>

The amount payable consists of one month's salary limited to a maximum of TRY5.434,42 for each period of service as of 31 December 2018 (31 December 2017: TRY4.732,48). The retirement pay provision ceiling is revised semiannually, and TRY6.017,60 which is effective from 1 January 2019, is taken into consideration in the calculation of provision for employment termination benefits (effective from 1 January 2018: TRY5.001,76). Liability of employment termination benefits is not subject to any funding as there is not any obligation. Provision is calculated by estimating the present value of the future probable obligation of the Group arising from the retirement of the employees. TAS 19 "Employee Benefits" requires actuarial valuation methods to be developed to estimate the Group's obligation under the defined benefit plans. The following actuarial assumptions are used in the calculation of the total liability. Actuarial loss/ (gain) is accounted in the statement of comprehensive income under "Actuarial gain/loss from defined benefit plans".

The principal assumption is that the maximum liability for each year of service will increase in line with inflation. Thus, the discount rate applied represents the expected real rate after adjusting for the anticipated effects of future inflation. Consequently, in the accompanying consolidated financial statements as of 31 December 2018 and 2017 the provision is calculated by estimating the present value of the future probable obligation of the Group arising from the retirement of the employees. Provisions at the balance sheet date were calculated by using real discount rate of 6,24% by assuming an annual inflation rate of 10,50% (31 December 2017: 6%) and a discount rate of 16,74% (31 December 2017: 11%). The anticipated rate of termination benefits not paid as a result of voluntary leaves is also taken into consideration.

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**14. Employee termination benefits (Continued)**

The following tables summarize the components of net benefit expense recognized in the comprehensive statement of income and amounts recognized in the balance sheet:

	<b>1 January - 31 December 2018</b>	<b>1 January - 31 December 2017</b>
Current service cost (Note 19)	18.488	12.684
Financial expense of employee termination benefit (Note 22)	9.520	7.547
<b>Total</b>	<b>28.008</b>	<b>20.231</b>

Changes in the carrying value of defined benefit obligation are as follows:

	<b>1 January - 31 December 2018</b>	<b>1 January - 31 December 2017</b>
Balance at the beginning of the period - 1 January	99.142	77.671
Financial expense of employee termination benefit	9.520	7.547
Current service cost	18.488	12.684
Benefits paid	(28.475)	(21.064)
Actuarial gain/(loss)	29.959	22.304
<b>Balance at the end of the period - 31 December</b>	<b>128.634</b>	<b>99.142</b>

**15. Other assets and liabilities**

**a) Other current assets**

	<b>31 December 2018</b>	<b>31 December 2017</b>
VAT receivable	31.306	15.919
Other	11.605	9.073
	<b>42.911</b>	<b>24.992</b>

**b) Other current liabilities**

	<b>31 December 2018</b>	<b>31 December 2017</b>
Taxes and funds payables	93.889	67.516
Other	632	1.867
	<b>94.521</b>	<b>69.383</b>

As of 31 December 2018 and 2017, the Group does not have any long-term other current liability.

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**16. Equity**

**a) Share capital and capital reserves**

As of 31 December 2018 and 2017, the breakdown of shareholders and their ownership percentages in the Company are summarized as follows:

	<b>31 December 2018</b>		<b>31 December 2017</b>	
	<b>Historical cost</b>	<b>(%)</b>	<b>Historical cost</b>	<b>(%)</b>
Merkez Bereket Gıda Sanayi ve Ticaret A.Ş.	44.877	14,78	44.877	14,78
Naspak Gıda Sanayi ve Ticaret A.Ş.	31.896	10,51	31.896	10,51
Other	9.674	3,19	11.192	3,69
Publicly traded	217.153	71,52	215.635	71,02
	<b>303.600</b>	<b>100,00</b>	<b>303.600</b>	<b>100,00</b>

The Company's share capital is fully paid and consists of 303.600.000 (31 December 2017: 303.600.000) shares of TRY 1 nominal value each.

**Revaluation surplus**

As of 31 December 2018 the Group has revaluation surplus amounting TRY785.683 (31 December 2017: TRY810.869) related to revaluation of land and buildings. The revaluation surplus is not available for distribution to shareholders (Note 10).

**b) Restricted reserves and retained earnings**

The legal reserves consist of first and second legal reserves, per the Turkish Commercial Code (TCC). The TCC stipulates that the first legal reserve is appropriated out of net statutory profits at the rate of 5% per annum, until the total reserve reaches 20% of the Company's historical paid-in share capital. The second legal reserve is appropriated at the rate of 10% per annum of all cash distributions in excess of 5% of the historical paid-in share capital. Under TCC, the legal reserves are not available for distribution unless they exceed 50% of the historical paid-in share capital but may be used to offset losses in the event that historical general reserve is exhausted.

The statutory accumulated profits and statutory current year profit are available for distribution, subject to the reserve requirements referred to above and Turkish Capital Market Board (CMB) requirements related to profit distribution.

Listed companies distribute dividend in accordance with the Communiqué No. II-19.1 issued by the CMB which is effective from 1 February 2014.

Companies distribute dividends in accordance with their dividend payment policies settled and dividend payment decision taken in general assembly and also in conformity with relevant legislations. The communiqué does not constitute a minimum dividend rate. Companies distribute dividend in accordance with the method defined in their dividend policy or articles of incorporation. In addition, dividend can be distributed by fixed or variable instalments and advance dividend can be paid in accordance with profit on financial statements of the Company.

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**16. Equity (Continued)**

In accordance with the Turkish Commercial Code (TCC), unless the required reserves and the dividend for shareholders as determined in the article of association or in the dividend distribution policy of the company are set aside, no decision may be made to set aside other reserves, to transfer profits to the subsequent year or to distribute dividends to the holders of usufruct right certificates, to the members of the board of directors or to the employees, and no dividend can be distributed to these persons unless the determined dividend for shareholders is paid in cash.

Dividend distribution policy of the Company is in line with the CMB Law numbered 6362 dated 30 December 2012.

Inflation adjustment to shareholders' equity and book value of extraordinary reserves can be used as an internal source in capital, dividend distribution in cash or net-off against prior years' loss. In case the inflation adjustment to shareholders' equity is used for dividend distribution in cash, the distribution is subject to corporate tax.

As of 31 December 2018 and 2017 legal reserves, prior year profits and net income for the period in statutory accounts of the Company are as follows:

	<b>31 December 2018</b>	<b>31 December 2017</b>
Legal reserves	571.193	340.409
Extraordinary reserves	840.094	777.717
Net profit for the period	1.255.662	867.509
	<b>2.666.949</b>	<b>1.985.635</b>

As of 31 December 2018, net profit for the Company's statutory books is TRY1.255.662 (31 December 2017: TRY867.509) and net profit per consolidated financial statements in accordance with CMB accounting standards is TRY1.250.464 (31 December 2017: TRY863.001).

**c) Treasury shares**

As part of the resolution of the Board of Directors on 8 May 2018, buy-back operations have been started. As part of such buy-back operation between 9 May - 15 August 2018, %0,85 of shares of the Company which are equivalent to 2.587.553 units of BİM shares corresponding to TRY174.618.286 (TRY full) have been repurchased. The BİMAS shares owned by the Group have reached 3.817.833 units with repurchases made in previous programs (The ratio of the Company capital %1,26).

The financing of share repurchases is provided by the Company's internal resources. As of the date of the report, the shares that have been repurchased have not been sold. Based on the redemption, own shares' dividend payment amounting to TRY5.634 is accounted under Retained Earnings in equity accounts.

Buy-back program has been terminated due to Board's decision on 11 September 2018.

**d) Dividend paid**

At the Ordinary General Assembly meeting held on 25 April 2018, it was decided to distribute cash dividend amounting to TRY571.206. In this context, cash dividend distribution for the first installment of the year 2017 which is amounting TRY331.380 (2017: first installment TRY272.133) and second installment of TRY239.826 (2017: second instalment TRY251.318) in gross was completed as of 31 December 2018. The gross dividend paid per share is 1,9 full TL.

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**17. Sales and cost of sales**

**a) Net Sales**

The Group's net sales for the periods ended 31 December 2018 and 2017 are as follows:

	<b>1 January - 31 December 2018</b>	<b>1 January - 31 December 2017</b>
Sales	32.453.831	24.867.089
Sales returns (-)	(130.844)	(87.681)
	<b>32.322.987</b>	<b>24.779.408</b>

**b) Cost of sales**

	<b>1 January - 31 December 2018</b>	<b>1 January - 31 December 2017</b>
Beginning inventory	1.442.833	1.108.209
Purchases	27.257.959	20.888.618
Ending inventory (-)	(2.087.653)	(1.442.833)
	<b>26.613.139</b>	<b>20.553.994</b>

**18. Operational expenses**

**a) Marketing expenses**

	<b>1 January - 31 December 2018</b>	<b>1 January - 31 December 2017</b>
Personnel expenses	1.709.125	1.298.751
Rent expenses	783.432	620.921
Depreciation and amortization expenses	324.355	237.324
Electricity, water and communication expenses	212.038	146.050
Packaging expenses	193.783	135.122
Trucks fuel expense	90.424	66.429
Advertising expenses	83.165	79.112
Maintenance and repair expenses	80.975	61.519
Taxes and duty expenses	30.512	20.814
Stationery expenses	23.600	11.438
IT expenses	19.971	14.824
Provision for employee termination benefit	15.715	10.655
Insurance expenses	11.672	10.259
Other	84.759	57.443
	<b>3.663.526</b>	<b>2.770.661</b>

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**18. Operational expenses (Continued)**

**b) General and administrative expenses**

	<b>1 January - 31 December 2018</b>	<b>1 January - 31 December 2017</b>
Personnel expenses	322.481	260.362
Vehicle rent expenses	33.235	22.976
Depreciation and amortization expenses	24.353	19.223
Legal and consultancy expenses	22.784	21.391
Taxes and duty expenses	20.462	13.146
Motor vehicle expenses	15.668	11.647
Money collection expenses	14.131	11.285
Communication expenses	2.786	2.148
Provision for employee termination benefit	2.773	2.029
Office supplies	2.356	1.658
Other	55.451	49.909
	<b>516.480</b>	<b>415.774</b>

**19. Expenses by nature**

**a) Depreciation and amortisation expenses**

	<b>1 January - 31 December 2018</b>	<b>1 January - 31 December 2017</b>
Marketing and selling expenses	324.355	237.324
General and administrative expenses	24.353	19.223
	<b>348.708</b>	<b>256.547</b>

**b) Personnel expenses**

	<b>1 January - 31 December 2018</b>	<b>1 January - 31 December 2017</b>
Wages and salaries	1.805.752	1.387.717
Social security premiums - employer contribution	225.854	171.396
Provision for employee termination benefits (Note 14)	18.488	12.684
	<b>2.050.094</b>	<b>1.571.797</b>

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**20. Other operating income and expense**

**a) Other operating income**

	<b>1 January - 31 December 2018</b>	<b>1 January - 31 December 2017</b>
Gain on sale of scraps	8.209	6.664
Other income from operations	28.162	24.941
	<b>36.371</b>	<b>31.605</b>

**b) Other operating expense**

	<b>1 January - 31 December 2018</b>	<b>1 January - 31 December 2017</b>
Provision expenses	15.261	8.290
Other	7.438	2.617
	<b>22.699</b>	<b>10.907</b>

**21. Financial income**

	<b>1 January - 31 December 2018</b>	<b>1 January - 31 December 2017</b>
Participation account income	44.212	39.396
Foreign currency gains	7.355	5.807
	<b>51.567</b>	<b>45.203</b>

**22. Financial expenses**

	<b>1 January - 31 December 2018</b>	<b>1 January - 31 December 2017</b>
Finance charge on employee termination benefit including actuarial losses	9.520	7.547
Foreign exchange losses	1.571	2.108
Other financial expenses	1.505	834
	<b>12.596</b>	<b>10.489</b>



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**23. Income and expense from investing activities**

**a) Income from investing activities**

	<b>1 January - 31 December 2018</b>	<b>1 January - 31 December 2017</b>
Incomes from financial investments (*)	36.448	-
Dividend income	4.279	3.037
Gain on sale of property, plant and equipment	3.600	-
	<b>44.327</b>	<b>3.037</b>

(\*) The balance consist of income from investment funds and lease certificates of the Group.

**b) Expense from investing activities**

None (31 December 2017: TRY1.575).

**24. Tax assets and liabilities**

As of 31 December 2018 and 2017, provision for taxes of the Group is as follows:

	<b>31 December 2018</b>	<b>31 December 2017</b>
Current income tax liabilities	354.356	214.182
Current tax assets (Prepaid taxes)	(271.932)	(174.182)
<b>Corporate tax payable</b>	<b>82.424</b>	<b>40.000</b>

In Turkey, as of 31 December 2018, corporate tax rate is 22% (31 December 2017: 20%). 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 one instalment by the end of the fourth month. The tax legislation provides for a temporary tax of 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.

In Morocco, as of 31 December 2018 the corporate tax rate is 30% (31 December 2017: 30%) where the consolidated subsidiary of the Company, BIM Stores SARL operates. In Egypt, as of 31 December 2018 the corporate tax rate is 22.5% (31 December 2017: 22.5%) where the consolidated subsidiary of the Company, BIM Stores LLC operates.

There is no taxable temporary differences related with the consolidated subsidiaries for which the Company recognised deferred tax liability (31 December 2017: None).

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 five years.

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**24. Tax assets and liabilities (Continued)**

15% withholding tax rate applies to dividends distributed by resident corporations resident real persons except for, those who are not liable to income and corporation tax, non-resident real persons, non-resident corporations. Dividend distribution by resident corporations to resident corporations is not subject to a withholding tax. Furthermore, in the event the profit is not distributed or included in capital, no withholding tax shall be applicable.

In addition, if the profit is not distributed or added to the capital, the income tax is not calculated.

In accordance with the regulation numbered 7061, published in Official Gazette on 5 December 2017, "Law on the Amendment of Certain Tax Laws and Some Other Laws", 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.

As of 31 December 2018 and 2017, temporary differences based for deferred tax and deferred tax asset and liability calculated by using applicable tax rates are as follows:

	<b>Balance sheet</b>		<b>Comprehensive income</b>	
	<b>31 December 2018</b>	<b>31 December 2017</b>	<b>1 January - 31 December 2018</b>	<b>1 January - 31 December 2017</b>
<i>Deferred tax liability</i>				
Tangible and intangible assets, except the effect of revaluation effect	79.082	56.335	22.747	18.288
The effect of the revaluation of land and buildings	132.843	107.657	25.186	84.365
The effect of the revaluation of financial asset	9.664	7.612	2.052	424
Other adjustments	5.952	5.133	819	1.881
<i>Deferred tax asset</i>				
Provision for employee termination benefit	(25.727)	(19.828)	(5.899)	(4.294)
Other adjustments	(29.098)	(21.921)	(7.177)	(5.391)
Currency translation difference	-	-	290	298
<b>Deferred tax</b>	<b>172.716</b>	<b>134.988</b>	<b>38.018</b>	<b>95.571</b>

Deferred tax is presented in financial statements as follows:

	<b>31 December 2018</b>	<b>31 December 2017</b>
Deferred tax assets	3.339	2.851
Deferred tax liabilities	(176.055)	(137.839)
<b>Net deferred tax liability</b>	<b>(172.716)</b>	<b>(134.988)</b>

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**24. Tax assets and liabilities (Continued)**

Movement of net deferred tax liability for the periods ended 31 December 2018 and 2017 are as follows:

	<b>2018</b>	<b>2017</b>
Balance at the beginning of the period - 1 January	134.988	39.715
Deferred tax expense recognized in statement of profit or loss, net	16.772	15.243
Deferred tax expense/(income) recognized in statement of comprehensive income	21.246	80.328
- Revaluation of financial assets available for sale	2.052	424
- Revaluation of property, plant and equipment	25.186	84.365
- Remeasurement losses of defined benefit plans	(5.992)	(4.461)
Foreign currency translation differences	(290)	(298)
<b>Balance at the end of the period - 31 December</b>	<b>172.716</b>	<b>134.988</b>

**Tax reconciliation**

	<b>1 January - 31 December 2018</b>	<b>1 January - 31 December 2017</b>
Profit before tax	1.626.812	1.095.853
Corporate tax provision calculated at effective tax rate of 22% (31 December 2017: 20%)	(357.899)	(219.171)
Disallowable charges	(1.236)	(1.528)
Effect of tax rate differences of the consolidated subsidiary	(2.713)	(4.307)
Other	(14.500)	(7.846)
	<b>(376.348)</b>	<b>(232.852)</b>
- Current	<b>(359.576)</b>	<b>(217.609)</b>
- Deferred	<b>(16.772)</b>	<b>(15.243)</b>

**25. Earnings per share**

Basic earnings per share is calculated by dividing the net profit for the period by the weighted average number of ordinary shares outstanding during the period. Earnings per share for the period ended as of 31 December 2018 is as follows. All shares of the Company are in same status.

	<b>1 January - 31 December 2018</b>	<b>1 January - 31 December 2017</b>
<b>Earnings per share</b>		
Average number of shares at the beginning of the period (Thousand)	300.932	302.370
Net profit of the year	1.250.464	863.001
<b>Earnings per share</b>	<b>4,155</b>	<b>2,854</b>

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**26. Related party disclosures**

**a) Prepaid expenses to related parties**

	31 December 2018	31 December 2017
Reka Bitkisel Yağlar Sanayi ve Ticaret A.Ş. (Reka) <sup>(1)</sup>	40.090	-
Aytaç Gıda Yatırım San. ve Ticaret A.Ş. (Aytaç) <sup>(1)</sup>	15.506	-
Golf Gıda Paz. Dağ. Ltd. Şti. <sup>(3)</sup>	-	24.844
	<b>55.596</b>	<b>24.844</b>

**b) Payables related to goods and services received**

Due to related parties balances as of 31 December 2018 and 31 December 2017 are as follows:

	31 December 2018	31 December 2017
Turkuvaz Plastik ve Tem. Ürün. Tic. A.Ş. (Turkuvaz) <sup>(1)</sup>	159.811	94.994
Başak Gıda Dağıtım ve Pazarlama A.Ş. (Başak) <sup>(1)</sup>	158.314	97.145
Hedef Tüketim Ürünleri San. ve Dış Tic. A.Ş. (Hedef) <sup>(1)</sup>	76.826	65.676
Sena Muhtelif Ürün Paketleme Gıda Sanayi ve Tic. Ltd. Şti. (Sena) <sup>(3)</sup>	42.285	28.458
Aktül Kağıt Üretim Pazarlama A.Ş. (Aktül) <sup>(1)</sup>	24.288	26.115
Apak Pazarlama ve Gıda Sanayi Tic. Ltd. Şti. (Apak) <sup>(1)</sup>	18.867	17.190
İdeal Standart İşletmecilik ve Mümesillik San. ve Tic. A.Ş. (İdeal Standart) <sup>(2)</sup>	3.978	3.038
Avansas Ofis Malzemeleri Ticaret A.Ş. (Avansas) <sup>(1)</sup>	711	37
Natura Gıda Sanayi ve Ticaret A.Ş. (Natura) <sup>(1)</sup>	293	-
Golf Gıda Paz. Dağ. Ltd. Şti. <sup>(3)</sup>	82	-
Proline Bilişim Sistemleri ve Ticaret A.Ş. (Proline) <sup>(1)</sup>	11	307
Reka Bitkisel Yağlar Sanayi ve Ticaret A.Ş. (Reka) <sup>(1)</sup>	-	15.878
Aytaç Gıda Yatırım San. ve Ticaret A.Ş. (Aytaç) <sup>(1)</sup>	-	7.299
	<b>485.466</b>	<b>356.137</b>

(1) Companies owned by shareholders of the Company.

(2) Non consolidated subsidiaries of the Group.

(3) Other related party.

**c) Other payables to related parties**

None (31 December 2017: None).

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**26. Related party disclosures (Continued)**

**d) Related party transactions**

For the periods ended 31 December 2018 and 2017, summary of the major transactions with related parties are as follows:

i) Purchases from related parties during the periods ended 31 December 2018 and 2017 are as follows:

	<b>1 January - 31 December 2018</b>	<b>1 January - 31 December 2017</b>
Başak <sup>(1)</sup>	998.813	787.240
Turkuvaz <sup>(1)</sup>	594.839	440.218
Reka <sup>(1) (*)</sup>	553.463	86.970
Hedef <sup>(1)</sup>	441.658	325.958
Aktül <sup>(1)</sup>	312.164	203.597
Aytaç <sup>(1)</sup>	203.128	109.431
Natura <sup>(1)</sup>	191.590	-
Sena <sup>(3)</sup>	154.755	77.355
Apak <sup>(1)</sup>	128.155	111.807
İdeal Standart <sup>(2)</sup>	16.468	13.667
Golf <sup>(1)</sup>	10.040	144.989
Proline <sup>(1)</sup>	6.393	3.546
Avansas <sup>(1)</sup>	2.768	1.294
Bahariye Mensucat <sup>(1)</sup>	2.306	-
	<b>3.616.540</b>	<b>2.306.072</b>

(1) Companies owned by shareholders of the Company.

(2) Non consolidated subsidiaries of the Group.

(3) Other related party.

(\*) Has entered into the status of the related company as of 20 September 2017.

ii) For the periods ended 31 December 2018 and 2017 salaries, bonuses and compensations provided to board of directors and key management comprising of 143 and 138 personnel, respectively, are as follows:

	<b>1 January - 31 December 2018</b>	<b>1 January - 31 December 2017</b>
Short-term benefits to employees	86.082	72.294
<b>Total benefits</b>	<b>86.082</b>	<b>72.294</b>

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#### 27. Financial instruments and financial risk management

The Group is exposed to a variety of financial risks, including the effects of changes in debt and equity market prices, foreign currency exchange rates and profit share rates. These risks are market risk (including foreign currency risk and profit share rate risk), credit risk and liquidity risk. The Group's overall risk management program focuses on the unpredictability of financial markets and seeks to minimize potential adverse effects on the financial performance of the Group.

The Group's principal financial instruments comprise cash and short-term interest free bank loans. The main purpose of using these financial instruments is to raise finance for the Group's operations. The Group has other financial instruments such as trade receivables and payables which arise directly from its operations. The Group manages its capital through cash provided by its operations and review of the maturities of the trade payables.

#### *Price risk*

Price risk is a combination of foreign currency, profit share and market risk. The Group naturally manages its price risk by matching the same foreign currency denominated receivable and payables and assets and liabilities bearing profit share. The Group closely monitors its market risk by analysing the market conditions and using appropriate valuation methods.

#### *Profit share rate risk*

The Group does not have material profit share rate sensitive asset. The Group's income and cash flows from operations are independent from profit share rate risk.

The Group's profit share rate risk mainly comprises of outstanding short-term borrowings in the prior period. The Group's forthcoming loans in order to continue its operating activities are effected from forthcoming profit share ratios.

#### **Profit share rate position table**

According to TFRS 7 "Financial Assets", the profit share rate position of the Group is as follows:

<b>Profit share position table</b>		<b>Current period</b>	<b>Previous period</b>
Financial assets	Fixed profit share bearing financial instruments	<b>448.264</b>	<b>510.758</b>
	Participation account	1.614	510.758
	Lease certificate & Investment fund	446.650	-
Financial liabilities			
Financial assets	Variable profit share bearing financial instruments	-	-
		-	-
Financial liabilities			

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**27. Financial instruments and financial risk management (Continued)**

***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. Since the Group is engaged in the retail sector and transactions are mainly on a cash basis or has 1 month maturity credit card collections, the exposure to credit and price risk is minimal.

**Credit risk table (Current period – 31 December 2018)**

	Credit card receivables		Other receivables		Deposit in bank		Financial assets	
	Related party	Other party	Related party	Other party	Related party	Other party	Related party	Other party
	-	1.159.602	158	25.163	-	230.475	350.761	446.650
Maximum credit risk exposures as of report date (A+B+C+D+E)	-	-	-	-	-	-	-	-
- Maximum risk secured by guarantees etc.								
A. Net book value of financial assets neither overdue nor impaired	-	1.159.602	158	25.163	-	230.475	350.761	446.650
B. Net book value of financial assets that are renegotiated, if not that will be accepted as past due or impaired	-	-	-	-	-	-	-	-
C. Carrying value of financial assets that are past due but not impaired	-	-	-	-	-	-	-	-
- The part under guarantee with collateral etc.	-	-	-	-	-	-	-	-
D. Net book value of impaired assets	-	-	-	-	-	-	-	-
- Past due (gross carrying amount)	-	-	-	9.928	-	-	-	-
- Impairment	-	-	-	(9.928)	-	-	-	-
- The part of net value under guarantee with collateral etc.	-	-	-	-	-	-	-	-
- Not past due (gross carrying amount)	-	-	-	-	-	-	-	-
- Impairment	-	-	-	-	-	-	-	-
E. Off-balance sheet items with credit risk	-	-	-	-	-	-	-	-

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**27. Financial instruments and financial risk management (Continued)**

**Credit risk table (Previous period – 31 December 2017)**

	Credit card receivables		Other receivables		Deposit in bank		Financial assets	
	Related party	Other party	Related party	Other party	Related party	Other party	Related party	Other party
Maximum credit risk exposures as of report date (A+B+C+D+E)	-	877.380	225	21.396	-	684.654	309.731	-
- Maximum risk secured by guarantees etc.	-	-	-	-	-	-	-	-
A. Net book value of financial assets neither overdue nor impaired	-	877.380	225	21.396	-	684.654	309.731	-
B. Net book value of financial assets that are renegotiated, if not that will be accepted as past due or impaired	-	-	-	-	-	-	-	-
C. Carrying value of financial assets that are past due but not impaired	-	-	-	-	-	-	-	-
- The part under guarantee with collateral etc.	-	-	-	-	-	-	-	-
D. Net book value of impaired assets	-	-	-	-	-	-	-	-
- Past due (gross carrying amount)	-	-	-	425	-	-	-	-
- Impairment	-	-	-	(425)	-	-	-	-
- The part of net value under guarantee with collateral etc.	-	-	-	-	-	-	-	-
- Not past due (gross carrying amount)	-	-	-	-	-	-	-	-
- Impairment	-	-	-	-	-	-	-	-
E. Off-balance sheet items with credit risk	-	-	-	-	-	-	-	-



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### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2018

(Amounts expressed in thousands of Turkish Lira ("TRY") unless otherwise stated and all other currencies are expressed in full amounts unless otherwise stated.)

#### 27. Financial instruments and financial risk management (Continued)

There is an insignificant amount of foreign currency denominated assets and liabilities so the Company does not use derivative financial instruments or future contracts to reduce the risk of foreign currency.

#### Foreign currency position

As of 31 December 2018 and 2017, the Group's foreign currency position is as follows:

	31 December 2018				31 December 2017			
	TRY equivalent	USD	Euro	GBP	TRY equivalent	USD	Euro	GBP
1. Trade receivables	-	-	-	-	-	-	-	-
2a. Monetary financial assets (including cash, banks accounts)	12.058	2.273.633	9.007	6.372	12.423	3.145.291	113.557	9.102
2b. Non-monetary financial assets	-	-	-	-	-	-	-	-
3. Other	-	-	-	-	-	-	-	-
4. Current assets (1+2+3)	<b>12.058</b>	<b>2.273.633</b>	<b>9.007</b>	<b>6.372</b>	12.423	3.145.291	113.557	9.102
5. Trade receivables	-	-	-	-	-	-	-	-
6a. Monetary financial assets	143	25.700	1.278	-	106	26.600	1.278	-
6b. Non-monetary financial assets	-	-	-	-	-	-	-	-
7. Other	-	-	-	-	-	-	-	-
8. Current assets (5+6+7)	<b>143</b>	<b>25.700</b>	<b>1.278</b>	-	106	26.600	1.278	-
<b>9. Total assets (4+8)</b>	<b>12.201</b>	<b>2.299.333</b>	<b>10.285</b>	<b>6.372</b>	12.529	3.171.891	114.835	9.102
10. Trade payables	-	-	-	-	317	84.078	-	-
11. Financial liabilities	-	-	-	-	-	-	-	-
12a. Monetary other liabilities	-	-	-	-	-	-	-	-
12b. Non-monetary other liabilities	-	-	-	-	-	-	-	-
13. Current liabilities (10+11+12)	-	-	-	-	317	84.078	-	-
14. Trade payables	-	-	-	-	-	-	-	-
15. Financial liabilities	-	-	-	-	-	-	-	-
16a. Monetary other liabilities	-	-	-	-	-	-	-	-
16b. Non-monetary other liabilities	-	-	-	-	-	-	-	-
17. Non-current liabilities (14+15+16)	-	-	-	-	-	-	-	-
<b>18. Total liabilities (13+17)</b>	-	-	-	-	317	84.078	-	-
19. Net asset/(liability) position of off-balance sheet derivative instruments (19a-19b)	-	-	-	-	-	-	-	-
19a. Hedged total assets amount	-	-	-	-	-	-	-	-
19b. Hedged total liabilities amount	-	-	-	-	-	-	-	-
20. Net foreign currency asset/(liability) position (9-18+19)	<b>12.201</b>	<b>2.299.333</b>	<b>10.285</b>	<b>6.372</b>	12.212	3.087.813	114.835	9.102
21. Net foreign currency asset/(liability) position of monetary items (TFRS 7.b23) (=1+2a+5+6a-10-11-12a-14-15-16a)	<b>12.201</b>	<b>2.299.333</b>	<b>10.285</b>	<b>6.372</b>	12.212	3.087.813	114.835	9.102
22. Total fair value of financial instruments used for foreign currency hedging	-	-	-	-	-	-	-	-
23. Export	-	-	-	-	-	-	-	-
24. Import	-	-	-	-	-	-	-	-

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**27. Financial instruments and financial risk management (Continued)**

***Exchange rate risk***

The following table demonstrates the sensitivity to a possible change in the U.S Dollar and Euro exchange rates, with all other variables held constant, of the Group's profit before tax as of 31 December 2018 and 2017:

**31 December 2018**

<b>Exchange rate sensitivity analysis</b>				
<b>Current Period</b>				
<b>Profit/(Loss)</b>			<b>Equity</b>	
	<b>Foreign currency appreciation</b>	<b>Foreign currency depreciation</b>	<b>Foreign currency appreciation</b>	<b>Foreign currency depreciation</b>
<i>Change of USD against TRY by 10%:</i>				
1- USD net asset/(liability)	1.210	(1.210)	-	-
2- Protected part from USD risk(-)	-	-	-	-
3- USD net effect (1+2)	1.210	(1.210)	-	-
<i>Change of EUR against TRY by 10%:</i>				
4- EUR net asset/(liability)	6	(6)	-	-
5- Protected part from EUR risk(-)	-	-	-	-
6- EUR net effect (4+5)	6	(6)	-	-
<i>Change of GBP against TRY by 10%:</i>				
7- GBP net asset/(liability)	4	(4)	-	-
8- Protected part from GBP risk(-)	-	-	-	-
9- GBP net effect (7+8)	4	(4)	-	-
<b>Total (3+6+9)</b>	<b>1.220</b>	<b>(1.220)</b>	<b>-</b>	<b>-</b>

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**27. Financial instruments and financial risk management (Continued)**

**31 December 2017**

Exchange rate sensitivity analysis				
Previous Period				
Profit/(Loss)			Equity	
	Foreign currency appreciation	Foreign currency depreciation	Foreign currency appreciation	Foreign currency depreciation
<i>Change of USD against TRY by 10%:</i>				
1- USD net asset/(liability)	1.165	(1.165)	-	-
2- Protected part from USD risk(-)	-	-	-	-
3- USD net effect (1+2)	1.165	(1.165)	-	-
<i>Change of EUR against TRY by 10%:</i>				
4- EUR net asset/(liability)	52	(52)	-	-
5- Protected part from EUR risk(-)	-	-	-	-
6- EUR net effect (4+5)	52	(52)	-	-
<i>Change of GBP against TRY by 10%:</i>				
7- GBP net asset/(liability)	5	(5)	-	-
8- Protected part from GBP risk(-)	-	-	-	-
9- GBP net effect (7+8)	5	(5)	-	-
<b>Total (3+6+9)</b>	<b>1.222</b>	<b>(1.222)</b>	<b>-</b>	<b>-</b>

**Liquidity risk**

Prudent liquidity risk management includes maintaining sufficient cash and marketable securities, the availability of funding from an adequate amount of committed credit facilities and the ability to close out market positions.

The ability to fund existing and prospective debt requirements is managed by maintaining the availability of adequate committed funding lines from high quality lenders.

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**27. Financial instruments and financial risk management (Continued)**

As of 31 December 2018 and 2017, maturities of undiscounted trade payables and financial liabilities of the Group are as follows:

**31 December 2018**

<b>Contractual maturities</b>	<b>Book value</b>	<b>Total cash outflow</b>	<b>Less than 3 months</b>	<b>3 -12 months</b>	<b>1 - 5 years</b>	<b>More than 5 years</b>
Non derivative financial liabilities	-	-	-	-	-	-
Trade payables	4.030.673	4.057.641	4.057.641	-	-	-
Due to related parties	485.466	488.691	488.691	-	-	-

**31 December 2017**

<b>Contractual maturities</b>	<b>Book value</b>	<b>Total cash outflow</b>	<b>Less than 3 months</b>	<b>3 -12 months</b>	<b>1 - 5 years</b>	<b>More than 5 years</b>
Non derivative financial liabilities	-	-	-	-	-	-
Trade payables	3.044.133	3.042.960	3.042.960	-	-	-
Due to related parties	356.137	358.727	358.727	-	-	-

**Capital risk management**

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

The Group monitors capital on the basis of the gearing ratio. Net debt is calculated as total liabilities less cash and cash equivalents.

The gearing ratios at 31 December 2018 and 2017 are as follows:

	<b>31 December 2018</b>	<b>31 December 2017</b>
Total liabilities	5.435.934	4.067.795
Less: Cash and cash equivalents	(546.919)	(980.378)
Net debt	4.889.015	3.087.417
Total equity	3.512.016	2.957.880
<b>Total equity+net debt</b>	<b>8.401.031</b>	<b>6.045.297</b>
<b>Net debt/(Total equity+net debt) (%)</b>	<b>58</b>	<b>51</b>

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**28. Financial instruments (Fair value disclosures and disclosures in the frame of hedge accounting)**

**Fair value estimation**

The table below analyses financial instruments carried at fair value, by valuation method. The different levels have been defined as follows:

- Quoted prices (unadjusted) in active markets for identical assets or liabilities (Level 1).
- Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices) (Level 2).
- Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs) (Level 3).

The following table presents the group's financial assets and liabilities that are measured at fair value at 31 December 2018 and 2017. See note 10 for disclosures of the land and buildings that are measured at fair value (Note 10).

<b>31 December 2018</b>	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	<b>Total</b>
<b>Financial assets measured at fair value through other comprehensive income</b>				
Retail industry	-	338.171	-	338.171
<b>Total assets</b>	<b>-</b>	<b>338.171</b>	<b>-</b>	<b>338.171</b>
<b>31 December 2017</b>	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	<b>Total</b>
<b>Financial assets measured at fair value through other comprehensive income</b>				
Retail industry	-	297.141	-	297.141
<b>Total assets</b>	<b>-</b>	<b>297.141</b>	<b>-</b>	<b>297.141</b>

There were no transfers between levels during in year.

**(a) Financial instruments in level 2**

The fair value of financial instruments that are not traded in an active market (for example, over-the-counter derivatives) is determined by using valuation techniques. These valuation techniques maximize the use of observable market data where it is available and rely as little as possible on entity specific estimates. If all significant inputs required to fair value an instrument are observable, the instrument is included in level 2.

If one or more of the significant inputs is not based on observable market data, the instrument is included in level 3.

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**28. Financial instruments (fair value disclosures and disclosures in the frame of hedge accounting)  
(Continued)**

Specific valuation techniques used to value financial instruments include:

- Quoted market prices or dealer quotes for similar instruments,
- Other techniques, such as discounted cash flow analysis, are used to determine fair value for the remaining financial instruments.

As of 31 December 2018 and 2017, except for the available for sale financial assets disclosed in Note 5, the fair values of certain financial assets carried at cost including cash and cash equivalents profit share accruals and other short term financial assets are considered to approximate their respective carrying values due to their short-term nature. The carrying value of trade receivables along with the related allowance for unearned income and uncollectibilities are estimated to be their fair values.

Financial liabilities

Financial liabilities of which fair values approximate their carrying values:

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

**29. Events after balance sheet date**

None.

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