

# BİM CONTINUES ITS JOURNEY OF SUCCESS

BİM ANNUAL REPORT 2016



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Name of the Company: BİM Birleşik Mağazalar A.Ş.

Report Period: 01 January – 31 December 2016

Trade Registry No.: 334499

Web Site: [www.bim.com.tr](http://www.bim.com.tr)

Capital: TL 303,600,000

Mersis No: 0175005184608645

“BIM, the leader of the retail industry, continues a journey of success that spans from warehouses to the stores, and from the stores to homes. Happiness finds the shortest and most economical route from warehouses to the shelves, and then from the shelves to homes.”

# HAPPY AND FULFILLING HOMECOMINGS

From the first day of its establishment, BIM has offered quality products and the best prices to its customers. Ensuring that the millions who prefer BIM happily return to their homes with full shopping satisfaction every day consistently motivates us to do better.



# WELLNESS AND HEALTH AT HOME

Offering a wide range of fresh, healthy and high-quality products to its customers, BIM also makes a difference with its private-label products. Our private-label products offer a considerable price advantage and are safely consumed by customers aged from 7 to 77.



# **GOOD NEIGHBORS WITH CUSTOMERS**

Providing services through its 6,167 stores, 544 of which are abroad, BIM always continues to be close to its customers and to keep the leading position in the retail market.



# **BIMCELL DIFFERENCE IN MOBILE**

Aiming to contribute to the domestic economy in every sense, BIM proves its success on a different platform with BIMcell, the mobile communication brand. With its subscription base expanding in 2016, BIMcell has reached approximately 1.4 million subscribers.



# Key Indicators

“ In 2016, BİM reached TL 20,072 million in net sales, a 15% increase. ”

## Net Sales (TL Million)

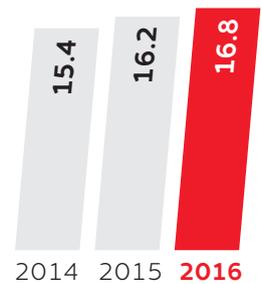
**15%**

Net sales of BİM rose by 15% to TL 20,072 million in 2016.

NET SALES (TL Million)



GROSS PROFIT MARGIN (%)

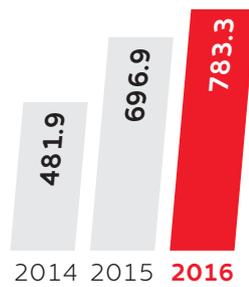


## EBIT (TL Million)

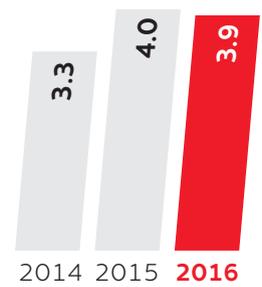
**12%**

BİM's EBIT rose by 12% to TL 783.3 million in 2016.

EBIT (TL Million)



EBIT MARGIN (%)



## Net Profit (TL Million)

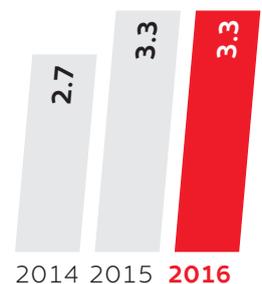
**15%**

Net profits for BİM rose by 15% to TL 670.9 million in 2016.

NET PROFIT (TL Million)



NET PROFIT MARGIN (%)



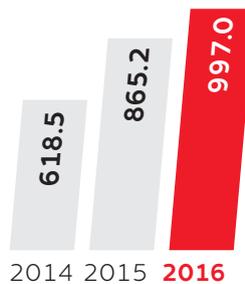
Financial results are prepared as consolidated statements within the framework of the Communiqué (Series II, No. 14.1) issued by the Capital Markets Board in accordance with International Accounting Standards and International Financial Reporting Standards (TMS/IFRS). BİM has a 100% participation rate in its affiliate companies, BİM Stores SARL in Morocco and BİM Stores LLC in Egypt, which have been fully consolidated. Both companies are engaged in activities in the field of food retail.

**EBITDA**

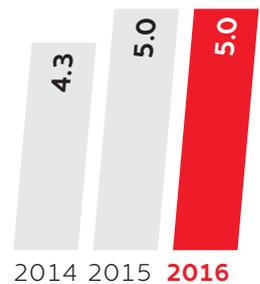
**15%**

BİM's EBITDA rose by 15% to TL 997 million in 2016.

EBITDA (TL Million)



EBITDA MARGIN (%)



**Number of Stores**

**14.2%**

As of the end of 2016, BİM has a total of 6,167 stores, of which 5,623 are in Turkey and 544 are abroad. Twenty-one of the stores in Turkey are FILE stores.

NUMBER OF STORES



AVERAGE NUMBER OF DAILY CUSTOMERS (Million)



**Number of Employees<sup>(\*)</sup>**

**37,439**

As of the end of 2016, the number of consolidated employees reached 37,439, of which 34,073 were employed in operations in Turkey.

\* As of 31.12.2016

NUMBER OF EMPLOYEES AT THE END OF THE YEAR<sup>(\*)</sup>



# Key Indicators

“BİM sustained its steady growth in 2016, continuing its leadership in the industry.”

<b>Summary Consolidated Revenue Table (TL Million)</b>	<b>2016</b>	<b>2015</b>	<b>Change</b>
Sales	20,072	17,428	15%
Gross Profit	3,363	2,816	19%
Gross Profit Margin %	16.8%	16.2%	
EBITDA	997	865	15%
EBITDA Margin %	5.0%	5.0%	
EBIT	783	697	12%
EBIT Margin %	3.9%	4.0%	
Net Profit	671	583	15%
Net Profit Margin %	3.3%	3.3%	

<b>Summary Consolidated Balance Sheet (TL Million)</b>	<b>2016</b>	<b>2015</b>	<b>Change</b>
Current Assets	2,654	2,161	23%
Fixed Assets	2,335	2,007	16%
<b>Total Assets</b>	<b>4,989</b>	<b>4,168</b>	<b>20%</b>
Short Term Liabilities	2,968	2,399	24%
Long Term Liabilities	120	99	21%
Equities	1,901	1,670	14%
<b>Total Equity and Liabilities</b>	<b>4,989</b>	<b>4,168</b>	<b>20%</b>

# Expectations and Achievements

“ In 2017, BİM plans to open 525 stores in Turkey, 60 stores in Morocco, and 50 stores in Egypt. ”

Investment in 2016 fell below projected expectations due to limited purchases of real estate planned for use in logistics operations.

	Targets	Achievements
Consolidated New Store Openings	795	767
Increase in Sales	15% <sup>(*)</sup>	15%
EBITDA Margin	5.0%	5.0%
Investment	TL 700 million	TL 562 million

<sup>(\*)</sup> Although sales were projected to rise by 20% at the beginning of 2016, this number was revised to 15% in accordance with performance during the first six months, per a special announcement made on August 16, 2016.

	2017 Expectations
Consolidated New Store Openings <sup>(*)</sup>	635
Increase in Sales%	15%- 18%
EBITDA Margin	5.0% (±0.5)
Investment	TL 500 million

<sup>(\*)</sup>In 2017, 500 stores are planned to be opened in Turkey, 60 stores in Morocco, and 50 stores in Egypt. In addition, 25 FİLE stores are planned to be opened.

# About BİM

“With its transparent, open and honest management approach, BİM will continue its growth and profitability with the same strength in the coming period.”

As the most important actor in Turkey’s retail sector, BİM’s journey to success started with 21 stores in 1995. Since the day it was established, the Company’s primary objective has been to offer high-quality products to customers at the best and most reasonable prices possible. Today, the company has a total of 6,167 stores, of which 5,623 are in Turkey and 544 are abroad. The company has achieved 69% growth in the last three years.

The organic growth model adopted by BİM is one of the most significant factors driving this success. The model also plays an important role in the Company’s human resources policy, encouraging staff to adopt the corporate culture and ensuring a high level of employee loyalty.

BİM sustained its steady growth in 2016 and continued its leadership in the industry. Sales rose by 15% in 2016, thanks to the launch of 767 new stores, 642 of which are in Turkey, as well as strengthened performance in existing stores. In the same period, operational profitability (EBITDA) rose by 15%.

BİM has launched its new “FILE” retail model as of March 2015. Stores with this new brand will be structured as supermarkets and will display more stock items than the existing BİM stores. Through FILE, BİM will introduce new concepts with special sections such as the patisserie, meat- charcuterie, fresh food and personnel care are the most distinct characteristics of these new chain stores. With a specialized and broad range of products, FILE stores, positioned as ‘modern neighborhood supermarkets’, are drawing attention from consumers. By this way, FILE markets are giving opportunities to the customers to shop in larger spaces. With 12 new stores launched in 2016, as of year-end, FILE has 21 stores.

According to the January 2017 edition of Deloitte’s “Global Powers of Retailing” report, BİM holds 147<sup>th</sup> place among the top 250 retail companies in the world. Being the only Turkish company among these 250 firms, BİM is also the 19<sup>th</sup> fastest-growing retailer. The building blocks of BİM’s corporate culture created over its 21 years of existence are customer satisfaction, the perfect service principle, positive relations with its suppliers, and qualified human resources. Through its transparent, open, and honest management approach, BİM will continue to maintain its growth levels and profitability in the upcoming period.



**Net Sales**  
(TL Million)

**20,072**

**EBIT**  
(TL Million)

**783**

**Net Profit**  
(TL Million)

**671**

# Corporate Profile

“ In 2016, BİM’s total investment on a consolidated basis was TL 562 million. The entire of this sum was financed with its equity capital. ”

Launched in 1995 with 21 stores, BİM Birleşik Mağazalar A.Ş.’s main commercial activity is the sale of staple foods to consumers at the most reasonable prices possible. With a product portfolio of approximately 650 products, the Company has become the first example of the “hard discount” concept in Turkey. Each year BİM revises this portfolio, introducing new products or removing old ones in line with changing customer expectations and requirements.

As of year-end 2016, BİM offers services in 5,623 stores in Turkey, continuing its leadership in the retail market. With the newly launched stores, the Company’s domestic store portfolio expanded by 13%. BİM continues to grow, with operations in Morocco and Egypt as well as operations in Turkey. BİM launched 50 new stores in Morocco, increasing its number of stores to 329. In Egypt, which is the second of the operations abroad, the number of stores reached 215 as of year-end with the opening of 75 new stores.

In 2016, the Company’s total investment amount on a consolidated basis was TL 562 million. The entire of this sum was financed with the Company’s equity capital. BİM will continue to make these investments over the upcoming period. In 2017, the total investment value is expected to be TL 500 million.

Having introduced the “private-label product” approach in Turkey, BİM’s high-quality private-label products are generally market leaders in their respective categories. Each year BİM develops and improves its portfolio of these products. The turnover ratio of the Company’s private-label products was 68% in 2016, while realized as 46% in 2005, the year of BİM’s initial public offering. In addition, BİMcCell, a brand of BİM operating in the field of mobile communication, improved its subscription base in 2016 as well, increasing the number of subscribers by 350 thousand with new internet packages and mixed packages. BİMcCell, a virtual operator that provides prepaid services, currently reaches a total of 1.4 million subscribers.

Ranking among the top three in the category of ‘Companies that Create the Most Employment’ for three consecutive years in the ‘Turkey’s Top 500 Private Companies’ survey organized by Capital magazine, BİM continues to demonstrate its significant role in providing employment across the Turkish economy.

BİM launched FILE, its new retail model, in March 2015. Combining discount grocery shopping with the supermarket concept, FILE provides a variety of products in a modern market context, housed in larger spaces compared to discount markets. As of the end of 2016, FILE operates in 21 stores.

Through FILE, BİM introduced new concepts with special sections such as the patisserie, meat- charcuterie, fresh food and personnel care are the most distinct characteristics of these new chain stores. Aiming to be an alternative also for customers who want to reach reasonable price and high quality products, apart from basic foodstuffs, FILE is expected to open 25 stores in 2016, reaching 46 stores in total.

Aiming to sustain the healthy growth of new stores in 2017, BİM will maintain its effective cost management policy and will continue to pay particular attention to satisfying its customers. The Company will continue to carry out its activities by offering the best service approach from its employees, and by fostering trust-based relations with its shareholders and especially with suppliers.

In the upcoming period, BİM will continue its activities with trust based relationships established by all its stakeholders, especially its suppliers, and with the best service understanding of its employees.

# Service Philosophy

“ Since it was founded, the basic principle of BİM has been to offer quality products to its customers at the most affordable prices. ”



# Milestones



**1995**

Commenced operations with 21 stores.



**1997**

Released Dost Süt, the first private-label product in Turkey. Opened its 100<sup>th</sup> store.



**2002**

Began accepting credit card payments.



**2003**

Net sales surpassed TL 1 billion.

**2004**

Opened its 1,000<sup>th</sup> store.

**2005**

Publicly offered 44.12% of its shares.

**2008**

Increased number of stores to 2,285 by opening 551 new stores. Achieved 42% growth in turnover.

**2009**

Commenced its first foreign operation by opening stores in Morocco.



“ With its TL 20 billion turnover and its double-digit growth rate, BİM has further strengthened its number one position in Turkey’s food retail market. ”



**2010**

Became market leader with a turnover of TL 6,574 million.



**2012**

Launched BİMcell.



**2013**

First stores launched in Egypt, as its second foreign operation.

**2014**

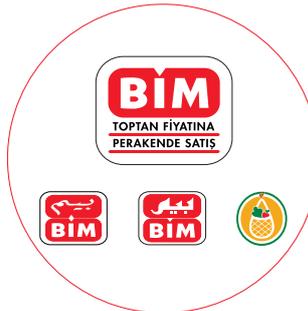
Number of BİMcell subscribers reaches over 1 million.

**2015**

FILE, BİM’s new retail model, opened its first stores.

**2016**

With its TL 20 billion turnover and its double-digit growth rate, BİM has further strengthened its number one position in Turkey’s food retail market.



# Message from the Board of Directors

“In 2016, we strengthened and continued our leadership in the industry, as in previous years.”

Following the global crisis, the recovery of the world economy failed to reach the desired levels in 2016 as well. Due to the rising exchange rate of the US dollar in the last quarter of the year, currencies, particularly in developing economies, faced with serious depreciation against the US dollar. The economic slowdown in developing countries, and declining trade volume due to the increase in the value of the US dollar, led to a deterioration in these nations' economic indicators in the last year. In 2016, the US economy sustained its six-year rise, while a fluctuating economic process continued in the Euro zone amid political upheaval. The Asian economies have continued to lose momentum; and overall economic activity has been weak.

In 2017, the global economy is expected to demonstrate an improved performance compared to 2016, as the valuation of the US dollar decelerates and commodity prices begin to recover.

While the Turkish economy performed well in the first half of the year, it was negatively affected by foreign exchange rate fluctuations especially in the last quarter; however, the financial effects of these uncertainties on BİM remained limited thanks to financing its operations with its own resources and avoiding banking credit and FX positions.

Expectations for the Turkish economy are more optimistic for the year 2017. With the steps for reform taken by the government, along with growth-oriented economic packages, Turkey is expected to compensate for earlier losses in exports of goods and services in the coming year, and exhibit stronger growth.

In 2016, we strengthened and continued our leadership in the industry as we have in previous years. We increased our sales with a double-digit growth rate, despite the base effect and intense competition.

In 2016, we sustained the steady growth strategy implemented since our foundation. In the coming years, the opening of stores and regional offices in Turkey and abroad will continue accordingly. As of year-end 2016, we have a total of 6,167 stores, of which 329 are located in Morocco and 215 in Egypt. In 2016, we launched a total of 767 stores, 642 of which are in Turkey. The opening of these new stores, combined with strengthened performance in our existing stores, resulted in an increase of 15% in our sales. In addition, we reinforced our infrastructure with five new regional offices in Turkey and two new regional offices abroad. In 2016, we made a total TL 562 million investment on a consolidated basis.

Along with sales growth in 2016, there have been significant developments in profitability. In the same period, operational profitability (EBITDA) and net profit increased by 15%.

<b>Net Profit Margin</b>	<b>Total Assets (TL Million)</b>
<b>3.3%</b>	<b>4,989</b>

As BİM, we continue to successfully operate abroad. In 2016, we launched 50 new stores in Morocco, raising the number of our stores to 329. In Egypt, which is the second overseas operation, we started with 140 stores, expanding to 215 stores with the launch of 75 new stores in the same year.

BİM is among the rare companies, distributing profits at a high rate to its investors despite its strong growth. In 2016, TL 334 million was distributed in cash, representing 57% of the 2015 profit.

Our new retail model, FILE, which started operations in 2015, delivered conceptual innovations and gained popularity among our customers with special service departments such as a patisserie, meat - charcuterie, fruits - vegetables and personal care. With 21 stores throughout İstanbul as of year - end 2016, FILE draws notice as a focused yet wide - ranging store, with its 'modern neighborhood supermarket' concept. With an average of 4,000 different products, sales of private label products account for 30% of total sales in FILE.

In 2016, the number of personnel working for BİM increased by 14%. Currently, the number of part - time and full - time personnel working for the Company is as follows: 34,073 in Turkey; 1,993 in Morocco; and 1,373 in Egypt. In addition, BİM has achieved a great success by ranking among the top three in the category of "Companies that Create the Most Employment" for three consecutive years in the "Turkey's Top 500 Private Companies" survey organized by Capital magazine. The employment opportunities created by BİM, Turkey's most widespread retail company, have a positive impact on the entire country. BİM will continue to contribute to the Turkish economy by opening new stores and regional offices in 2017.

In 2016, BİM's BİMcell, a virtual operator in the field of mobile communication, has significantly increased the number of its subscribers due to widespread demand for its new economy packages, expanding its subscriber base to 1.4 million.

We will continue our steady and efficient growth in 2017. We intend to open 635 stores on a consolidated basis in the next year, and expect to make TL 500 million of consolidated investments towards both domestic and foreign operations.

Since the day we were founded in 1995, we have achieved steadily efficient growth. There is no doubt that our employees are the crucial element of this success, and we believe that we will develop sustainably in our journey to success along with our staff, suppliers, customers, and shareholders.

# Retail Sector in Turkey

“ In 2016, discount retailers including BİM sustained their double-digit growth rates, above the industry averages, and created a driving force for the industry at large. ”

The retail industry, one of the locomotive industries of the Turkish economy – one of the fastest-growing economies in the world with its stable growth trend – plays an important role due to its potential and high added value. In 2016, the food retail industry maintained its growth momentum as one of the industries most resistant to vulnerabilities.

Half of the population in Turkey is 31 years old and younger, with high consumption potential. This demographic structure makes the retail industry particularly appealing. On the other hand, demographic indicators such as the high rate of urbanization and the increase in population density are also advancing the retail industry. The growth-oriented population structure will have positive effects on both the wider economy and this particular industry over the coming years. It is expected that the retail industry will grow at a rate higher than that of the national economy over the next five years.

As the market share of organized retailing is still below the 50% threshold in Turkey's food retail industry, whereas it has reached around 90% in developed countries, it seems highly plausible that modern retail channels offer high growth potential in Turkey. Discount retailers claim the largest share of growth in this channel.

In 2016, discount retailers including BİM sustained their double-digit growth rates, above the industry averages, and created a driving force for the industry at large. That organized retailers increase their market share every year is an indication of the industry's potential.

The high potential of the retail industry generates strong competition as well. For local retailer, although profit margins declined due to an increase in personnel costs, they continued their growth with efficiency-boosting activities. National retailers, which have a capacity for higher operational profitability and establishing negative operating capital, continued their rapid growth. The intensity of competition in the industry causes the industry to present a fragmented structure. Growth was even more evident in the hard-discount retailing sector, to which BİM belongs.

A rapid increase in the number of stores, as well as a cost-oriented approach, has made hard discount retailing more popular with households. Growth in this format is above the industry average. The 20% selling space growth in discounted food retailing in 2016 indicates that growth in this format is leading the overall industry.

The retail sector in Turkey has opportunities for private-label products to become widespread. BİM is in a leading position in this regard. The turnover ratio of BİM's private-label products reached 68% in 2016; yet the overall average for Turkey remained very low in comparison. BİM will continue to focus on private-label products at BİM as well as in the new FİLE concept.



The organized retail industry is also attempting to tackle the issue of unrecorded and therefore untaxed retail activities in the country. The organized retail industry plays an important role in putting these earnings on record. In addition, thanks to its close ties with other industries, the organized retail industry creates employment in the economy, both directly and indirectly.

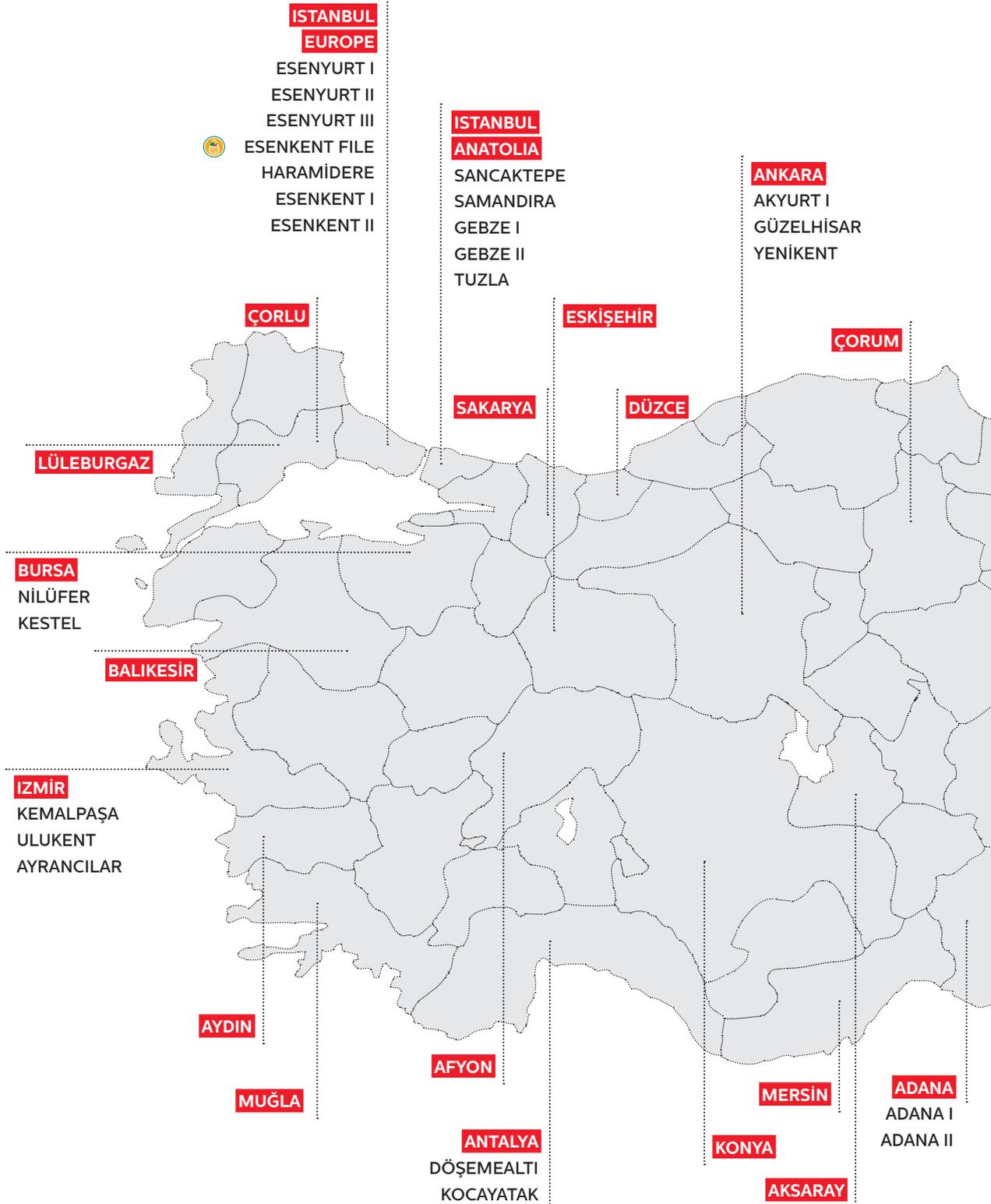
BİM is the leader in the sector. According to the January 2017 edition of Deloitte's "Global Powers of Retailing" report which is published annually, BİM holds 147<sup>th</sup> place among the top 250 retail companies in the world. As the only Turkish company among 250 firms, BİM is also the 19<sup>th</sup> fastest-growing retailer. Thanks to its high growth rate, BİM also moved up to 8<sup>th</sup> place in the Fortune 500 Turkey list.

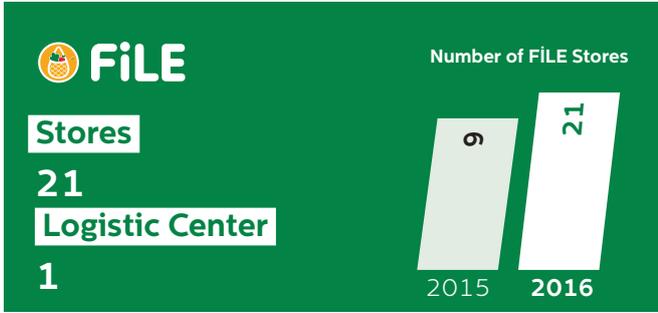
To leverage the growth potential in the supermarket sector as well as in the hard-discount food retail industry, BİM converted its resources into investments, launching its supermarket model with the FİLE brand in March 2015. Thus, as of 2016, BİM has started to cater to both the hard discount and the supermarket segments of the retail industry.

### Average Number of Daily Customers

**3.6** million

# BİM's Domestic and Foreign Operations





# BİM Difference in Retail

“BİM keeps its product portfolio limited, and makes low-cost purchases at high volumes from the suppliers. This is then reflected as discounts in product prices.”

BİM is coordinated through regional offices with their own management, staff, and warehouses. The most outstanding feature of this system, which contributes to the guaranteed success the company has experienced, is that management is decentralized and simplified. In 2016, BİM expanded the number of its regional offices in Turkey to 49 by opening two more regional offices in İstanbul, and one each in İskenderun/Hatay, Adana and Gaziantep. The number of domestic regional offices is planned to be increased to 54 in 2017.

## Hard Discount Concept

The main principle of the BİM business model is “Everyday Low Price”. This means that there are no promotions, campaigns, or loyalty cards, and that BİM customers do not have to follow price discount campaigns. Instead, BİM offers its customers “Everyday Low Price,” allowing prices to reflect the amount that BİM saves on the cost of goods. This policy is a key factor in creating customer confidence.

The principle adopted by BİM in carrying out its operations is to keep costs to a minimum and to reflect those gains as price discounts to customers. BİM is the first representative of the hard discount model in Turkey, with its organizational structure, effective cost management practices and limited product portfolio. Its hard discount concept is based on three fundamental elements:

- To accelerate the decision-making and implementation processes by establishing a dynamic logistics and information network among regional offices and stores through a decentralized organization structure,

- To avoid any unnecessary expenses that would raise product prices; keeping management, store decoration, personnel, distribution, marketing and advertising costs to a minimum,
- To maintain effective quality standards controls by keeping the product portfolio to around 650 items; and to ensure that the products reach the customers at the most affordable prices.

BİM is the biggest purchaser of most of the products it sells in Turkey. By virtue of its high purchasing power, the Company encourages its suppliers to produce high-quality products at lower costs, and in this way manages to procure quality products at affordable prices.

## Effective Cost Management

The amount BİM saves on costs through effective cost management is reflected in low prices without sacrificing the quality products and services. As a consequence, BİM increases its competitive advantage in the market every year.

BİM keeps its product portfolio limited and makes low-cost purchases at high volumes directly from suppliers and without a mediator. This is then reflected as discounts in product prices.

With the effective cost management policy which it implements across all operations, BİM is constantly improving its strong position in the organized retail industry. In this context, all logistics activities are carried out in-house, without any need for outsourcing.



BİM adheres to the following principles of cost management:

1. In general, stores are rented.
2. Instead of opening high-cost stores on main streets, outlets are located on side-streets.
3. Sufficient personnel are employed to maintain uninterrupted service, and through efficient human resources planning, part of the workload is supplied by part-time employees.
4. Store decoration is kept as simple as possible, minimum shelving is used, costs are kept at minimum and gains obtained are reflected to the product prices..
5. Promotion and advertising expenditures are kept to a minimum for what is required.
6. Products are distributed through its own logistics network.
7. The product portfolio is kept limited, and large quantities of purchases are made from the suppliers at low prices.
8. The product portfolio includes as many private-label products as possible.
9. Cost calculations are kept on a daily basis, and effective cost inspections are implemented, with immediate action taken whenever required.
10. New saving methods are continually explored, developed, and implemented.

#### High Inventory Turnover Rate

The inventory management at BİM is conducted through advanced, internationally-sourced software. This process is carried out by regional offices and is effectively monitored during its transfer from warehouse to store to customer. Automatic inventory control is made through the software used for this purpose, and results of counts carried out at stores and warehouses are regularly controlled by comparing with data from older records, a process carried out at regular intervals. Owing to the efficient inventory management implemented by BİM, the company's inventory shortage figures are well below the industry average.

#### Food Safety

Through its provision of reliable products that continuously meet customers' needs in the most affordable and efficient manner, BİM always strives to improve product safety as company policy. For this reason, the Quality Assurance Unit exists as part of the Purchasing Department.

The Quality Assurance Officer is responsible for conducting studies into purchased products to maintain standards in accordance with established strategies, following the legal procedures regarding packaging, legal changes and issues related to the product group, controlling the quality of products according to procedure, and applying tests when required and as planned, as well as maintaining sustainability in private-label product development and working toward preserving quality.

#### Financing Resources

By carrying out activities with negative working capital, BİM finances itself through its cash collection. In addition to operational cash outflows, approximately TL 334 million dividends was distributed, and TL 562 million consolidated investment was made in 2016.

BİM does not utilize bank loans since it finances both domestic and foreign operations with its own resources. Moreover, BİM does not have a significant amount of foreign currency deficit or surplus since most of the operations of the company are carried out in Turkish Lira. For this reason, possible changes in interest rates and in foreign currency values pose no significant risk factors for the company.

# 2016 Activities

“ In 2016, BİM had a 15% annual growth rate and raised its net profits by 15%. ”

## Stores and Store Management

### Regional Directorate<sup>(\*)</sup>

54

### Stores<sup>(\*\*)</sup>

6,167

In 2016, BİM continued to strengthen its leading position in the food retail sector. Thanks to its successful business model, BİM maintained a steady rate of growth and increased its sales volume by 69% during the past three years. In 2016, as in previous years, the company achieved its growth organically, choosing not to make any acquisitions in the industry. The growth rate of BİM in 2016 was around 15%. BİM also raised its net profits by 15% in 2016.

BİM continued to grow steadily, was financially and operationally successful, and strengthened its leadership in the industry in 2016. The Company launched a total of 767 new stores, 630 of which are BİM stores in Turkey, 50 in Morocco and 75 in Egypt, and 12 FILE stores, as well as five regional offices in Turkey and two abroad. The company, through effective cost management, has consistently increased the number of stores it runs, and the impact of additional regional offices on operational efficiency has also become clear.

BİMcell, introduced in March 2012, is a BİM brand for the mobile communications segment. Growing rapidly during the past four years, BİMcell continued to improve its subscription base in 2016 and expanded its number of subscribers by 350 thousand with new Internet packages and mixed packages, reaching 1.4 million subscribers. BİMcell's population coverage across Turkey stands at 98%. The group offers “charging per second” and “pay as you go” alternatives in competitive packages, and for this reason its customers are staying loyal to the brand, and new clients are signing up every day.

BİM carries out transactions in Turkish lira and performs its operations and investments with its strong equity capital; thus, fluctuations in FX and interest rates do not affect the operations of BİM. Inventory losses and wastage also remain well below the industrial average.

Increasing the number of its consolidated stores from 5,400 to 6,167 in 2016, BİM continues its leadership position in the retail industry in Turkey with its annual consolidated sales volume of TL 20 billion.

<sup>(\*)</sup> BİM has 49 regional offices in Turkey and five regional offices abroad.

<sup>(\*\*)</sup> BİM has 5,623 stores in Turkey and 544 stores abroad.



**Investment Policy and Investments in 2016**

The Company’s preference for organic growth is reflected in its investment policy, investing primarily in the opening of new stores and the establishment of regional offices. In addition, the Company opens stores by renting instead of buying, and decorates the interiors as simply as possible, requiring low levels of investment. The added value gained from this cost management is reflected in product prices.

In 2016, BİM increased the number of its regional offices in Turkey from 44 to 49 by opening two more regional offices in İstanbul and one each in İskenderun/Hatay, Adana and Gaziantep. In addition, the third regional office in Morocco and the second one in Egypt began their operations in 2016.

Regional offices are strategically important for BİM. Properties are purchased in order to build warehouses and regional center buildings.

Since it began to be traded publicly, BİM has sustained a high level of investment without lowering pace. In 2016, the total amount of investments made on a consolidated basis was TL 562 million, all of which was financed with the Company’s equity capital.

In 2017, BİM expects to make TL 500 million investments on a consolidated basis. As in the previous years, all investments will be financed using the Company’s own equity capital and without taking any loans.

**FILE Chain Stores**

Besides the hard discount food retail sector, in order to use the growth potential in the field of supermarkets, BİM launched its first store of FILE brand in March 2015 as a model that will be introduced to the field of supermarkets. Thus, BİM started to address both the hard discount segment and the supermarket sub-segment of the retail sector.

BİM’s new retail model, “FILE” branded stores, is structured as supermarkets and displays more stock items than the existing BİM stores. Private labels comprise 30% of the approximately 4,000 products offered at FILE.

FILE brings innovation to customers, including special sections such as the patisserie, meat – charcuterie, fresh food and personnel care. In addition, the “Everyday Low Price” practice at BİM is also applied at FILE. Practices such as promotions and loyalty cards are not offered at FILE either.

With a specialized yet wide variety of products, the ‘modern neighborhood supermarket’ concept, and a larger shopping space than those of the usual discount stores, FILE stores draw significant attention from consumers who wish to shop in a more spacious area.

Targeting to be an alternative not just for staples but for customers who want to reach high-quality products at affordable prices, FILE aims to launch 25 new stores in 2017.



**Number of Products Offered at FILE stores**

**4,000**



**Number of FILE Stores**

**21**

# 2016 Activities



## International Operations

### MOROCCO



### Logistic Center

3

### Stores

329

As its first foreign venture, BIM's Morocco operations is the first hard discount chain in the country. BIM owns 100% of the capital of the company that performs operations in Morocco.

Being located geographically close to Europe, Morocco is a more developed country in terms of culture, economy, infrastructure, and politics when compared to other African and Middle Eastern countries. In Morocco, which has a population of about 33 million, the modern retail industry has significant potential.

Opening its first store in Casablanca on the 11<sup>th</sup> of April 2009, BIM's operations expanded rapidly. With the launch of the third regional office in 2016, the total number of stores in Morocco reached 329 by the end of 2016. In 2017, 60 new stores are planned to be launched in Morocco.



## EGYPT



### Logistic Center

# 2

### Stores

# 215

In 2013, the first BIM stores were opened in Egypt as the Company's second foreign operation. There are 215 stores in Egypt. BIM also owns the entire capital of the resident company here.

In Egypt, which is one of the largest countries in the Middle East with a population of 88 million, the second regional office was launched at the beginning of 2016. There are also further plans to open 50 new stores in 2017.

The subsidiaries established in Morocco and Egypt were fully consolidated as of December 31, 2016, and their commercial activities are reflected in the financial statements.

## Other Abroad Operations

BIM has a vision of becoming an international company and, to this end, it continues its work towards expansion into new countries. In this context, pursuant to the decision taken by the Board of Directors in February, it was decided to investigate opportunities in the Iranian retail market as the third country abroad. Investment opportunities in this country will be assessed in the coming period.

# 2016 Activities

“The decentralized structure of BİM enables each region to govern itself and to focus on the respective regions, thereby enhancing productivity.”

### Stores and Store Management

The BİM family continued its rapid, healthy and organic growth in 2016, maintaining its status as a profitable and fast-growing company. With the opening of new stores, the number of consolidated stores rose to 6,167, and the number of regional offices to 54.

BİM attaches as much importance to increasing performance in existing stores as to regional expansion. In 2016, sales growth in stores established for two or more years was 6%.

One of the most important elements of cost management at BİM is the avoidance of unnecessary expenses for the decoration of stores and for product promotion. These gains are reflected in product prices. The concept we call “Every day Low-price” is the primary guiding principle of the Company. Furthermore, the no-questions-asked return policy implemented at stores keeps customer satisfaction high at all times. Under this policy, customers may return products they purchased without any reason and with no time restrictions.

The Company places a special emphasis on keeping prices low and quality high for all products sold in stores. The purchasing department ensures the quality and conformity of products through tests before putting products on sale. At the sales stage, product quality is also regularly controlled.

The decentralized structure of BİM allows for regions to manage and focus on their own business activities, resulting in enhanced productivity.

**Consolidated  
Investments in 2016**

TL **562** million

**Consolidated  
Stores Opened  
in 2016**

**767**



“ BİMcell improved its subscription base in 2016 as well, expanding by 350,000 the number of subscribers, with new Internet packages and mixed packages. ”

### BİMcell

Launched in March 2012, BİMcell belongs to BİM and operates in the field of mobile communication. BİMcell improved its subscription base in 2016 as well, expanding its subscriber base by 350 thousand with new Internet packages and mixed packages, reaching 1.4 million subscribers. The Company's coverage across Turkey is 98%. Thanks to its “pay as you go” alternative that charges customers per second, as well as its competitive and innovative packages, customers are paying more attention to BİMcell. It is expected that this interest will rise in 2017 with new and competitive packages and other actions to be taken.

### What is BİMcell?

- BİMcell is a new mobile communications service.
- With BİMcell, the quality and advantages customers expect from BİM are now available for mobile telephones.

### What are BİMcell's values?

- It is plain and simple.
- It is transparent.
- There are no hidden prices.
- There are no terms and conditions.
- It provides high-quality service at low prices.

**BİMcell Number  
of Subscribers**

**1.4** million

**BİMcell Population  
Coverage Ratio**

**98%**



# Research and Development Activities and Product Range

“As a result of work and development carried out with suppliers, BİM offered 46 new products to customers in 2016.”

## R&D Activities

R&D activities at BİM are carried out by the Purchasing Department. The responsibilities of the Department include:

- Ensuring the quality standards of the products purchased in accordance with the determined strategies,
- Carrying out activities to improve the quality and packaging of products,
- Following up on legal changes, current prices, conditions and problems in product groups,
- Following up on product quality in accordance with procedures, and performing scheduled and/or necessary studies and tests,
- Demonstrating the maximum effort in the preparation of private-label products; ensuring their continuity, and preserving and improving their quality.

BİM is the pioneer of private-label products in Turkey; 68% of the products offered by the Company constitute private-label products, and continuous work is carried out for the preservation and development in quality of both the taste and the packaging of these products, as well as for quality control.

As a result of work and development carried out with suppliers, BİM offered 46 new products to customers in 2016. Changes in customer habits and behaviors are reflected in the introduction of new products.

## Product Range

High quality and low prices constitute the basic criteria for defining the product portfolio at BİM. The products offered at the stores are carefully selected to meet the daily basic needs of a household. The BİM family has adopted a detailed and precise working method for selecting and pricing these products.

In line with the hard discount concept, there are approximately 650 products available in stores. New products are launched based on changes in customer habits and behaviors. To this end, in 2016, new food and non-food products were introduced in our stores. Most of which were private-label products. These private-label products comprise the fundamental components of the Company's "hard discount" concept.

The products offered by BİM to its customers are divided into four main groups:

### Private-Label Products

BİM is the pioneer of private-label products in Turkey. Those that are offered at BİM stores are of a high quality, and their brands and formulae are owned solely by BİM, being produced only by suppliers selected by the Company. The most outstanding feature of these products is that their prices are 15% to 45% lower than those of similar products of the same quality. In 2016, the sales ratio of private-label products to total sales was 68%. The Company aims to increase its private-label sales rate every year.

Having introduced the concept of private-label products to the organized retail industry with "Dost Süt," BİM attaches great importance to its activities in this field.

### Spot Products

These are products with a long shelf-life that are not kept in stock for long periods and are offered to customers in weekly periods. Spot products increase the number of customers visiting stores when they are on offer, and increase the sales of standard listed products also.

### Exclusive Products

These are branded products specifically designed for BİM.

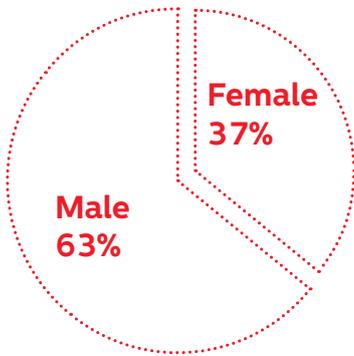
### Branded Products

Branded products are products which are widely-available in the market.



# Human Resources

“Employees are among the most important members of the BİM family, and they take the utmost care in reflecting our corporate culture to our customers.”



### Human Resources Profile

Acutely aware of the fact that its success is strongly related to the motivation and happiness of its employees, BİM has been improving its human resources policies over recent years. BİM pays particular attention to recruiting from within the company. BİM’s decentralized structure organized around regional offices provides many opportunities, especially for young managers.

As key members of the BİM family, employees convey the corporate culture to the customers with excellence. The Company offers its employees an environment in which they can develop themselves both professionally and personally; BİM encourages its employees to use their potential and abilities. The BİM family is made up of young and dynamic workers in addition to experienced and qualified individuals in senior management positions. One of the priorities of the Company is to appoint its own personnel to strategic positions, meaning that the majority of current executives are employees who either started their careers at BİM or have been at the Company since its foundation and were then promoted due to their outstanding performance. This policy ensures that management personnel embrace the corporate culture at the highest possible level. While BİM is fully aware that its steady rise in the industry has depended on the motivation of its employees, employees are equally aware that successful performance is the key to forging their desired career paths. BİM provides its young managers with an environment in which they can take initiative and develop their managerial skills. BİM serves as a training school for its future executives.

### NUMBER OF EMPLOYEES AS OF YEAR-END



### DISTRIBUTION OF EMPLOYEES BY DOMESTIC AND INTERNATIONAL OPERATIONS(\*)



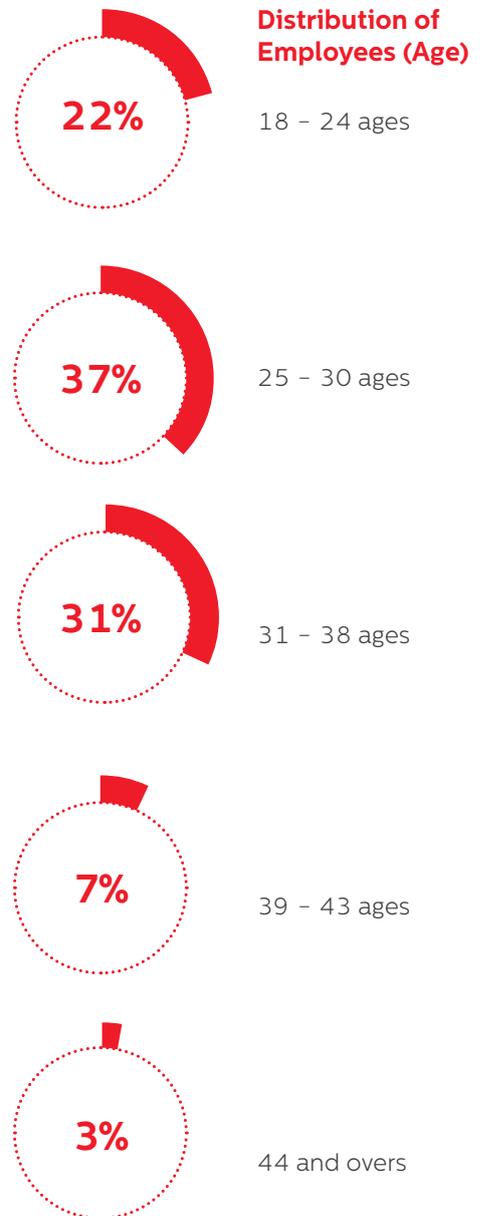
\* As of December 31, 2016



The organic growth model adopted by BİM is one of the most significant factors driving its success. The company began its activities in 1995 with 21 stores, growing organically to reach a total of 6,167 consolidated stores in 2016. The organic growth model plays an important role in the Company’s human resources policy, instilling a strong corporate culture and high levels of loyalty, which are the most significant factors in the Company’s success.

The employee turnover rate at the Company is below the industrial average. The main reason for this is the preservation of a solid corporate cultural structure and a vertical career policy which encourages employees.

In 2016, the number of employees at BİM rose by 14%. Currently, there are a total of 37,439 employees, 34,073 of which are in Turkey. As a company with the most widespread retail network in Turkey, the employment BİM generates positively affects the entire country, not just a single region. According to a study conducted by Capital 500, BİM is among the top three companies providing the highest employment during the last three years. Continuing to create employment potential even amid a climate of global economic crisis, BİM will continue to contribute to the country’s economy by opening new stores and regional offices in 2017.



# Risk Management and Internal Control Mechanism

“BİM carries out all its activities with an awareness of risk to which it is exposed, as well as risk prevention measures.”

BİM Birleşik Mağazalar A.Ş. carries out its activities taking into account the risks to which it is exposed as well as risk prevention measures. Within this framework, the risk management, according to the risk appetite defined by the Board of Director, is made part of the Company's policies and procedures as well as its business processes.

In addition, and in accordance with the regulations of the Capital Markets Board and the relevant provisions of the Turkish Commercial Code, an Early Risk Identification Committee has been established within the Company. This Committee is tasked with ensuring the early detection of risks that could endanger the existence, development, and future of the company, and the implementation of necessary measures regarding such risks. Within the scope of its work, the Committee has identified the types of risks that the Company may be exposed to and the associated risk indicators. Developments in these risk indicators are continuously monitored and analyzed, and appropriate risk prevention actions are regularly assessed.

The Company may be exposed to strategic, operational, counterparty, exchange rate, liquidity, compliance and reputation risks as a result of its activities.

**Strategic risk** consists of likely losses due to miscalculations in the Company's strategy, or errors in the implementation of the current strategy. The Company's strategic objective is to gain high productivity in the hard discount retailing industry, to expand into the countries where this concept can be applied, and to serve those consumers in the future. Consistently offering quality products, increasing operational efficiency, providing discounted prices, increasing the ratio of private-label products in the product portfolio, and reducing costs by increasing the productivity of suppliers are also among the Company's objectives. Compliance with strategic objectives is closely monitored through supervising the management and the budget.

Furthermore, customer preferences and the actions of other players in the market are closely monitored. Accordingly, the product portfolio is periodically reviewed and renewed in line with this data. In addition, the Company works on business models that target different customer segments in order to expand its market share in the retail industry.

**Operational risk** consists of potential damages due to inadequate and unsuccessful work processes, employees and systems, or due to external events. The Company has created appropriate policies and procedures for business processes, has made functional segregation of duties within the organization, and has set up approval and authorization mechanisms as part of these processes. In addition, procedures have been put in place for the protection and reconciliation of physical assets. Effective reporting and monitoring practices also have been established. The Company's essential processes are carried out through a computer program that is widely used all over the world.

**Counterparty risk** is the risk that the Company may be exposed to if parties with which the Company has business relationships do not fulfill their commitments. The company may be exposed to these risks due to credit card receivables, money collected from stores by contracting companies, bank deposits, financial investments made and advances that may be made to some suppliers. The Company has defined the selection procedures of parties with which it may be involved in a business relationship, and has determined the information and documents to be obtained from these parties. In this way, the responsibilities for the commitments of the other party is examined prior to commencing business relations, and business relations are initiated with those considered appropriate. The Company works with reputable financial institutions. The operational and financial status of the subsidiaries and affiliates to which financial investments are made are closely monitored. Appropriate warranties are also taken for advance payments that are made as a natural process of the business.

**Exchange rate** risk consists of potential losses arising from uncertainties in exchange rate changes. The Company's transactions are for the most part in Turkish Lira, and assets and liabilities in foreign currencies are not significant. The Company is exposed to exchange rate risk mainly due to its operations in Morocco and Egypt. Their impact, however, is low.

**Liquidity risk** is the risk when the assets held cannot meet the cash demand. The maturity alignment between the assets and liabilities is in favor of the Company. The liquidity requirement is closely monitored, and sufficient cash reserves are maintained.

**Compliance risk** consists of the possibility of loss due to failure to fulfill legal obligations, or an adverse effect on operations because of changes in the regulations. Based on its structure and operations, the Company is subject to various laws and regulations. In determining its policies and procedures, the Company has taken into consideration the requirements of the relevant legislation, and has established its processes in compliance with these requirements. Changes to relevant legislation are followed up through internal resources and consultants, and processes are revised when necessary.

**Reputation risk** refers to the current and possible effects of negative public opinion on the Company. The company is mainly exposed to reputation risk based on products sold, customer services, employee relations and legislation. An effective control framework has been established for product and customer services with an no

ask return policy, scheduled supplier inspections, product analyses and testing. In addition, all customer complaints are handled and finalized with precision. The Company offers its employees an environment in which they can develop themselves, and it rewards good performance. Executive appointments are made mainly from internal human resources, which in turn enhances employee satisfaction.

Risk exposures were closely monitored during the year through predefined indicators. The Early Risk Identification Committee held six meetings in 2016. The Committee has informed the Company's Board of Directors through reports regarding the outcomes they have reached and the assessments they have made.

BİM has placed suitable internal control mechanisms against risks in the business processes. In addition, the Company has also developed organizational structures, policies, job descriptions, procedures and monitoring practices.

The Company has an Internal Audit Unit tasked with assessing and developing the effectiveness of risk management, internal control and corporate governance processes, in order to help the Company to develop these and achieve its goals. The Internal Audit Unit operates under the Audit Committee, which consists of Independent Members of the Board of Directors. The Unit identifies the significant risks to which the Company may be exposed as well as deficiencies in control mechanisms; communicates potential measures to the appropriate management units; and then reports the actions taken by these units and their outcomes to senior management and the Audit Committee.

All activities of the Company are covered by the Internal Audit Unit, and the activities are audited within the framework of the annual plans prepared after risk assessment. All phases of the internal audit process and the implementation procedures are determined, and the activities of the Unit are carried out within these frameworks. Internal audit activities have been subject to an independent quality assessment and, as a result, the activities were rated as "Generally Compatible," which is the highest level of International Internal Auditing Standards and Code of Ethics.

The Internal Audit Unit presented their business plans, the situation of the existing activities according to this plan, the outcomes of their tasks, substantial risks and problems regarding control, during the six meetings of the Audit Committee held in 2016.

# Convenience Translation Into English of Independent Auditor's Report on the **Early Risk Identification System and Committee** Originally Issued in Turkish

## To the Board of Directors of BİM Birleşik Mağazalar A.Ş.

1. We have audited the early risk identification system and committee established by BİM Birleşik Mağazalar A.Ş. (the "Company").

### Board of Directors' Responsibility

2. Pursuant to subparagraph 1 of Article 378 of Turkish Commercial Code ("TCC") No. 6102; Board of Directors is required to form an expert committee, and to run and to develop the necessary system for the purposes of early identification of causes that jeopardize the existence, development and continuity of the company; applying the necessary measures and remedies in this regard; and managing the related risks.

### Auditor's responsibility

3. Our responsibility is to reach a conclusion on the early risk identification system and committee based on our audit. Our audit was conducted in accordance with TCC and "Principles on Independent Auditor's Report on the Early Risk Identification System and Committee" issued by the Public Oversight Accounting and Auditing Standards Authority. Those principles require us to identify whether the Company established the early risk identification system and committee or not and, if established requires us to assess whether the system and committee is operating or not within the framework of Article 378 of TCC. Our audit does not include evaluating the adequacy of the operations carried out by the management of the Company in order to manage these risks.

### Information on the Early Risk Identification System and Committee

4. The Company established the early risk identification system and committee and it is comprised of 2 members. The Committee has submitted the relevant reports for the period 1 January - 31 December 2016 to the Board of Directors that had been prepared for the purpose of early identification of risks that jeopardize the existence of the Company and its development, applying necessary measures and remedies in this regard, and managing the risks.

### Conclusion

5. Based on our audit, it has been concluded that BİM Birleşik Mağazalar A.Ş.'s early risk identification system and committee is sufficient, in all material respects, in accordance with Article 378 of TCC.

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

Adnan Akan, SMMM  
Partner

Istanbul, 6 March 2017

# Share Buyback Programs

A decision was taken on the 22<sup>nd</sup> of July 2016 by the Board of Directors of the Company, with regard to the Press Release made on the 21<sup>st</sup> of July 2016 by the Capital Market Board of Turkish Prime Ministry 21.07.2016, to; I) to determine an upper limit of TL 300,000,000 for the funds to be allocated from internal resources for repurchasing the Company shares at the stock exchange, and II) to authorize the Executive Board Member, CFO Haluk Dortluoğlu. Company for the transactions. Within this scope; between August 26 and December 31, 2016 the Company has paid TL 61,111,113 (exact sum in TL) and repurchased 1,230,280 shares, corresponding to 0.41% of the Company capital, that were traded in Borsa İstanbul. The funds for repurchasing the Company shares were allocated from internal resources.

# Shareholder Structure and Board of Directors

## Shareholders Structure of BİM Birleşik Mağazalar A.Ş.

	2016	2015
Mustafa Latif Topbaş	14.8%	14.8%
Ahmet Afif Topbaş	9.4%	9.4%
Free Float (Other)	71.1%	70.9%
Non-public Offering (Other)	4.7%	4.9%
	<b>100%</b>	<b>100%</b>

In the 2015 Annual General Meeting held on April 13, 2016, there were no changes in the Board of Directors and in the Executive Committee over this period. The members of the Board of Directors and Executive Committee hold first degree signature authorization, with the limits of their authority being specified by the Board of Directors and registered and announced in the Trade Registry Gazette dated April 25, 2016. Biographies of the Company's Board of Directors and Executive Committee members are listed below.

### Mustafa Latif Topbaş

Born in Istanbul in 1944, Mustafa Latif Topbaş began his career in 1961 as partner and executive at Bahariye Mensucat A.Ş., a family-run business in the textile industry. In subsequent years, he served as founder and executive of various industrial and commercial companies. In 1994, he became a founding partner of BİM and was appointed as Deputy Chairman of the Board of Directors. He has served as Chairman of the Board of Directors since 2006, and also as Chairman of the Executive Board since January 2010.

### Mahmud P. Merali

Mahmud Merali was born in 1952 in Mombasa, Kenya and completed his higher education there. Having completed his professional education and training in the UK, he began his career in England as an audit expert and

joined one of the largest firms of auditors specializing in publicly traded companies. He has over 40 years' experience in auditing, accounting, taxation and business advisory. He is a Fellow of the Institute of Chartered Accountants of England & Wales (ICAEW), Certified Public Accountant (Kenya), Fellow of the Zambia Institute of Chartered Accountants (ZICA) & an Associate member of the Institute of Taxation (ATII-UK). An Executive partner of the Meralis Group, Mahmud is the regional head for the EMEA region and serves as the Group's International & Financial consultant. Mahmud serves as consultant to multi-national companies in the UK, UAE and East Africa. Since January 2005 he has been a member of the BİM Board and is an invitee to the Corporate Governance Committee, the Audit Committee & the Early Detection Risk Committee.

# Shareholder Structure and Board of Directors

## Jos Simons

Born in Raalte in the Netherlands in 1945, Jos Simons graduated from the top Management Course at the University of Nijenrode. With a proven track record of over 40 years in the retail industry, he has served as General Manager at Aldi in the Netherlands for over a decade, and has managed his own consultancy company for the retail market. He was General Manager for five years at the Vendex Food Group, one of the largest food retailers in the Netherlands at the time. In 2001, he assumed the position of Chief Operating Officer at BİM, and in January 2006 became the CEO. In April 2008, he was appointed as a member of the Board of Directors. As of January 1, 2010, he has left his position as CEO, and has since then continued to work for BİM as a member of the Board of Directors and as a consultant.

## Ömer Hulusi Topbaş

Born in Istanbul in 1967, Ömer Hulusi Topbaş began his career as a sales executive at Bahariye Mensucat A.Ş., where he worked from 1985 to 1987. Employed at Naspak Ltd. from 1997 to 2000, he then served as Purchasing Manager for Seranit A.Ş. between 2000 and 2002. Since then he has been the General Manager at Bahariye Mensucat A.Ş., and has also been serving as a member of the Board of Directors at BİM since June 2005.

## Mustafa Büyükbacı (Independent Member)

Mustafa Büyükbacı has a BSc in Industrial Engineering from Boğaziçi University. Following his graduation in 1984, he continued postgraduate studies and worked as a research assistant at the same department for a period of time. He has assumed executive roles in capital markets and investment companies since 1989. He has concentrated on the fields of asset and portfolio management and investment, and joined Yıldız Holding as Founding General Manager and Member of the Board of Directors of Taç Yatırım Ortaklığı in 1993. In addition to these posts, during his time at Yıldız Holding he worked as a capital markets and finance consultant on monetary, capital, and commodity markets, as well as a member of the Board of Directors for Family Finans and other. Furthermore, Büyükbacı founded Bizim Menkul

Değerler, and served as founding CEO and Member of the Board of Directors. Establishing a real estate group within Yıldız Holding and incorporating the group's real estate operations into a business field, he became Real Estate Group President and served as Founding President. Büyükbacı left Yıldız Holding at the end of 2010. Currently, Büyükbacı is engaged in Agriculture / animal husbandry, eyeglass frame manufacturing, real estate and capital market investments, at his own investment company. He is the Vice Chairman of the Board of Trustees of Sabahattin Zaim University in Istanbul.

## Talat İçöz (Independent Member)

Born in Bursa in 1947, Talat İçöz graduated from İzmir Maarif Koleji in 1964-65, and received a BA in Business Administration from Middle East Technical University in 1969. He continued his studies at the Faculty of Architecture of the same university, and received an MSc in City and Regional Planning in 1971. During his studies, between 1966 and 1972 he worked at Tuzcuoğlu Uluslararası Nakliyat, and completed his military service in 1973. In 1973, he worked as Investment Projects Manager at Ercan Holding A.Ş., and contributed to projects such as the MAN Truck & Bus project, the Mahle piston expansion project, and the İstanbul Segman Sanayi investment project. He became the Vice General Manager of Burdur Traktör Şirketi in 1978, and the General Manager of Rekor Kauçuk A.Ş. in 1981. Between 1984 and 1991, he served as the Founding Partner, Member of the Board of Directors, and General Manager of ÖZBA A.Ş. İçöz was elected Member of Parliament from İstanbul in 1987, and has worked as Vice President for the Anavatan Party as well as member of the Constitution, Commerce, and Technology commissions at the Turkish Grand National Assembly. In 1991, he became the Founding Partner of Çarşı Menkul Değerler A.Ş. Between the years 1995 and 2000, he was engaged in commercial activities abroad, and between 2002 and 2009 he served as a Consultant at Yıldız Holding A.Ş. Since 2010, he has been giving lectures on the Turkish Business Environment at the Department of Business Administration at İstanbul Bilgi University. Talat speaks English and is married with two children.

## THE EXECUTIVE COMMITTEE

### Mustafa Latif Topbaş

Born in Istanbul in 1944, Mustafa Latif Topbaş began his career in 1961 as partner and executive at Bahariye Mensucat A.Ş., a family-run business in the textile industry. In subsequent years, he served as founder and executive of various industrial and commercial companies. In 1994, he became a founding partner of BİM and was appointed as Deputy Chairman of the Board of Directors. He has served as Chairman of the Board of Directors since 2006, and also as Chairman of the Executive Board since January 2010.

### Galip Aykaç

Galip Aykaç was born in 1957 in Yozgat Akdağmadeni. Having more than 18 years of professional experience in various executive positions at Gima, Turkey's first organized retail chain, Aykaç started to work for BİM in 1997 as Purchasing Director. Having become a member of the Operations Committee as of March 2000, and then the Chairman of the Operations Committee (COO) in November 2007, Aykaç is currently the Chairman of the Operations Committee (COO), and Member of the Executive Board (appointed in January 2010). In Retail Sun Awards, the most prestigious awards of the retail sector, he received "The Most Successful Professional Manager in 2010" Award. Galip Aykaç is also; a member of Turkish Retailing Council established by The Union of Chambers and Commodity Exchanges (TOBB); Board Member of Turkish Council Of Shopping Centers And Retailers; Vice President of Food Retailers Association, Board Member of TOBB-GS1 Turkish Committee; and Board Member of The Federation Of All Shopping Centers And Retailers. Furthermore, in the evaluation made by the Fortune magazine, Aykaç ranked third among the most successful business persons in 2013 and 2014,

while ranking second in 2015. In Xsights Research and Consulting Firm's survey made in 2013 for Marketing Turkey Magazine, Aykaç ranked 7<sup>th</sup> among "The Most Respected Executives of the Business World".

### Haluk Dortluoğlu

Born in Akşehir in 1972, Haluk Dortluoğlu graduated from Boğaziçi University Business Administration Department in 1995, Dortluoğlu later worked for the international audit firms Arthur Andersen, and Ernst&Young for about eight years. In 2003, Dortluoğlu started working for Turkish Airlines as Accounting Director. In November 2005, he became the CFO of BİM and also assumed tasks as a member of the Operations Committee between 2006 and 2009. Completing the Advanced Management Program of Harvard Business School in 2007, Dortluoğlu was granted the "The CFO of the Year" award in 2009 by Finance in Emerging Europe, a business magazine published in Europe under the structure of Frankfurter Allgemeine Zeitung Group. According to the results of the research made by Thomson Reuters Extel in the field of investor relations, Dortluoğlu was chosen "The Best CFO in Turkey" by the international corporate investors in 2014. In 2010, Dortluoğlu was appointed as a Member of the Executive Board of BİM, a position he still holds. Within the scope of the new business development approach, Dortluoğlu carried out the project and implementation process of Bimcell, a private label virtual operator application that was launched for the first time in Turkey's mobile communication sector, exceeding one million subscribers in the first two years after being launched. Having directed the whole process of conceptualizing and establishing the FİLE – that opened its first store in March 2015 – as a new retailing model in the supermarket sector, Dortluoğlu still is the Chairman of the Executive Board of FİLE.

## OTHER EXECUTIVE MANAGEMENT

Member of Operations Committee	Ürfet Nacar
Member of Operations Committee	Bülent Pehlivan
Member of Operations Committee	İlkay Zengin
Member of Operations Committee	Tolga Şahin
General Manager of Buying	Murat Namtı

During the year, member of the Operation Committee Muharrem Arslantürk resigned from his duty, and no one was appointed in his vacant position. Furthermore, Aynur Çolpan was appointed in the position of the Purchasing General Manager Murat Namtı as of February 2017.

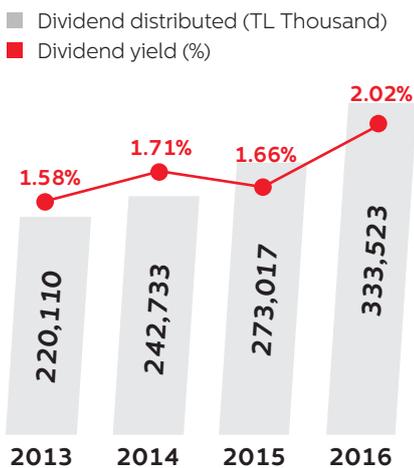
# Investor Relations

“ Within the last three years, BİM has distributed 61% of its distributable net profit to its investors. In this context, BİM distributed a total amount of TL 334 million in cash in two installments, corresponding to 57% of 2015 profit.”

In 2005, Investor Relations Unit was established under the Finance Director in BİM. Investor Relations Unit carries out activities in accordance with Capital Markets Board legislation in order to accurately and promptly provide its investors with the most correct information within the Company’s Information Policy. In 2016, 59 disclosure of material matters were made by the unit. Furthermore, information was provided to investors and shareholders in 3 investor conferences and about 120 meetings.

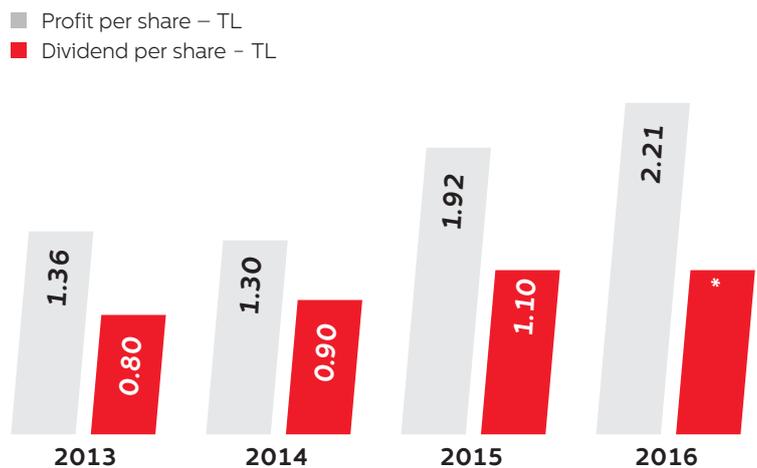
According to the dividend distribution policy set in 2007 and updated in 2014 by the Company, the principle is to distribute at least 30% of the distributable profit to be calculated in line with the Turkish Code of Commerce and the Capital Markets Board regulations. On the other hand, the dividend distributions made so far have been way above this ratio. Within the last three years BİM has distributed 61% of its distributable net profit to its investors. In this context, BİM distributed a total amount of TL 334 million in cash in two installments, corresponding to 57% of 2015 profit.

## DIVIDEND GRAPHIC 1\*\*



\*\*The graph expresses the dividend distributed from the profit of the previous year and dividend yield in the related year.

## DIVIDEND GRAPHIC 2



\*As of the date of the report, no decision was taken about distributing 2016 profit.

## Investor Relations Contact

Tel : +90 216 564 03 46  
 Fax : +90 216 564 03 47  
 e-mail : ircontact@bim.com.tr  
 Address : Abdurrahmangazi Mahallesi Ebubekir Caddesi No: 73 34887 Sancaktepe/İstanbul

# Statement of Independency

## To the Board of Directors of Bim Birleşik Mağazalar A.Ş.

I declare that; 10.02.2016

Due to my "Independent Member" nomination and in accordance with the Corporate Governance Principles of Capital Market Boards;

a) Within the past five years, no executive employment relation that would give important duties and responsibilities has been established between myself, my spouse, my second degree relatives by blood or by marriage and BİM Birleşik Mağazalar A.Ş. and subsidiaries of BİM Birleşik Mağazalar A.Ş., shareholders who control the management of the company or who have significant influence at the company, and juridical persons controlled by these shareholders; and that I neither possess more than 5% of any and all capital or voting rights or privileged shares nor have significant commercial relations.

b) I have not worked for those companies that carry out, in part or in full, the activities or organization of Bim Birleşik Mağazalar A.Ş. within the framework of existing agreements, primarily those that audit, rate, or provide consulting services for BİM Birleşik Mağazalar A.Ş., or have been a member of the Board of Directors at these companies within the past five years; I have not worked as an executive manager who would have important duties and responsibilities nor have I been a member of the Board of Directors or been a shareholder (with more than 5% of shares) in the companies that BİM Birleşik Mağazalar A.Ş. purchases significant amounts of products and services from or sells significant amounts of products and services to.

c) I have the professional education, knowledge, and experience to carry out the duties I would assume as a result of becoming an independent member of the Board of Directors.

d) I do not work full time for any public institution or organization, except any academic membership at any university,

e) I am considered a resident in Turkey according to Income Tax Law, dated 31/12/1960 and numbered 193,

f) I have strong ethical standards, professional reputation, and experience that would enable me to make positive contributions to the operations of BİM Birleşik Mağazalar A.Ş., enabling me to maintain impartiality during times of conflict of interest among the partners of the company, and to decide independently by taking the benefit rights into consideration.

g) I shall devote enough time for the activities of BİM Birleşik Mağazalar A.Ş. to follow the operations of BİM Birleşik Mağazalar A.Ş. and to fully carry out the duties I would assume.

h) I have not been a member of the Board of Directors of Bim Birleşik Mağazalar A.Ş. for more than six years in total within the last decade,

i) I have not been an independent member of the Board of Directors in Bim Birleşik Mağazalar A.Ş. or in more than three of the companies controlled by the shareholders who control the management of Bim Birleşik Mağazalar A.Ş. and in more than five of the publicly traded companies in total,

j) I have not been registered and announced on behalf of the juridical person elected as member of the Board of Directors.

Regards,



Mustafa BÜYÜKABACI  
Independent Member



Talat İÇÖZ  
Independent Member

# Corporate Governance Principles Compliance Report

## 1. Declaration of Compliance in Accordance with Corporate Governance Principles

The Capital Markets Board of Turkey requires a declaration from all listed companies on the Borsa Istanbul A.Ş. regarding their compliance with the Corporate Governance Principles. In case of non-compliance, the companies are obliged to state the necessary explanations in their Corporate Governance Principles Compliance Report.

In this regard, we declare that all mandatory recommendations of the Corporate Governance Principles Serial: II-17,1, published on January 03, 2014, by the Capital Markets Board of Turkey, has been complied with. Regarding non-mandatory recommendations, we have continued to act in accordance with these. The company will strive to improve any deficiencies and continue its efforts to fully comply with the Corporate Governance Principles under changing circumstances. The issues that do not comply with the Corporate Governance Principles are listed below, and there are no conflicts of interest arising from related issues.

- There is no provision in the Articles of Association concerning the General Assembly meetings to be held open to public. Persons who will attend the General Assembly meetings are determined in the Internal Regulation of the General Assembly.
- Articles of Association include a provision stipulating that minority rights are to be respected in compliance with the regulations of the Capital Markets Law and Capital Markets Board. Accordingly, no less than one-twentieth of the capital was assigned for minority rights.
- Although the company has not defined any model regarding the participation of stakeholders in management, independent members of the Board of Directors enable the representation of all the stakeholders as well as shareholders. Furthermore, the Investor Relations Department ensures coordination between the stakeholders and company management. The proposals and requests of these stakeholders are submitted for the information of management.
- There is no issue in the Articles of Association regarding the separation of the powers of the Chairman of the Board of Directors and Chairman of the Executive Committee. In the current organizational structure of the company, the Chairman of the Board of Directors performs the duties of the Chairman of the Executive Committee. This issue and its justification was publicly disclosed on the 14<sup>th</sup> of April 2016 via disclosure of material matters. In order to make the company's decision-making processes more efficient, and to foster a more dynamic organizational structure, it has been preferred to have the same person holding both positions.
- There are no female members in the Board of Directors and there is no policy established regarding this issue.
- Although the duties performed by the Members of the Board of Directors outside the Company are not restricted with a certain rule, detailed résumés of the members, and the duties they perform outside the Company are presented to the shareholders at the General Assembly Meeting.
- In accordance with the structure of the Board of Directors, some members can hold positions in more than one committee.
- Pursuant to the Corporate Governance Principles, the total amount of the remuneration paid to the members of the Board of Directors and executive managers and all other granted benefits are publicly announced in the annual report. However, these announcements are not made on an individual basis.

## Section I – Shareholders

### 2. Investor Relations Department

In order to enable accurate, complete, and efficient communication with its shareholders, BİM's finance directorate launched an Investor Relations Department in 2005. The executive of this unit is responsible for meeting capital market requirements and coordinating the company's corporate governance practices. Furthermore, the executive holds a Capital Market Activities Level 3 License as well as a Corporate Governance Rating License.

The main activities of the unit are:

- To ensure that records of the shareholders are kept in an orderly manner and that inquiries by the shareholders regarding the company, except for publicly undisclosed data and trade secrets, are processed immediately through all available communication channels.
- To ensure that General Assembly meetings are held in accordance with appropriate legislation and to prepare the documents to be presented to shareholders at the General Assembly meeting.
- To pursue the public disclosure policies of the company.

- To carry out preparatory work for financial results and annual reports.
- To contact with regulatory bodies and monitoring relating legislations
- Preparing and presenting reports at least once a year to the Board of Directors regarding the activities carried out over the year.

Throughout the period, the unit attended three brokerage conferences and held around 120 one-on-one meetings at conferences and at corporate headquarters. During these conferences and meetings, the company provided information to investors and shareholders about the company's operating results and its performance. In addition, a report regarding investor relations activities carried out in 2016 was presented to the Board of Directors on the 18<sup>th</sup> January 2017.

The contact details of the Investor Relations Department may be found on the company's website ([www.bim.com.tr](http://www.bim.com.tr)) at investor relations. All inquiries and questions addressed to the unit through communication channels such as phone, fax, and email were meticulously responded to over the period in question.

Name Surname	Title	Phone	CMB License	License No	E-mail
Serkan Savaş, SMMM	Reporting and Investor Relations Manager	+90 216 564 03 46	Capital Market Activities Level 3 License Corporate Governance Rating License	203513 700286	serkan.savas@bim.com.tr
Fatih Uzun, SMMM	Reporting and Investor Relations Specialist	+90 216 564 03 46	Capital Market Activities Level 3 License Corporate Governance Rating License	208147 701420	fatih.uzun@bim.com.tr

# Corporate Governance Principles Compliance Report

### 3. Shareholders' Right to Information

All inquiries made by shareholders, except those related to trade secrets and publicly undisclosed data, were responded to carefully in accordance with the legislation of the Capital Markets Board of Turkey. These requests were mostly related to information on the General Assembly, dividend payments, and inquiries regarding financial data, new retail model of the company, overseas investments and the company's future expectations. The company assures that shareholders have been dealt with and informed equally, and that any information that would negatively affect shareholders' rights is not disclosed on the company's website ([www.bim.com.tr](http://www.bim.com.tr))

Furthermore, information requests from institutional investors and analysts were met throughout the year using various communication channels, including teleconferences and one-to-one meetings. Each quarter, the day after the announcement of financial data, teleconferences were held to inform shareholders and analysts and to answer their respective questions. Four teleconferences in total were organized during the year. The details of the tele conference were shared via email to investors in the company's database. There is no provision in the Articles of Association that establishes requests for the appointment of a particular auditor as an individual right. There was no request for the appointment of a specific auditor over the period in question.

### 4. Information on the General Assembly

The Ordinary General Assembly Meeting of BİM Birleşik Mağazalar Anonim Şirketi for 2015 was held on Wednesday April 13, 2016, at 10:30am at the company headquarters at Abdurrahmangazi Mahallesi Ebubekir Caddesi Nr: 73 Sancaktepe, Istanbul, under the supervision of Hüseyin Çakmak, Commissary of the Ministry, who was appointed in the communiqué dated April 12, 2016 Nr. 15270820, issued by the Istanbul Provincial Directorate of Commerce.

The announcement to convene the General Assembly was made in a manner designed to maximize shareholder participation. The invitation to convene and the meeting agenda, as stipulated by law and the Articles of Association, were announced in the Turkish Trade Registry Gazette numbered 8785, dated 22<sup>nd</sup> of March, 2016. In addition, the information was made public on the company's website ([www.bim.com.tr](http://www.bim.com.tr)), and in the e-general assembly system three weeks before the meeting day.

The General Assembly Information Document containing the curriculum vitae of candidates for Board Membership, the Report on Transactions with Related Parties, the Statement of Dividend Distribution, and informations on share repurchase program was disclosed to the public through the Public Disclosure Platform, the Electronic General Assembly System, and the company's website three weeks prior to the meeting date.

Out of 303,600,000 shares correspond to the company's total capital of TL 303, 600,000, TL 77,135,429 shares were represented in person, and TL 149,775,700 shares were represented by proxy, bringing the total number of shares represented during the meeting to TL 226,911,129. The minutes of the General Assembly meeting were announced in the Turkish Trade Registry Gazette numbered 9061, dated 25<sup>th</sup> of April 2016. There was no loss of company capital or deep-in-debt situation reported.

As per the 10<sup>th</sup> Article of the Corporate Governance Communiqué with Series N. II – 17.1 of the Capital Markets Board, and Article 1.3.6. of the "Corporate Governance Principles" section in the same Communiqué, the report prepared by the Board of Directors regarding the frequent and continuous transactions executed with the related parties in 2015 was physically and electronically presented to the shareholders.

In the conclusion section of the report, shareholders were informed that the terms and conditions of the transactions BİM Birleşik Mağazalar A.Ş. carried out in 2015 with the related parties specified within the scope of the International Accounting Standard N.24 did not show significant differences with respect to the “arm’s length principle,” and that they had concluded there was no issue with executing transactions from the related parties with the same terms and conditions in 2016 as well.

At the General Assembly Meeting, on a separate agenda item information was presented to the shareholders about the amount of aid and donation made within the period and those who benefit. During the year 2016, the Company spent a total of TL 6,954,076 in donations and aid as part of its donation and aid policy, and this total is below the threshold of 0.1% (one thousandth) of sales that was indicated in Aids & Donations policy.

The minutes of the General Assembly meeting in Turkish and their translations into English are published in the Investors Relations section of the company’s website ([www.bim.com.tr](http://www.bim.com.tr)). They were also made available to shareholders for examination at the company headquarters. The questions asked orally and through the Electronic General Assembly System by shareholders were answered in detail, and no suggestions were made by shareholders during the meeting. Members of the media did not attend the meeting. Decisions taken in the General Assembly were executed within the period in question.

The provision that the Capital Market Board’s regulations on corporate governance shall be complied with for transactions considered to be important with respect to the implementation of the Principles of Corporate Governance is included in the company’s Articles of Association.

No Extraordinary General Assembly meeting was held within the period in question.

### 5. Voting Rights and Minority Rights

All company shares are issued as bearer shares. There is no voting privilege right that comes with shares, and shareholders are provided with the easiest and most appropriate opportunities to exercise their voting rights. During both the Ordinary and Extraordinary General Assembly meetings, shareholders of the company or their proxies are entitled to one vote per share they hold. Shareholders may appoint a proxy to vote on behalf of them at the General Assembly. Voting by proxy is subject to the regulations of the Capital Markets Board. There are no mutual affiliate relationships among the company’s shareholders.

The provision that minority rights shall be used in accordance with the Capital Markets Legislation and the regulations issued by the Capital Markets Board are included in the Articles of Association and a share that less than one-twentieth of the capital isn’t determined for the minority rights. Minority rights are represented by the independent members of the Board of Directors in the company’s management.

### 6. Dividend Rights

There is no privilege granted for corporate profit sharing. The dividend policy of the company was revised and approved by the General Assembly on the 22<sup>nd</sup> of April 2014 and was announced to the public on the same date. Within the scope of the dividend policy, the General Assembly decided to distribute at least 30% of the distributable profit that will be calculated according to the regulations of the Turkish Code of Commerce and the Capital Markets Board.

The dividend policy is available in the Investor Relations section on the company’s corporate website. The timeline for dividend distribution is determined in line with the provisions of the Turkish Commercial Code and Capital Markets Legislation by the General Assembly upon the proposal of the Board of Directors. Dividend distribution from 2015 profit, TL 333,523,000 was realized in two installments within the legal period.

# Corporate Governance Principles Compliance Report

## 7. Transfer of Shares

Shares are transferred in accordance with the provisions of the Turkish Commercial Code and other related legislation. There are no provisions in the Articles of Association that limit the transfer of shares.

## Section II – Public Disclosure and Transparency

### 8. Information Policy

Company's Information Policy was approved and put into effect by the Board of Directors on the 27<sup>th</sup> of March 2014, and was presented to the information of the shareholders at the General Assembly Meeting held on the 22<sup>nd</sup> of April 2014. The policy was publicly announced via Public Disclosure Platform and Company's website. According to the policy, in all cases of disclosing a subject "unknown to the public", relevant Executive Committee Members, CFO and Investor Relations Manager, examine the issue and take necessary action within the framework of the Company's Information Policy.

Expectations for 2016 were disclosed to the public through an events disclosure on March 9, 2016. These expectations are based on the company's store opening speed, growth in overseas operations, the dynamics of the retail sector and the Company's previous year performances. The annual sales growth from the related expectations was updated from 20% to 15% on the 16<sup>th</sup> of August 2016, taking the first 6 months of 2016 into consideration, and was publicly announced via Public Disclosure Platform on the same day including the reasons.

### 9. Company Website and Contents

The company's website address is [www.bim.com.tr](http://www.bim.com.tr), and it is used actively for public disclosure purposes. The Investors Relations section of the website is also available in English in order to inform foreign investors. Pursuant to the Turkish Commercial Code numbered 6102, the company's website was registered and announced in the Turkish Trade Registry Gazette dated the 9<sup>th</sup> of October, 2013.

Subjects which are applicable from among those listed under the Article 2.1.1 of the Corporate Governance Principles are published under the Investor Relations section of our website. Company website doesn't only consist of registration statements.

### 10. Annual Report

Pursuant to the legislation of the Capital Markets Board and the Turkish Code of Commerce, the company discloses its Annual Report quarterly through the Public Disclosure Platform and the company's website. Although the activity report issued in the interim period is limited to the developments occurring in the related period, the Annual Report is issued; i) in such detail that will enable the public to reach full and accurate information about the activities of the Company, and ii) in such structure that will cover the information stipulated in the CMB's Corporate Governance Principles.

## Section III – Stakeholders

### 11. Disclosure to Stakeholders

In accordance with the current legislation and the company's disclosure policy, stakeholders are regularly informed about matters concerning them, with the exception of trade secrets, through appropriate channels of communication such as the company's website, the domain allocated for the company on the Central Registry Agency's (MKK) e-company portal, and press releases.

Email and phone contact details are provided on the company's website for stakeholders who wish to get in touch. Stakeholders who require information through these channels, need to make inquiries, or who wish to provide information with regard to acts that are against the legislation of the company or that are unethical, are able to contact the relevant unit manager. Inquiries and requests for information are answered in a timely manner. Similar means of communication are used to reach both the Audit Committee and the Corporate Governance Committee, and no special mechanism has been put into action.

Company shareholders or potential shareholders, investment banks, and analysts are able to communicate directly with the Investor Relations Management through the contact details listed on the website, and their inquiries are responded to immediately.

### **12. Participation of Stakeholders in Management**

Although the company has not defined any framework for the participation of stakeholders in management, the independent members of the Board of Directors serve as representation for all stakeholders as well as the shareholders in management. Furthermore, the Investor Relations Department ensures coordination between the stakeholders and the company management. The proposals and requests of stakeholders are submitted for the information of the management.

Feedback received from both the customers and suppliers through various means of communication are reviewed by the management, and actions are taken when deemed necessary.

The company strives to attain a high level of participation in the decision-making process by its employees as stakeholders. In this regard, meetings are held in order to increase efficiency and to bring about improvements with regard to issues concerning staff, and suggestions are evaluated by senior management.

Furthermore, employees are encouraged to openly communicate their complaints, criticisms, and suggestions to their respective managers regarding the working methods of the unit in which they are employed.

### **13. Human Resources Policy**

BİM Personnel Regulations provide guidelines for maintaining working order in line with the objectives of the organization, personnel rights, and the regulation of general principles for working conditions. Specified in the Personnel Regulation. 54 regional directorates in Turkey and abroad, and the Personnel and Administrative Affairs units in the headquarters conduct the relations with the employees.

Providing its employees with a pleasant and fair working environment, which offers them the opportunity to take initiative, train, and develop their capacities professionally is the main priority of the company's Human Resources Policy. In addition, employees are encouraged to openly communicate their complaints and criticisms to the relevant units, which are then required to take necessary actions immediately.

The company utilizes both internal and external resources to meet the training needs of its employees.

Job descriptions as well as performance and rewards criteria are communicated to employees clearly. There were no complaints from the employees with regard to discrimination during the period in question.

### **14. Ethical Rules and Social Responsibility**

Expectations from employees, executives, and suppliers are clearly identified in the "Goals of the Organization" document which was shared with all employees. However, these expectations and rules are not disclosed to the public. Procedures to follow in the company with regard to general and specific issues are meticulously implemented and updated as necessary.

The company is not involved in any production operations. Plastic and cardboard waste is forwarded to licensed recycling companies who are engaged in the recycling of packaging waste.

# Corporate Governance Principles Compliance Report

In BİM, safety of the products sold, and human health is above all kinds of profits. BİM regularly tests the quality of its products via official and private independent laboratories in order to check the compliance of its product portfolio with legal requirements and BİM criteria. Furthermore, when necessary, studies are carried out in coordination with international laboratories abroad.

BİM is also following a very sensitive method in selecting suppliers. Production sites of our candidate suppliers are inspected by a questionnaire specific to BİM by KALITE SİSTEM Merieux NutriSciences and TUBITAK Marmara Research Institute's inspection teams approved by our Company. Only if the suppliers are found suitable and sufficient, they are entitled to produce products for BİM. Our existing suppliers are subject to periodic announced / unannounced inspections. BİM aims to improve the food safety and infrastructure issues and to contribute to the development of its suppliers that are periodically audited with a special BİM questionnaire.

## Section IV: Board of Directors

### 15. Structure and Formation of the Board of Directors

The company is managed and represented by its Board of Directors. The Board of Directors is composed of a minimum of five and a maximum of nine members elected by the General Assembly, while the amount and qualifications of independent members that sit on the Board of Directors are determined in accordance with the corporate governance regulations set out by the Capital Markets Board. These stipulate that the number of independent members has to be one-third of the total number of members. During the Ordinary General Assembly meeting held on April 13, 2016, six members were elected to sit on the Board of Directors for a period of one year. Two of these nominees are independent members of the Board, and possess the qualifications indicated in the Communiqué of Corporate Governance Principles (Series II, Nr. 17.1).

The Corporate Governance Committee's report on candidates for independent membership, which was issued on February 10, 2016, was submitted to the Board of Directors and the Board submitted the report to the General Assembly. Two names were put forward to serve as independent candidates by Corporate Governance Committee. Independence Statements of the Independent Members of the Board of Directors are included in the related section of the Annual Report.

Upon the retirement of the CEO of the company on January 1, 2010, an Executive Committee was formed to take over the powers and responsibilities of the CEO. The company's Chairman of the Board of Directors also serves as the Chairman of the Executive Committee. The reason behind selecting the same individual for both positions is to enable the company to move faster and more effectively in the decision-making process, and to create a more dynamic organizational structure. The remaining five members of the Board of Directors do not hold executive positions.

The Board of Directors is subject to the approval of the General Assembly in order to fulfill the transaction written in the 395 and 396 articles of the Turkish Commercial Code. During the Ordinary General Assembly held on April 13, 2016, the members of the Board of Directors were permitted to carry out transactions pursuant to the relevant articles of the Turkish Commercial Code.

Members of the Board of Directors are not restricted from assuming other duties outside the company, except for cases in which the independence of the independent members of the Board of Directors may be affected within the framework of the criteria set forth in the Corporate Governance Principles.

There are no female members on the Board of Directors and there is no policy established related to this issue.

Name and Surname	The Condition of Independency	The Date of Appointment and the Term of Office	Duty in the Board of Directors	Duties outside the Company
Mustafa Latif Topbaş	Not independent	04.13.2016 – 1 Year	Deputy Chairman of the Board of Directors	Board membership in companies
Mahmud P. Merali	Not independent	04.13.2016 – 1 Year	Vice Chairman of the Board of Directors, Member of the Corporate Governance Committee	Managing Partner and Chairman of EMEA Region at Merali's Group and Consultant at international companies in United Kingdom, BAE and Africa
Jos Simons	Not independent	04.13.2016 – 1 Year	Member of the Board of Directors	No additional duties General Manager at Bahariye Mensucat A.Ş., Board of
Ömer Hulusi Topbaş	Not independent	04.13.2016 – 1 Year	Member of the Board of Directors Member of the Board of Directors, Chairman of Audit Committee, Member of the Early Risk Identification Committee, Member of the Corporate Governance Committee	Trustee at İ.S.Zaim University
Talat İçöz	Independent	04.13.2016 – 1 Year	Member of the Board of Directors, Member of Audit Committee, Chairman of the Early Risk Identification Committee, Chairman of the Corporate Governance Committee	Academician at Bilgi University
Mustafa Büyükbacı	Independent	04.13.2016 – 1 Year	Member of the Board of Directors, Member of Audit Committee, Chairman of the Early Risk Identification Committee, Chairman of the Corporate Governance Committee	Chairman at his own company Birler Gıda Tarımcılık, Board of Trustee at İ.S.Zaim University

## 16. Operating Principles of the Board of Directors

As indicated in the Articles of Association, the Board of Directors meets at intervals that allow them to perform their duties in an efficient manner. The date for the next Board of Directors meeting is scheduled according to the availability of the members during the previous meeting.

The Chairman determines the agenda of meetings by consulting other members of the Board of Directors and the Chief Executive Officer/General Manager. The agenda is formed according to emerging needs and requirements, and members make sure to attend each meeting and present their opinions. In order to provide a steady flow of discussion, information and documents related to the items of the agenda of each Board of Directors meeting are presented to members ahead of the date of the actual meeting.

The Chairman of the Board of Directors makes his best effort to assure the effective participation of non-executive members in meetings of the Board of Directors. In cases of dissent, a reasonable and detailed justification for the counter vote is made available by the members of the Board of Directors to be entered in the decision record. The Board of Directors may take any decision with the written consent of members in the form of a letter or fax receiving members' decision by signature only even without holding a meeting.

Board of Directors and quorum are subject to the Turkish Code of Commerce and to capital markets regulations. The Chairman's secretary is responsible for informing and communicating with the Board of Directors, and although members of the Board have equal rights to vote, they do not hold the right to veto.

# Corporate Governance Principles Compliance Report

With regard to transactions that may be deemed significant and to any and all affiliated party transactions as well as transactions related to warranties, pledges, or mortgages to be provided for the benefit of third parties, where there is no approval from the majority of the independent members, the information is disclosed to the public. This practice complies with the corporate governance regulations of the Capital Markets Board and its public disclosure principles. There were no such disclosures made during 2016.

The Board of Directors virtually convened 7 times over the course of 2016, and 19 additional occasions, took place to take decisions with the consent of its members without holding a meeting as sanctioned in Article 390/4 of the Turkish Code of Commerce. No counter vote was cast against the decisions taken. The attendance status of the members of the Board of Directors is listed below.

## The members of the Board of Directors

## Attendance level to the Board of Directors' meetings

Mustafa Latif Topbaş	100%
Mahmud P. Merali	100%
Jos Simons	100%
Ömer Hulusi Topbaş	100%
Talat İçöz	100%
Mustafa Büyükbacı	86%

## 17. The Number, Structure, and Independence of Committees Formed within the Board of Directors

Pursuant to the Corporate Governance Principles issued by the Capital Markets Board, an Audit Committee, a Corporate Governance Committee, and an Early Risk Identification Committee have been formed within the Board of Directors.

**The Audit Committee** was formed to ensure that the Board of Directors is carrying out its duties and responsibilities in a healthy manner and with the needs of the company in mind. The audit committee presents its reports to the Board of Directors on a quarterly basis. Two independent members were appointed to the two seats of the Audit Committee as mentioned below, and its members do not hold any other executive position at the company.

### Audit Committee

Talat İçöz - Chairman  
Mustafa Büyükbacı - Member

**The Corporate Governance Committee** consists of four members of which two are independent and one of the independent members chairs the group. While three of forth of the members do not hold any executive position, executive member serves as the Reporting and Investor Relations Manager. The Corporate Governance Committee also assumes the duties and responsibilities of the Nomination Committee and the Remuneration Committee. The Corporate Governance Committee meets at least once a year. The members of Corporate Governance Committee are below:

### The Corporate Governance Committee

Mustafa Büyükbacı - Chairman  
Mahmud P. Merali - Member  
Talat İçöz - Member  
Serkan Savaş - Member (Executive Member)

Both participants in the **Early Risk Detection Committee** are independent members. These members do not have executive duties/positions in the company. The aim of the committee is to preemptively diagnose any risks that could endanger the existence, development, and continuity of the company, and to take necessary measures to mitigate these identified hazards. Early Risk Detection Committee presents reports to the Board of Directors every two months.

Early Risk Detection Committee  
Mustafa Büyükbacı – Chairman  
Talat İçöz – Member

Due to the fact that we have two independent members in Our Company's Board of Directors and that we have three different committees established within our Company, some Members of the Board of Directors may assume tasks in more than one committee.

In spite of not receiving any services from independent experts during the activities of the committees in 2016, the committees can make use of the independent expert opinions when necessary.

The Board of Directors thinks that the expected benefits were achieved from the committees activities during the year.

The working principles of both committees and the names of their respective members have been disclosed to the public through the company's website (<http://www.bim.com.tr/Categories/674/politikalar.aspx>).

### **18. Risk Management and Internal Control Mechanisms**

Taking into consideration the various risks it is exposed to, as well as the relevant preventive measures, BİM has developed policies and procedures to govern its business processes. Furthermore, the company has reorganized the distribution of tasks within the organization, including the relevant approval and authorization mechanisms, and regulated methods for the protection and settlement of the company's tangible assets within the scope of risk management. It has also established efficient reporting and supervision practices over the course of the same period.

The company has also set up an Internal Audit Unit that reviews the efficiency of risk management, internal control, and corporate governance processes in a systematic and disciplined manner, with a view to improving efficiency. The Internal Audit Unit reports to the Audit Committee, which is made up of independent members from the Board of Directors. This unit identifies any major potential risks or deficiencies in internal control systems and identifies measures to be taken to reduce these risks in the relevant management units. The unit then reports the actions taken and their outcomes to senior management and to the Audit Committee.

All operations in the company fall under the responsibility of the Internal Audit Unit, and are audited according to annual plans prepared in line with the results of the risk evaluation process. The subsidiaries that are subject to consolidation are also within the scope of the Internal Audit Unit. Implementation procedures are defined for all stages of the internal control process, and the unit carries out its operations within this framework.

# Corporate Governance Principles Compliance Report

Review of the efficiency and competency of consolidated financial tables which are prepared on a quarterly basis in compliance with the Capital Markets Legislation and assuring the Audit Committee are among the duties of Internal Audit Unit. The quality of internal audit activities was independently evaluated, and were put in the “Generally Comply” category (the highest possible level) according to the International Internal Audit Standards and Code of Ethics.

Early Risk Identification Committee works to preemptively isolate risks that could endanger the existence, development, and future of the company, and also implements necessary measures to manage and diminish threats. The committee submits a report to the Board of Directors every two months, outlining the threats (if any) and their potential remedies.

Detailed information on Risk Management and internal control mechanisms is available in the relevant section of the Annual Report.

## 19. Strategic Goals of the Company

The company aims to attain a high level of efficiency in the food retail industry and expand into other countries where this concept has not yet been implemented in the future. Our strategy is focused on always offering quality products, lowering prices for customers, increasing operational efficiency, increasing the share of private-label products in our portfolio, and decreasing costs by improving supplier efficiency.

The Board of Directors approves the annual budget and assesses the extent to which objectives stated in the budget are met analyzing financial data on a monthly basis. Besides evaluating annual objectives, upon the request of the Board of Directors, the management prepares long-term strategic plans on both domestic and overseas operations and submits these to the Board for review.

## 20. Financial Rights

Remuneration principles for members of the Board of Directors and senior executives were submitted for the information of shareholders in the 2011 Ordinary General Meeting held on the 15<sup>th</sup> of May 2012, and these have been disseminated to the public through the company’s website and the Public Disclosure Platform.

Pursuant to the decisions of the General Assembly, an honorarium is paid for the members of the Board of Directors. The company does not provide loans, credit, or other such benefits to members of the Board of Directors or its executives.

The total value of financial rights such as honorariums, fees, premiums, and bonuses for a total of 166 people comprising the members of the Board of Directors and senior executives came to TL 34,054,152 (TL 2,616,500 bonus, TL 210,000 per diem, TL 31,227,652 wage) in 2016. Executives do not receive dividends. All Members of the Board of Directors have directors & officers insurance.

# Statement of Responsibility of the Annual Report and Consolidated Financial Statements

WE HEREBY PRESENT OUR STATEMENT OF RESPONSIBILITY AS PER THE 9<sup>TH</sup> ARTICLE OF THE CAPITAL MARKETS BOARD'S (CMB) "COMMUNIQUE N.II- 14.1. AND THE DECISION TAKEN ON THE 6<sup>TH</sup> OF MARCH 2016 BY THE BOARD OF DIRECTORS REGARDING THE APPROVAL OF THE CONSOLIDATED FINANCIAL STATEMENTS

- we have reviewed BİM Birleşik Mağazalar A.Ş.'s consolidated financial statements and related footnotes, and consolidated annual report issued for the accounting period between the 1<sup>st</sup> of January and the 31<sup>st</sup> of December 2016, as per the Capital Markets Board's (CMB) "Communiqué II- 14.1. (Communiqué) on the principles of financial reporting in capital markets", and

- we have concluded – within the framework of the information we have obtained in our area of duty and responsibility at our company – that they do not include any statements about any material matters that would be contrary to facts and do not have any imperfections that could be misleading as of the date the statement was made

- within the framework of the information we have obtained in our area of duty and responsibility at our company, and

- we have concluded – within the framework of the information we have obtained in our area of duty and responsibility at our company – that the consolidated financial statements, issued in accordance with the applicable financial reporting standards, truly reflect the facts about the Company's assets, liabilities, financial situation, and profit and loss and that the annual report truly reflects the progress of the business, the performance of the Company, the consolidated financial situation of the Company, significant risks and uncertainties the Company faces.

Best Regards.

Respectfully,

BİM Birleşik Mağazalar A.Ş.

# Convenience Translation into English of Independent Auditor's Report on the Board of Directors' Annual Report Originally Issued in Turkish

To the Board of Directors of BİM Birleşik Mağazalar A.Ş.

## Auditor's Report on the Board of Directors' Annual Report

1. We have audited the annual report of BİM Birleşik Mağazalar A.Ş. (the "Company") and its Subsidiaries (collectively referred to as the "Group") for the period ended 31 December 2016.

## Board of Directors' responsibility for the Annual Report

2. The Group management is responsible for the fair preparation of the annual report and its consistency with the consolidated financial statements in accordance with Article 514 of Turkish Commercial Code ("TCC") No. 6102 and Capital Markets Board's ("CMB") Communiqué Serial II, No: 14.1, "Principles of Financial Reporting in Capital Markets" (the "Communiqué") and for such internal control as management determines is necessary to enable the preparation of the annual report.

## Independent Auditor's Responsibility

3. Our responsibility is to express an opinion on the Group's annual report based on the independent audit conducted pursuant to Article 397 of TCC and the Communiqué, whether or not the financial information included in this annual report is consistent with the Group's consolidated financial statements that are subject to independent auditor's report dated 6 March 2017 and presented fairly.

Our independent audit was conducted in accordance with Independent Auditing Standards that are part of the Turkish Standards on Auditing issued by the Public Oversight Accounting and Auditing Standards Authority. Those standards require that ethical requirements are complied with and that the independent audit is planned and performed to obtain reasonable assurance whether the financial information in the annual report is fairly presented and consistent with the consolidated financial statements.

An independent audit requires applying audit procedures to obtain audit evidence on the historical financial information. The procedures selected depend on the professional judgement of the independent auditor.

We believe that the independent audit evidences we have obtained during our independent audit, are sufficient and appropriate to provide a basis for our opinion.

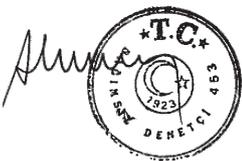
## Opinion

4. Based on our opinion, the financial information in the annual report of Board of Directors of BİM Birleşik Mağazalar A.Ş. is consistent with the audited consolidated financial statements and presented fairly, in all material respects.

## Other Responsibilities Arising From Regulatory Requirements

5. Pursuant to subparagraph 3 of Article 402 of the TCC No. 6102, within the context of ISA 570 "Going Concern", we have not encountered any significant issue which we are required to be reported with regard to the inability of Group to continue its operations for the foreseeable future.

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



Adnan Akan, SMMM  
Partner  
Istanbul, 6 March 2017

# BİM BİRLEŐİK MAĐAZALAR A.Ő.

CONVENIENCE TRANSLATION INTO ENGLISH  
OF CONSOLIDATED FINANCIAL  
STATEMENTS FOR THE PERIOD  
1 JANUARY - 31 DECEMBER 2016

(ORIGINALLY ISSUED IN TURKISH)



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

To the Board of Directors of BİM Birleşik Mağazalar A.Ş.;

**Report on the Consolidated Financial Statements**

1. 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 2016 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 period then ended and a summary of significant accounting policies and other explanatory notes.

*Management's Responsibility for the Consolidated Financial Statements*

2. The Group's management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with Turkish Accounting Standards 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.

*Independent Auditor's Responsibility*

3. Our responsibility is to express an opinion on these consolidated financial statements based on our audit. Our audit was conducted in accordance with standards on auditing issued by the Capital Markets Board of Turkey and Independent Auditing Standards that part of Turkish Standards on Auditing issued by the Public Oversight Accounting and Auditing Standards Authority. Those standards require that ethical requirements are complied with and that the audit is planned and performed to obtain reasonable assurance whether the consolidated financial statements are free from material misstatement.

An independent audit involves performing procedures to obtain evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on independent auditor's professional judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to error or fraud. In making those risk assessments, the independent auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements 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 entity's internal control. An independent audit includes also evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the independent audit evidence we have obtained during our audit is sufficient and appropriate to provide a basis for our audit opinion.

*Opinion*

4. In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of BİM Birleşik Mağazalar A.Ş. and its Subsidiaries as at 31 December 2016 and their financial performance and cash flows for the period then ended in accordance with Turkish Accounting Standards.

**Other Responsibilities Arising From Regulatory Requirements**

5. In accordance with subparagraph 4 of Article 398 of the Turkish Commercial Code ("TCC") No: 6102; Auditor's Report on the Early Risk Identification System and Committee has been submitted to the Company's Board of Directors on 6 March 2017.

6. In accordance with subparagraph 4 of Article 402 of the TCC; no significant matter has come to our attention that causes us to believe that the Company's bookkeeping activities for the period 1 January - 31 December 2016 is not in compliance with the code and provisions of the Company's articles of association in relation to financial reporting.

7. In accordance with subparagraph 4 of Article 402 of the TCC; the Board of Directors made the necessary explanations and provided the required documents within the context of our audit.

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

  
**Adnan Akan, SMMM**  
Partner



Istanbul, 6 March 2017

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 2016

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

# BİM BİRLEŞİK MAĞAZALAR A.Ş.

## CONSOLIDATED BALANCE SHEETS

AT 31 DECEMBER 2016 AND 2015

(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	31 December	31 December
		2016	2015
		Audited	Audited
<b>Current Assets</b>		<b>2.654.633</b>	<b>2.160.683</b>
<b>Cash and Cash Equivalents</b>	4	<b>578.435</b>	<b>348.789</b>
<b>Trade Receivables</b>	7	<b>645.505</b>	<b>525.685</b>
- Trade Receivables From Third Parties		645.505	525.685
<b>Other Receivables</b>	8	<b>51.289</b>	<b>44.166</b>
- Other Receivables From Related Parties		39.531	39.879
- Other Receivables From Third Parties		11.758	4.287
<b>Inventories</b>	9	<b>1.119.020</b>	<b>975.267</b>
<b>Prepaid Expenses</b>	13	<b>107.328</b>	<b>120.708</b>
<b>Current Income Tax Assets</b>	24	<b>131.528</b>	<b>128.235</b>
<b>Other Current Assets</b>	15	<b>21.528</b>	<b>17.833</b>
<b>Non-current Assets</b>		<b>2.334.504</b>	<b>2.007.102</b>
<b>Financial Investments</b>	5	<b>193.429</b>	<b>181.755</b>
<b>Other Receivables</b>		<b>4.012</b>	<b>3.480</b>
- Other Receivables From Third Parties		4.012	3.480
<b>Property, Plant and Equipment</b>	10	<b>2.090.824</b>	<b>1.784.675</b>
<b>Intangible Assets</b>	11	<b>7.402</b>	<b>5.350</b>
- Other Intangible Assets		7.402	5.350
<b>Prepaid Expenses</b>	13	<b>36.112</b>	<b>30.215</b>
<b>Deferred Tax Assets</b>	24	<b>2.725</b>	<b>1.627</b>
<b>Total Assets</b>		<b>4.989.137</b>	<b>4.167.785</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

### AT 31 DECEMBER 2016 AND 2015

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

LIABILITIES	Notes	31 December 2016 Audited	31 December 2015 Audited
<b>Current Liabilities</b>		<b>2.967.849</b>	<b>2.399.268</b>
<b>Short Term Financial Liabilities</b>	<b>6</b>	<b>-</b>	<b>20.260</b>
<b>Trade Payables</b>		<b>2.625.175</b>	<b>2.108.958</b>
- Trade Payables to Related Parties	26	272.520	195.864
- Trade Payables to Third Parties	7	2.352.655	1.913.094
<b>Other Payables</b>		<b>192</b>	<b>111</b>
- Other Payables to Third Parties		192	111
<b>Deferred Revenue</b>		<b>14.559</b>	<b>7.279</b>
<b>Employee Benefit Obligations</b>		<b>51.331</b>	<b>23.506</b>
<b>Current Provisions</b>	<b>12</b>	<b>49.049</b>	<b>29.928</b>
- Provision for Employee Benefits		11.032	6.312
- Other Short Term Provisions		38.017	23.616
<b>Current Income Tax Liabilities</b>	<b>24</b>	<b>172.597</b>	<b>162.882</b>
<b>Other Current Liabilities</b>	<b>15</b>	<b>54.946</b>	<b>46.344</b>
<b>Non-current Liabilities</b>		<b>120.111</b>	<b>98.158</b>
<b>Long Term Provisions</b>	<b>14</b>	<b>77.671</b>	<b>60.368</b>
- Long Term Provision for Employee Benefits		77.671	60.368
<b>Deferred Tax Liabilities</b>	<b>24</b>	<b>42.440</b>	<b>37.790</b>
<b>Equity</b>		<b>1.901.177</b>	<b>1.670.359</b>
<b>Equity Attributable to Parent</b>		<b>1.901.177</b>	<b>1.670.359</b>
<b>Paid-in Share Capital</b>	<b>16</b>	<b>303.600</b>	<b>303.600</b>
<b>Treasury Shares</b>	<b>16</b>	<b>(61.111)</b>	<b>-</b>
<b>Other Comprehensive Income/Expense Not to Be Reclassified to Profit or Loss</b>		<b>231.603</b>	<b>244.929</b>
- Increase on Revaluation of Property and Equipment	16	279.957	279.957
- Actuarial Loss Arising from Employee Benefits		(48.354)	(35.028)
<b>Other Comprehensive Income/Expense to Be Reclassified to Profit or Loss</b>		<b>(8.205)</b>	<b>23.876</b>
- Currency Translation Differences		(36.956)	4.464
- Gain on Revaluation of Available for Sale Financial Assets		28.751	19.412
<b>Restricted Reserves</b>		<b>296.387</b>	<b>203.399</b>
<b>Retained Earnings</b>		<b>468.044</b>	<b>311.424</b>
<b>Net Income for the Period</b>		<b>670.859</b>	<b>583.131</b>
<b>Total Liabilities</b>		<b>4.989.137</b>	<b>4.167.785</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 PROFIT OR LOSS AND COMPREHENSIVE INCOME FOR THE YEARS ENDED

31 DECEMBER 2016 AND 2015

(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 2016	Audited 31 December 2015
<b>INCOME OR LOSS</b>			
Revenue	17	20.071.717	17.428.497
Cost of Sales (-)	17	(16.708.737)	(14.612.083)
<b>GROSS PROFIT</b>		<b>3.362.980</b>	<b>2.816.414</b>
Marketing Expenses (-)	18	(2.245.309)	(1.844.990)
General Administrative Expenses (-)	18	(334.415)	(274.555)
Other Operating Income	20	24.915	27.173
Other Operating Expense (-)	20	(10.573)	(6.230)
<b>OPERATING PROFIT</b>		<b>797.598</b>	<b>717.812</b>
Income from Investing Activities	23	11.791	1.348
<b>OPERATING PROFIT BEFORE FINANCIAL INCOME</b>		<b>809.389</b>	<b>719.160</b>
Financial Income	21	62.664	36.303
Financial Expense (-)	22	(22.872)	(6.490)
<b>PROFIT BEFORE TAX FROM CONTINUED OPERATIONS</b>		<b>849.181</b>	<b>748.973</b>
- Current Income Tax Expense	24	(172.222)	(164.647)
- Deferred Tax Expense	24	(6.100)	(1.195)
<b>PROFIT FROM CONTINUED OPERATIONS</b>		<b>670.859</b>	<b>583.131</b>
<b>NET INCOME FOR THE PERIOD</b>		<b>670.859</b>	<b>583.131</b>
<b>Profit for The Period Attributable to</b>			
Non-controlling Interest		-	-
Equity Holders of the Parent		670.859	583.131
<b>Earnings Per Share</b>			
Earnings Per Share from Continued Operations (Full TRY)	25	2,220	1,921
Earnings Per Share from Discontinued Operations		-	-
<b>Other Comprehensive Income/ (Expense)</b>			
<b>Items not to be Classified to Profit or Loss</b>			
Actuarial (Loss) Arising from Employee Benefits		(13.326)	(9.608)
Property and Equipment Revaluation Reserve		-	201.634
<b>Items to be Classified to Profit or Loss</b>			
Gain on Revaluation of Available for Sale Financial Assets		9.339	19.412
Currency Translation Differences		(41.420)	(4.742)
<b>Other Comprehensive (Expense)/ Income</b>		<b>(45.407)</b>	<b>206.696</b>
<b>Total Comprehensive Income</b>		<b>625.452</b>	<b>789.827</b>
<b>Total Comprehensive Income Attributable to</b>			
Non-controlling Interest		-	-
Equity Holders of the Parent		625.452	789.827

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 2016 AND 2015

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

	Audited									
	Paid-in share capital	Treasury shares	Restricted reserves	Other comprehensive income not to be reclassified to profit or loss		Other comprehensive income to be reclassified to profit or loss		Retained earnings		Total equity
				Increase on revaluation of property and equipment	Actuarial loss arising from employee benefits	Currency translation difference	Gain on revaluation of available for sale financial assets	Retained earnings	Net income for the period	
<b>Balance at 1 January 2015</b>	303.600	-	169.541	78.323	(25.420)	9.206	-	218.982	395.299	1.149.531
Transfers	-	-	33.858	-	-	-	-	361.441	(395.299)	-
Increase/decrease through treasury shares transactions	-	-	-	-	-	-	-	4.018	-	4.018
Dividend (Note 16)	-	-	-	-	-	-	-	(273.017)	-	(273.017)
Total comprehensive income	-	-	-	201.634	(9.608)	(4.742)	19.412	-	583.131	789.827
<b>Balance at 31 December 2015</b>	303.600	-	203.399	279.957	(35.028)	4.464	19.412	311.424	583.131	1.670.359
<b>Balance at 1 January 2016</b>	303.600	-	203.399	279.957	(35.028)	4.464	19.412	311.424	583.131	1.670.359
Transfers	-	-	31.877	-	-	-	-	551.254	(583.131)	-
Increase/decrease through treasury shares transactions	-	(61.111)	61.111	-	-	-	-	(61.111)	-	(61.111)
Dividend (Note 16)	-	-	-	-	-	-	-	(333.523)	-	(333.523)
Total comprehensive income	-	-	-	-	(13.326)	(41.420)	9.339	-	670.859	625.452
<b>Balance at 31 December 2016</b>	303.600	(61.111)	296.387	279.957	(48.354)	(36.956)	28.751	468.044	670.859	1.901.177

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 CASH FLOWS FOR THE YEARS ENDED 31 DECEMBER 2016 AND 2015

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 2016	Audited 1 January - 31 December 2015
<b>A. CASH FLOWS FROM OPERATING ACTIVITIES</b>		<b>1.184.306</b>	<b>786.266</b>
<b>Profit for the period</b>		<b>670.859</b>	<b>583.131</b>
<b>Adjustments to reconcile profit for the period</b>		<b>419.279</b>	<b>338.821</b>
Depreciation and amortisation	10,11,19	213.695	168.387
<b>Adjustment related to impairment</b>		<b>6.098</b>	<b>7.268</b>
- Adjustment related to impairment on inventories	9	5.992	7.258
- Adjustment related to impairment on receivables	8	106	10
Adjustments related to provisions		70.817	29.233
- Adjustment related to provision for employment termination benefits		56.416	28.191
- Adjustment related to provision for lawsuit	12	4.767	385
- Adjustment related to other provisions	12	9.634	657
Adjustments related to interest income		(17.512)	(15.266)
Adjustments for profit share or other financial instruments (income)/expenses		(20.350)	(15.295)
Adjustments related to tax income/ expenses	24	178.322	165.842
Adjustments to (gain) on sale of property and equipment	23	(5.075)	(1.348)
Other adjustments related to cash flows arising from investing and financing activities	23	(6.716)	-
<b>Changes in net working capital</b>		<b>277.257</b>	<b>28.976</b>
Adjustments related to increases in inventories		(149.745)	(175.230)
Adjustments related to increases in trade receivables		(119.820)	(80.355)
Adjustments related to increases in other receivables related with operations		(7.761)	(28.870)
Adjustments related to increases in trade payables		533.729	318.718
Adjustments related to increases in other payables		81	(475)
Adjustments related to decreases / (increases) in other net working capital		20.773	(4.812)
<b>Net cash generated from operating activities</b>		<b>1.367.395</b>	<b>950.928</b>
Income taxes paid	24	(166.175)	(151.381)
Employee termination benefits paid	14	(16.914)	(13.281)
<b>B. CASH FLOWS FROM INVESTING ACTIVITIES</b>		<b>(537.641)</b>	<b>(486.742)</b>
Proceeds from disposal of tangible and intangible assets	10,11,23	18.037	12.596
Cash outflows from purchase of tangible and intangible assets	10,11	(554.979)	(490.396)
- Purchases of tangible assets		(550.512)	(487.948)
- Purchases of intangible assets		(4.467)	(2.448)
Cash outflows from advances given		(7.415)	(8.942)
Dividends received	23	6.716	-
<b>C. CASH FLOWS FROM FINANCING ACTIVITIES</b>		<b>(394.307)</b>	<b>(251.588)</b>
Proceeds from financial liabilities		-	2.933
Payments of financial liabilities		(20.260)	-
Profit share received		20.587	14.478
Dividends paid		(333.523)	(273.017)
Acquisition of treasury shares		(61.111)	(19.602)
Cash received from sale of treasury shares		-	23.620
<b>NET DECREASE IN CASH AND CASH EQUIVALENTS BEFORE CURRENCY TRANSLATION DIFFERENCES (A+B+C)</b>		<b>252.358</b>	<b>47.936</b>
<b>D. EFFECTS OF CURRENCY TRANSLATION DIFFERENCES ON CASH AND CASH EQUIVALENTS</b>		<b>(22.475)</b>	<b>(24.279)</b>
<b>NET INCREASE IN CASH AND CASH EQUIVALENTS (A+B+C+D)</b>		<b>229.883</b>	<b>23.657</b>
<b>E. CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE PERIOD</b>	<b>4</b>	<b>347.636</b>	<b>323.979</b>
<b>CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD(A+B+C+D+E)</b>	<b>4</b>	<b>577.519</b>	<b>347.636</b>

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

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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.)

#### 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 650 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 2016. 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 2017 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 issue.

For the periods ended 31 December 2016 and 2015, the average number of employees in accordance with their categories is shown below:

	1 January - 31 December 2016	1 January - 31 December 2015
Office personnel	2.291	2.083
Warehouse personnel	3.766	3.428
Store personnel	29.453	26.745
<b>Total</b>	<b>35.510</b>	<b>32.256</b>

As of 31 December 2016, the Group operates in 6.167 stores (31 December 2015: 5.400).

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

##### 2.1 Basis of presentation

The consolidated financial statements are prepared in accordance with Communiqué Serial II, No:14.1, "Principles of Financial Reporting in Capital Markets" ("the Communiqué") published in the Official Gazette numbered 28676 on 13 June 2013. According to Article 5 of the Communiqué, consolidated financial statements are prepared in accordance with the Turkish Accounting Standards issued by Public Oversight Accounting and Auditing Standards Authority ("POAASA"). TAS contains Turkish Accounting Standards, Turkish Financial Reporting Standards ("TFRS") and its addendum and interpretations ("IFRIC").

The consolidated financial statements of the Group issued in accordance with the decision taken on 7 June 2013 by the CMB.

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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 “Announcement regarding with TAS Taxonomy” which was published on 2 June 2016 by POAASA and the format and mandatory information recommended.

#### *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 2016 are consistent with those of the previous financial year, except for the adoption of new and amended TFRS and IFRIC interpretations effective as of 1 January 2016. The effects of these standards and interpretations on the Group’s financial position and performance have been disclosed in the related paragraphs.

Group has implemented the new and revised standards and interpretations effective from 1 January 2016 which are related to its main operations.

#### *a. Amendments to published standards and interpretations effective starting from 31 December 2016*

- **TFRS 14 “Regulatory deferral accounts”**; effective from annual periods beginning on or after 1 January 2016. TFRS 14, ‘Regulatory deferral accounts’ permits first-time adopters to continue to recognise amounts related to rate regulation in accordance with their previous GAAP requirements when they adopt TFRS. However, to enhance comparability with entities that already apply TFRS and do not recognise such amounts, the standard requires that the effect of rate regulation must be presented separately from other items. The standard has no impact on the financial position or performance of the Group.
- Annual improvements 2014, effective from annual periods beginning on or after 1 January 2016. These set of amendments impacts 4 standards:
  - TFRS 5 “Non-current assets held for sale and discontinued operations” regarding methods of disposal.
  - TFRS 7 “Financial instruments: Disclosures”, (with consequential amendments to TFRS 1) regarding servicing contracts.
  - TAS 19 “Employee benefits” regarding discount rates.
  - TAS 34 “Interim financial reporting” regarding disclosure of information.
- **Amendment to TFRS 11 “Joint arrangements”** on acquisition of an interest in a joint operation, effective from annual periods beginning on or after 1 January 2016. This amendment adds new guidance on how to account for the acquisition of an interest in a joint operation that constitutes a business. The amendments specify the appropriate accounting treatment for such acquisitions. The standard has no impact on the financial position or performance of the Group.

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- **Amendments to TAS 16 "Property, plant and equipment"**, and TAS 41 "Agriculture", regarding bearer plants, effective from annual periods beginning on or after 1 January 2016. These amendments change the financial reporting for bearer plants, such as grape vines, rubber trees and oil palms. It has been decided that bearer plants should be accounted for in the same way as property, plant and equipment because their operation is similar to that of manufacturing. Consequently, the amendments include them within the scope of TAS 16, instead of TAS 41. The produce growing on bearer plants will remain within the scope of TAS 41. The standart has no impact on the financial position or performance of the Group.
- **Amendment to TAS 16 "Property, plant and equipment"** and TAS 38 "Intangible assets", on depreciation and amortisation, effective from annual periods beginning on or after 1 January 2016. In this amendment the it has clarified that the use of revenue based methods to calculate the depreciation of an asset is not appropriate because revenue generated by an activity that includes the use of an asset generally reflects factors other than the consumption of the economic benefits embodied in the asset. It is also clarified that revenue is generally presumed to be an inappropriate basis for measuring the consumption of the economic benefits embodied in an intangible asset. The standart has no impact on the financial position or performance of the Group.
- **Amendments to TAS 27 "Separate financial statements"** on the equity method, effective from annual periods beginning on or after 1 January 2016. These amendments allow entities to use the equity method to account for investments in subsidiaries, joint ventures and associates in their separate financial statements. The standart has no impact on the financial position or performance of the Group.
- **Amendment to TFRS 10 "Consolidated financial statements"** and TAS 28 "Investments in associates and joint ventures", effective from annual periods beginning on or after 1 January 2016. These amendments clarify the application of the consolidation exception for investment entities and their subsidiaries. The standart has no impact on the financial position or performance of the Group.
- **Amendment to TAS 1 "Presentation of financial statements"** on the disclosure initiative, effective from annual periods beginning on or after 1 January 2016, these amendments are as part of the IASB initiative to improve presentation and disclosure in financial reports. The standart has no impact on the financial position or performance of the Group.

*b. Standards, amendments and interpretations issued as of 31 December 2016 but not effective:*

- **Amendments to TAS 7 "Statement of cash flows"** on disclosure initiative, effective from annual periods beginning on or after 1 January 2017. These amendments introduce an additional disclosure that will enable users of financial statements to evaluate changes in liabilities arising from financing activities. The amendment is part of the IASB's Disclosure Initiative, which continues to explore how financial statement disclosure can be improved. This standard is not expected to have a significant effect on the financial position and performance of the Group.
- **Amendments TAS 12 "Income Taxes"**, effective from annual periods beginning on or after 1 January 2017. The amendments clarify the accounting for deferred tax where an asset is measured at fair value and that fair value is below the asset's tax base. It also clarify certain other aspects of accounting for deferred tax assets. This standard is not expected to have a significant effect on the financial position and performance of the Group.
- **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. This standard is not expected to have a significant effect on the financial position and performance of the Group.

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- **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. This standard is not expected to have a significant effect on the financial position and performance of the Group.
- **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. This standard is not expected to have a significant effect on the financial position and performance of the Group.
- **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. This standard is not expected to have a significant effect on the financial position and performance of the Group.
- **TFRS 16 “Leases”**, effective from annual periods beginning on or after 1 January 2019, This standard replaces the current guidance in TAS 17 and is a far-reaching 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. The effects of the standard on the Group’s financial position and performance are being evaluated.
- **Amendments to TFRS 4 “Insurance contracts”** regarding the implementation of TFRS 9, ‘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. This standard is not expected to have a significant effect on the financial position and performance of the Group.
- **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. This standard is not expected to have a significant effect on the financial position and performance of the Group.
- Annual improvements 2014–2016, effective from annual periods beginning on or after 1 January 2018. These amendments impact 3 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 effective 1 January 2018.
  - **TFRS 12 “Disclosure of interests in other entities”** regarding clarification of the scope of the standard. These amendments should be applied retrospectively for annual periods beginning on or after 1 January 2017.

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- TAS 28 "Investments in associates and joint ventures" regarding measuring an associate or joint venture at fair value effective 1 January 2018.
- 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.

Group will evaluate the effect of the aforementioned changes within its operations and apply changes starting from effective dates.

#### 2.3 Compliance with TAS

The Group prepared its consolidated financial statements for the period ended 31 December 2016 in accordance with the framework of the Communiqué Serial: II and numbered 14.1 and the related announcements. The consolidated financial statements and its accompanying notes are presented in compliance with the formats recommended by the CMB including the implementation of 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 Maroc 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, TRY1 = MAD 2,8780 amounts in the statement of comprehensive income have been translated into TRY, at the average TRY exchange rate for purchases of MAD, is TRY1 = 3,2612. 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, TRY1 = EGP 5,1472, at the average TRY exchange rate for purchases of EGP, is TRY1 = EGP 3,1556. Differences that occur by the usage of closing and average exchange rates are followed under currency translation differences classified under equity.

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

The consolidated financial statements of the Group include comparative financial information to enable the determination of the financial position and performance. Comparative figures are reclassified, where necessary, to conform to changes in presentation in the current period consolidated financial statements.

Unused vacation balance amounting to TRY3.757, which had been classified in long term provision for employee benefits as of 31 December 2015, is reclassified in short term provisions for employee benefits.

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## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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#### 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 2016. 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.

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.

#### 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 the TAS require the Group management to make estimates and assumptions that affect certain reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of 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 recognized in the income statement when they are realized.

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. 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. Net sales represent the invoiced value of goods stated net of returns and value added taxes. Retail sales are generally in cash or credit card.

#### Sale of Goods

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

- The Group has transferred to the buyer all the significant risks and rewards of ownership of the goods,
- The Group retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold,
- The amount of revenue can be measured reliably,
- It is probable that the economic benefits associated with the transaction will flow to the entity, and
- The costs incurred or to be incurred in respect of the transaction can be measured reliably.

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#### Financial income

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

#### Dividend income

Dividend income is recognized in the consolidated financial statements when the right to receive payment is established.

#### 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 with original maturities of three months or less and that are readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value not used for investment purposes.

#### 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 10 days term (31 December 2015: 10 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.

#### Inventories

Inventories are stated at the lower of cost or net realizable value. Costs comprise purchase cost and, where applicable and the 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 applicable variable selling expenses.

#### 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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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:

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

Expected useful life, residual value and amortisation method are evaluated every year for the probable effects of changes arising in the expectations and are accounted for prospectively

When a revaluated 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.

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.

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#### 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.

##### Loans and receivables

Loans and receivables 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 and cash and cash equivalents are classified in this category.

##### Available-for-sale financial assets

Available-for-sale financial assets 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. Available-for-sale financial assets and financial assets at fair value through profit or loss are subsequently carried at fair value. Loans and receivables are subsequently carried at amortised cost using the effective interest method.

Gains or losses arising from changes in the fair value of the 'financial assets at fair value through profit or loss' category are presented in the income statement within 'Other (losses)/gains - net' in the period in which they arise. Dividend income from financial assets at fair value through profit or loss is recognised in the income statement as part of other income when the group's right to receive payments is established.

Changes in the fair value of monetary and non-monetary securities classified as available for sale are recognised in other comprehensive income.

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Interest on available-for-sale securities calculated using the effective interest method is recognised in the income statement as part of other income. Dividends on available-for-sale equity instruments are recognised in the income statement as part of other income when the group's right to receive payments is established.

#### 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.

#### *Assets carried 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.

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'.

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#### Trade payables

Trade payables which generally have an average of 51 days term (31 December 2015: 49 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 2016	3,5192	3,7099
31 December 2015	2,9076	3,1776

#### 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.

#### 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.

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#### *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).

#### **Income taxes**

##### **Current Income Taxes and Deferred Tax Expense**

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.

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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 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.

#### 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.

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### 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

	31 December 2016	31 December 2015
Cash on hand	122.780	105.401
Banks		
- demand deposits	99.140	76.875
- profit share deposits	267.262	134.801
Cash in transit	89.253	31.712
	578.435	348.789
Less: accrual for profit share	(916)	(1.153)
<b>Cash and cash equivalents for cash flow</b>	<b>577.519</b>	<b>347.636</b>

As of 31 December 2016 and 2015 there is no restricted cash. As of 31 December 2016, amounting to TRY231.534 of total profit share deposits are in TRY and the gross rate for profit share from participation banks for TRY is gross 8,13% per annum (31 December 2015: gross 8.25% per annum) and average maturity is 50 days (31 December 2015: 60 days). Profit share deposits in foreign exchange are in USD and gross rate for profit share from participation banks is gross 1,75% for USD deposits (31 December 2015: None) and average maturities are 39 days (31 December 2015: None). 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.

### 5. Financial assets

#### a) Subsidiaries

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

Name of subsidiary	Share	31 December 2016	31 December 2015
Ideal Standart İşletmecilik ve Müessesilik San. ve Tic. A.Ş. ("Ideal Standart") <sup>(1)</sup>	100%	12.590	12.590
		<b>12.590</b>	<b>12.590</b>

<sup>(1)</sup> Ideal Standart is carried at cost and since the financial statements of the Company are not material for the Group's consolidated financial statements or does not have a significant influence, are not included in the scope of consolidation and the ratio of total assets and turnover of the Company is less than 1% to the Group's consolidated total assets and turnover.

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#### b) Available-for-sale financial assets

The details of available-for-sale financial assets of the Group are as below:

Name of available-for-sale financial assets	Share	31 December 2016	31 December 2015
Ziylan Mağazacılık ve Pazarlama A.Ş. ("Ziylan") <sup>(*)</sup> <sup>(**)</sup>	11,5%	180.839	169.165
		<b>180.839</b>	<b>169.165</b>

<sup>(\*)</sup> As of 31 December 2016 the fair value of aforementioned available-for-sale financial asset is calculated by the Company by using discounted cash flow analysis method. The balance before net off deferred tax amounting to TRY11.674 comprises increase in fair value of available-for-sale financial asset which is accounted under "Gain on revaluation of available for sale financial assets" in other comprehensive income.

<sup>(\*\*)</sup> As of 30 December 2016 the formerly named as Ziylan has been changed to Flo Mağazacılık ve Pazarlama A.Ş.

#### 6. Short-Term Financial Liabilities

The Group has no short term bank borrowings as of 31 December 2016 (31 December 2015: TRY20.260).

#### 7. Trade receivables and payables

##### a) Trade Receivables From Third Parties

	31 December 2016	31 December 2015
Credit card receivables	645.505	525.685
	<b>645.505</b>	<b>525.685</b>

As of 31 December 2016 the average term of credit card receivables is 11 days (31 December 2015: 10 days).

##### b) Trade Payables to Third Parties

	31 December 2016	31 December 2015
Trade payables to suppliers	2.368.411	1.928.360
Unincurred rediscount expense (-)	(15.756)	(15.266)
	<b>2.352.655</b>	<b>1.913.094</b>

As of 31 December 2016 the average term of trade payables is 51 days (31 December 2015: 49 days). As of 31 December 2016 letters of guarantee and cheques are amounting to TRY74.324 and mortgages are amounting to TRY44.814 (31 December 2015: TRY46.127 letters of guarantee and cheques, TRY41.488 mortgages).

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#### 8. Other receivables and payables

##### a) Other Receivables From Related Parties

	31 December 2016	31 December 2015
Receivables from related parties <sup>(*)</sup>	39.531	39.879
	<b>39.531</b>	<b>39.879</b>

<sup>(\*)</sup> As of 31 December 2016 receivables from related parties consist of advances given to Golf Gıda Pazarlama ve Dağıtım Ltd. Şti. and other related parties (As of 31 December 2015 receivables consist of advances given to Natura Gıda Sanayi ve Ticaret A.Ş. and other related parties).

##### b) Other Receivables From Third Parties

	31 December 2016	31 December 2015
Other receivables	11.758	4.287
Doubtful receivables	445	360
Less: Allowance for doubtful receivables	(445)	(360)
	<b>11.758</b>	<b>4.287</b>

As of 31 December 2016 and 2015, the Group does not have any overdue receivables except for doubtful receivables.

The movement of provision for doubtful receivables as of 31 December 2016 and 2015 is as follows:

	2016	2015
Opening balance – 1 January	360	372
Provision provided during the year	106	10
Collection during the current period	(21)	(22)
<b>Closing balance – 31 December</b>	<b>445</b>	<b>360</b>

#### 9. Inventories

	31 December 2016	31 December 2015
Trade goods, net	1.108.209	963.155
Other	10.811	12.112
	<b>1.119.020</b>	<b>975.267</b>

Cost of inventories amounting to TRY17.138.479 (31 December 2015: TRY14.888.114) expensed under cost of sales.

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The movement of the impairment on inventories during 2016 is as follows:

	2016	2015
Opening balance – 1 January	7.258	3.460
Sales	(7.258)	(3.460)
Impairment	5.992	7.258
<b>Closing balance – 31 December</b>	<b>5.992</b>	<b>7.258</b>

As of 31 December 2016, allowance for impairment on trade goods amounting to TRY5.992 (31 December 2015: TRY7.258). Amount of the goods that were reversed are due to sales and has been recognized in cost of sales in the income statement.

#### 10. Property, plant and equipment

The movements of property and equipment and the related accumulated depreciation for the periods ended 31 December 2016 and 2015 are as follows:

	1 January 2016	Additions	Disposals	Transfers	Currency translation difference	31 December 2016
<b>Cost or revalued amount:</b>						
Land	505.940	28.046	-	-	(1.213)	532.773
Land improvements	7.589	1.441	-	359	-	9.389
Buildings	398.057	25.283	(899)	127.824	(8.260)	542.005
Leasehold improvements	529.244	123.079	(6.978)	4.507	1.255	651.107
Machinery and equipment	645.720	155.237	(12.259)	3.784	(7.558)	784.924
Vehicles	125.910	31.250	(19.389)	4.188	44	142.003
Furniture and fixtures	255.481	54.507	(3.906)	660	(1.290)	305.452
Construction in progress	51.350	131.669	(615)	(141.322)	(1.596)	39.486
	2.519.291	550.512	(44.046)	-	(18.618)	3.007.139
<b>Less : Accumulated depreciation:</b>						
Land improvements	(4.603)	(1.109)	-	-	-	(5.712)
Buildings	-	(28.444)	49	-	285	(28.110)
Leasehold improvements	(210.511)	(56.018)	3.760	-	(2.442)	(265.211)
Machinery and equipment	(290.266)	(68.596)	9.574	-	1.008	(348.280)
Vehicles	(62.911)	(23.219)	14.048	-	(153)	(72.235)
Furniture and fixtures	(166.325)	(33.848)	3.655	-	(249)	(196.767)
	(734.616)	(211.234)	31.086	-	(1.551)	(916.315)
<b>Net book value</b>	<b>1.784.675</b>					<b>2.090.824</b>

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	1 January 2015	Additions	Disposals	Transfers	Net off	Loss on revaluation	Revaluation fund	Currency translation difference	31 December 2015
<b>Cost or revalued amount:</b>									
Land	291.456	45.331	-	(1.040)	-	-	168.944	1.249	505.940
Land improvements	6.094	1.495	-	-	-	-	-	-	7.589
Buildings	289.825	55.264	(39)	42.369	(40.911)	(769)	51.563	755	398.057
Leasehold improvements	426.640	102.319	(8.382)	1.508	-	-	-	7.159	529.244
Machinery and equipment	527.365	117.935	(11.473)	7.136	-	-	-	4.757	645.720
Vehicles	107.298	27.245	(13.029)	3.682	-	-	-	714	125.910
Furniture and fixtures	213.381	43.503	(4.345)	1.852	-	-	-	1.090	255.481
Construction in progress	11.836	94.856	-	(55.507)	-	-	-	165	51.350
	1.873.895	487.948	(37.268)	-	(40.911)	(769)	220.507	15.889	2.519.291
<b>Less : Accumulated depreciation</b>									
Land improvements	(3.647)	(956)	-	-	-	-	-	-	(4.603)
Buildings	(23.828)	(17.086)	3	-	40.911	-	-	-	-
Leasehold improvements	(167.597)	(45.450)	4.320	-	-	-	-	(1.784)	(210.511)
Machinery and equipment	(242.017)	(54.406)	8.040	-	-	-	-	(1.883)	(290.266)
Vehicles	(51.452)	(20.914)	9.702	-	-	-	-	(247)	(62.911)
Furniture and fixtures	(142.170)	(27.789)	3.963	-	-	-	-	(329)	(166.325)
	(630.711)	(166.601)	26.028	-	40.911	-	-	(4.243)	(734.616)
<b>Net book value</b>	1.243.184								1.784.675

Depreciation expense amounting to TRY196.817 (1 January - 31 December 2015: TRY154.543) were accounted for in marketing expenses and TRY14.417 (1 January - 31 December 2015: TRY12.058) in general and administrative expenses. 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.

#### Fair values of land and buildings

As of 31 December 2016 and 2015 the land and buildings of the Group have been accounted with their revalued balances. The revaluation surplus net of applicable deferred income taxes was credited to other comprehensive income and is shown in 'increase on revaluation of property and equipment' 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). In 2016 it is assumed that there is no significant change in the fair values of land and buildings.

#### 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 are market comparable method, cost and income approach including discounted cash flow analysis.

#### 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.

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#### 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.

#### 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. Group has revalued their lands and buildings latest in 2015. The fair value of land and buildings have been determined by harmonization of "Discounted Cashflow Analysis", "Direct Capitalization" and "Market Comparable Method".

The movement of revaluation fund of land and buildings of the Group is as follows:

	1 January - 31 December 2016	1 January - 31 December 2015
Opening balance	279.957	78.323
Increase in revaluation reserve	-	220.387
Deferred income tax on revaluation reserve	-	(18.753)
<b>Closing balance</b>	<b>279.957</b>	<b>279.957</b>

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As of 31 December 2016 and 2015, the gross carrying amount of property and equipment and intangibles, which are fully depreciated, but still in use, is as follows:

	31 December 2016	31 December 2015
Machinery and equipment	98.136	87.321
Furniture and fixtures	112.582	101.692
Intangible assets and leasehold improvements	52.639	43.858
Vehicles	16.849	11.274
Land improvements	3.158	2.311
	<b>283.364</b>	<b>246.456</b>

#### Pledges and mortgages on assets

As of 31 December 2016 and 2015, there is no pledge or mortgage on property and equipment of the Group.

#### 11. Intangible assets

The movements of intangible assets and related accumulated amortization for the periods ended 31 December 2016 and 2015 are as follows:

	1 January 2016	Additions	Disposals	Currency translation differences	31 December 2016
<b>Cost</b>					
Rights	18.538	4.467	(145)	234	23.094
Other intangible assets	139	-	-	-	139
	<b>18.677</b>	<b>4.467</b>	<b>(145)</b>	<b>234</b>	<b>23.233</b>
<b>Accumulated amortization</b>					
Rights	(13.290)	(2.449)	143	(186)	(15.782)
Other intangible assets	(37)	(12)	-	-	(49)
	<b>(13.327)</b>	<b>(2.461)</b>	<b>143</b>	<b>(186)</b>	<b>(15.831)</b>
<b>Net book value</b>	<b>5.350</b>				<b>7.402</b>

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	1 January 2015	Additions	Disposals	Currency translation differences	31 December 2015
<b>Cost</b>					
Rights	16.111	2.393	(32)	66	18.538
Other intangible assets	84	55	-	-	139
	<b>16.195</b>	<b>2.448</b>	<b>(32)</b>	<b>66</b>	<b>18.677</b>
<b>Accumulated amortization</b>					
Rights	(11.481)	(1.775)	24	(58)	(13.290)
Other intangible assets	(26)	(11)	-	-	(37)
	<b>(11.507)</b>	<b>(1.786)</b>	<b>24</b>	<b>(58)</b>	<b>(13.327)</b>
<b>Net book value</b>	<b>4.688</b>				<b>5.350</b>

As of 31 December 2016 amortization expense amounting to TRY2.293 (1 January - 31 December 2015: TRY1.657) has been charged in marketing expenses and TRY168 (31 December 2015: TRY129) in general and administrative expenses.

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

## 12. Provisions, contingent assets and liabilities

### a) Short term provision for employee benefits

As of 31 December 2016 and 2015 the short term provision for employee benefits balance amounting to TRY11.032 (31 December 2015: TRY6.312) comprises of provision for unused vacation.

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

	1 January - 31 December 2016	1 January - 31 December 2015
Opening balance	6.312	6.919
Reversals during period	(6.312)	(6.919)
Current year's provision	11.032	6.312
<b>Closing balance</b>	<b>11.032</b>	<b>6.312</b>

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#### b) Other short term provisions

	31 December 2016	31 December 2015
Legal provisions <sup>(*)</sup>	17.917	13.150
Other	20.100	10.466
<b>Total</b>	<b>38.017</b>	<b>23.616</b>

<sup>(\*)</sup> As of 31 December 2016 and 2015, the total amount of outstanding lawsuits filed against the Group, TRY27.453 and TRY20.319 (in historical terms), respectively. The Group recognized provisions amounting to TRY17.917 and TRY13.150 for the related periods, respectively.

The movement of provision for lawsuits is as follows;

	1 January - 31 December 2016	1 January - 31 December 2015
Opening balance	13.150	12.765
Current year's provision	4.767	385
<b>Closing balance</b>	<b>17.917</b>	<b>13.150</b>

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

As of 31 December 2016 and 31 December 2015, breakdown of the guarantees, mortgage and pledges given by the Group is as follows:

	31 December 2016				
	Total TRY equivalent	TRY	USD	Euro	Moroccan Dirham
A. Total amount of guarantees, pledges and mortgages given in the name of	<b>16.285</b>	<b>15.402</b>	<b>250.870</b>	-	-
<i>Guarantee</i>	16.285	15.402	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>16.285</b>	<b>15.402</b>	<b>250.870</b>	-	-

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	31 December 2015				
	Total TRY equivalent	TRY	USD	Euro	Moroccan Dirham
A. Total amount of guarantees, pledges and mortgages given in the name of	14.237	13.510	250.000	-	-
<i>Guarantee</i>	14.237	13.510	250.000	-	-
<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>14.237</b>	<b>13.510</b>	<b>250.000</b>	<b>-</b>	<b>-</b>

#### Insurance coverage on assets

As of 31 December 2016 and 2015, insurance coverage on assets of the Group is TRY1.546.213 and TRY1.221.416 respectively.

### 13. Prepaid expenses

#### a) Short term prepaid expenses

	31 December 2016	31 December 2015
Order advances given	98.701	115.302
Other	8.627	5.406
	<b>107.328</b>	<b>120.708</b>

#### b) Long term prepaid expenses

	31 December 2016	31 December 2015
Advances given for property, plant and equipment	31.266	23.851
Other	4.846	6.364
	<b>36.112</b>	<b>30.215</b>

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#### 14. Long term provision for employee benefits

	31 December 2016	31 December 2015
Provision for employee termination benefits	77.671	60.368
<b>Total</b>	<b>77.671</b>	<b>60.368</b>

Under the Turkish Labor Law, the Group is required to pay employment termination benefits to each employee who has qualified for such benefits as the employment ended. Also, employees entitled to a retirement are required to be paid retirement pay in accordance with Law No: 2422 dated 6 March 1981 and No: 4447 dated 25 August 1999 and the amended Article 60 of the existing Social Insurance Code No: 506.

The amount payable consists of one month's salary limited to a maximum of TRY4.297,21 for each period of service as of 31 December 2016 (31 December 2015: TRY3.828,37). The retirement pay provision ceiling is revised semi-annually, and TRY4.297,21 which is effective from 1 July 2016, is taken into consideration in the calculation of provision for employment termination benefits (effective from 1 January 2016: TRY4.092,53). 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 2016 and 31 December 2015 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 4,25% by assuming an annual inflation rate of 6,0% (31 December 2015: 6,0%) and a discount rate of 10,50% (31 December 2015: 10,50%). The anticipated rate of forfeitures that occurred on voluntary turnovers is considered.

Significant actuarial assumptions are as follows;

The voluntary and involuntary turnover rates used in the calculation of employee termination benefit are 29,44% and 8,53%, (31 December 2015: %30,29 and %8,54) respectively and the rates are calculated as weighted average of various age groups of each specific employee. Average service year is 2,80 for women, 4,36 for men and 3,79 years in total. Retirement age of women and men are 50 and 55 respectively and 53,17 for the Group.

If the discount rate used in calculation of employee termination benefits had been 10% instead of 10,5%, total provision would be TRY79.567 and if the discount rate had been 11%, total provision would be TRY75.849. The aforementioned sensitivity analyses is based on a change in discount rate while holding all other assumptions constant.

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

	1 January - 31 December 2016	1 January - 31 December 2015
Current service cost (Note 19)	11.713	9.675
Financial expense of employee termination benefit (Note 22)	5.846	3.979
<b>Total</b>	<b>17.559</b>	<b>13.654</b>

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

	1 January - 31 December 2016	1 January - 31 December 2015
Opening balance	60.368	47.985
Financial expense of employee termination benefit	5.846	3.979
Current service cost	11.713	9.675
Benefits paid	(16.914)	(13.281)
Actuarial loss for the period	16.658	12.010
<b>Closing balance</b>	<b>77.671</b>	<b>60.368</b>

### 15. Other assets and liabilities

#### a) Other current assets

	31 December 2016	31 December 2015
VAT receivable	13.952	13.149
Other	7.576	4.684
	<b>21.528</b>	<b>17.833</b>

#### b) Other current liabilities

	31 December 2016	31 December 2015
Taxes and funds payables	52.040	40.296
Other	2.906	6.048
	<b>54.946</b>	<b>46.344</b>

As of 31 December 2016 and 2015, the Group does not have any other long term liabilities.

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## 16. Equity

### a) Share capital and capital reserves

As of 31 December 2016 and 31 December 2015, the breakdown of shareholders and their ownership percentages in the Company are summarized as follows:

	31 December 2016		31 December 2015	
	Historical cost	(%)	Historical cost	(%)
Mustafa Latif Topbaş	44.877	14,8	44.877	14,8
Ahmet Afif Topbaş	28.500	9,4	28.500	9,4
Abdulrahman A. El Khereiiji	5.572	1,8	6.072	2,0
Firdevs Çizmeçi	3.500	1,1	3.500	1,1
Fatma Fitnat Topbaş	3.036	1,0	3.036	1,0
Ahmed Hamdi Topbaş	1.600	0,5	1.600	0,5
Ahmet Hamdi Topbaş	520	0,2	520	0,2
Ömer Hulusi Topbaş	360	0,1	360	0,1
Publicly traded	215.635	71,1	215.135	70,9
	<b>303.600</b>	<b>100</b>	<b>303.600</b>	<b>100</b>

The Company's share capital is fully paid and consists of 303.600.000 (31 December 2015: 303.600.000) shares of TRY1 (full) nominal value each.

### Revaluation surplus

As of 31 December 2016 the Group has revaluation surplus amounting TRY279.957 (31 December 2015: TRY279.957) related to revaluation of land and buildings (Note 10). The revaluation surplus is not available for distribution to shareholders.

### 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 installments and advance dividend can be paid in accordance with profit on financial statements of the Company.

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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 2016 and 2015 legal reserves, prior year profits and net income for the period in statutory accounts which is prepared in accordance with Tax Procedural Law of the Company are as follows:

	31 December 2016	31 December 2015
Legal reserves	296.387	203.398
Extraordinary reserves	595.276	377.112
Net profit for the period	680.020	644.675
	<b>1.571.683</b>	<b>1.225.185</b>

As of 31 December 2016, net profit for the Company's statutory books is TRY680.020 (31 December 2015: TRY644.675) and net profit per consolidated financial statements in accordance with the CMB accounting standards is TRY670.859 (31 December 2015: TRY583.131).

#### c) Treasury shares

Regarding the press release of the T.R. Prime Ministry Board of Capital Market dated 21.07.2016, our Board of Directors has decided to purchase the Company's shares back in the Stock Exchange, to allocate fund for buy-back could be no more than TRY 300.000.000 (TRY full) that is met from the internal sources and to authorize Haluk Dortluoglu, Executive Committee Member and CFO, for the transactions. As part of such buy-back operation between 26 August-31 December 2016, 0,41% of shares of the Company that 1.230.280 units of BİM shares corresponding to TRY61.111.113 (TRY full) have been repurchased and financed through own resources of the Company. As of reporting date there is no sales of repurchased shares. Dividend payments on these shares amounting to TRY437 have been recognized in retained earnings under equity.

#### Dividend paid

As part as the resolution of General Assembly on 13 April 2016, cash profit distribution is decided to be paid from the profit of 2015 in two installments. First installment amounting to gross TRY182.160 and second installment amounting to gross TRY151.363 are paid as of the reporting date (2015: TRY273.017).

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#### 17. Sales and cost of sales

##### a) Net Sales

The Group's net sales for the periods ended 31 December 2016 and 2015 are as follows:

	1 January - 31 December 2016	1 January - 31 December 2015
Sales	20.138.491	17.489.006
Sales returns (-)	(66.774)	(60.509)
	<b>20.071.717</b>	<b>17.428.497</b>

##### b) Cost of sales

	1 January - 31 December 2016	1 January - 31 December 2015
Beginning inventory	963.155	794.473
Purchases	16.853.791	14.780.765
Ending inventory (-)	(1.108.209)	(963.155)
	<b>16.708.737</b>	<b>14.612.083</b>

#### 18. Operational Expenses

##### a) Marketing expenses

	1 January - 31 December 2016	1 January - 31 December 2015
Personnel expenses	<b>1.056.564</b>	856.838
Rent expenses	<b>509.414</b>	423.155
Depreciation and amortization expenses	<b>199.110</b>	156.200
Electricity, water and communication expenses	<b>119.638</b>	96.987
Packaging expenses	<b>111.299</b>	94.117
Advertising expenses	<b>55.874</b>	49.011
Trucks fuel expense	<b>48.526</b>	45.734
Maintenance and repair expenses	<b>45.856</b>	37.198
Tax and duty expenses	<b>16.418</b>	13.728
Provision for employee termination benefits	<b>9.839</b>	8.061
Other	<b>72.771</b>	63.961
	<b>2.245.309</b>	<b>1.844.990</b>

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#### b) General and administrative expenses

	1 January - 31 December 2016	1 January - 31 December 2015
Personnel expenses	217.672	180.010
Legal and consultancy expenses	18.900	15.449
Vehicle rent expenses	16.300	10.014
Depreciation and amortization expenses	14.585	12.187
Money collection expenses	9.367	8.145
Vehicle expenses	9.064	8.686
Tax and duty expenses	8.209	7.510
Provision for employee termination benefits	1.874	1.614
Communication expenses	1.827	1.399
Office supplies expenses	1.413	1.024
Other	35.204	28.517
	<b>334.415</b>	<b>274.555</b>

#### 19. Expenses by nature

##### a) Depreciation and amortisation expenses

	1 January - 31 December 2016	1 January - 31 December 2015
Marketing and selling expenses	199.110	156.200
General and administrative expenses	14.585	12.187
	<b>213.695</b>	<b>168.387</b>

##### b) Personnel expenses

	1 January - 31 December 2016	1 January - 31 December 2015
Wages and salaries	1.124.736	907.119
Social security premiums - employer contribution	149.500	129.729
Provision for employee termination benefits (Note 14)	11.713	9.675
	<b>1.285.949</b>	<b>1.046.523</b>

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#### 20. Other operating income and expense

##### a) Other Operating Income

	1 January - 31 December 2016	1 January - 31 December 2015
Gain on sale of scraps	6.241	7.925
Other income from operations	18.674	19.248
	<b>24.915</b>	<b>27.173</b>

##### b) Other Operating Expense

	1 January - 31 December 2016	1 January - 31 December 2015
Provision expenses	9.016	3.461
Other	1.557	2.769
	<b>10.573</b>	<b>6.230</b>

#### 21. Financial Income

	1 January - 31 December 2016	1 January - 31 December 2015
Foreign exchange income	43.230	22.161
Income on profit share account deposits	19.434	14.142
	<b>62.664</b>	<b>36.303</b>

#### 22. Financial Expenses

	1 January - 31 December 2016	1 January - 31 December 2015
Foreign exchange losses	15.215	1.766
Finance charge on employee termination	5.846	3.979
Other financial expenses	1.811	745
	<b>22.872</b>	<b>6.490</b>

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

##### a) Income from Investing Activities

	1 January - 31 December 2016	1 January - 31 December 2015
Dividend income	6.716	-
Gain on sale of tangible assets	5.075	1.348
	<b>11.791</b>	<b>1.348</b>

##### b) Expense from Investing Activities

None (1 January - 31 December 2015: None).

#### 24. Tax assets and liabilities

As of 31 December 2016 and 31 December 2015, provision for taxes of the Group is as follows:

	31 December 2016	31 December 2015
Current income tax provision	172.597	162.882
Current income tax assets (Prepaid taxes)	(131.528)	(128.235)
<b>Corporate tax payable</b>	<b>41.069</b>	<b>34.647</b>

In Turkey, as of 31 December 2016, corporate tax rate is 20% (31 December 2015: 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 installment by the end of the fourth month. The tax legislation provides for a temporary tax of 20% 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 2016 the corporate tax rate is 30% (31 December 2015: 30%) where the consolidated subsidiary of the Company, BIM Stores SARL operates. In Egypt, as of 31 December 2016 the corporate tax rate is 22,5% (31 December 2015 :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 2015: 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.

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.

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As of 31 December 2016 and 31 December 2015, deferred tax asset and liability calculated by using applicable tax rates are as follows:

	Balance sheet		Comprehensive income	
	31 December 2016	31 December 2015	1 January - 31 December 2016	1 January - 31 December 2015
<i>Deferred tax liability</i>				
Tangible and intangible assets, except the effect of revaluation effect	38.047	30.096	7.951	3.091
The effect of the revaluation of land and buildings	23.291	23.291	-	18.753
The effect of revaluation financial assets	7.188	4.853	2.335	4.853
Other adjustments	3.252	2.596	656	495
<i>Deferred tax asset</i>				
Provision for employee termination benefits	(15.534)	(12.074)	(3.460)	(2.477)
Other adjustments	(16.529)	(12.599)	(3.930)	(2.130)
Foreign currency translation difference	-	-	1.551	(186)
<b>Deferred tax</b>	<b>39.715</b>	<b>36.163</b>	<b>5.103</b>	<b>22.399</b>

Deferred tax is presented in financial statements as follows:

	31 December 2016	31 December 2015
Deferred tax assets	2.725	1.627
Deferred tax liabilities	(42.440)	(37.790)
<b>Net deferred tax liability</b>	<b>(39.715)</b>	<b>(36.163)</b>

Movement of net deferred tax liability for the periods ended 31 December 2016 and 2015 are as follows:

	1 January - 31 December 2016	1 January - 31 December 2015
Balance at the beginning of the period	36.163	13.578
Deferred tax expense recognized in statement of comprehensive income, net	6.100	1.195
Deferred tax expense recognized in statement of other comprehensive income	(997)	21.204
- Revaluation gain of available-for-sale financial assets	2.335	4.853
- Revaluation gain on property, plant and equipment	-	18.753
- Actuarial losses arising from employee benefits	(3.332)	(2.402)
Foreign currency translation differences	(1.551)	186
<b>Balance at the end of the period</b>	<b>39.715</b>	<b>36.163</b>

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#### Tax reconciliation

	1 January - 31 December 2016	1 January - 31 December 2015
Profit before tax	849.181	748.973
Corporation tax at effective tax rate of 20%	(169.836)	(149.795)
Disallowable expenses	(861)	(495)
Tax rate effect of the consolidated subsidiary	(3.937)	(4.200)
Other	(3.688)	(11.352)
	<b>(178.322)</b>	<b>(165.842)</b>
- Current	(172.222)	(164.647)
- Deferred	(6.100)	(1.195)

#### 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. All shares of the Company are in same status.

For the periods ended 31 December 2016 and 2015, the movement of shares numbers is as follows:

	1 January - 31 December 2016	1 January - 31 December 2015
<b>Earnings per share</b>		
Average number of shares at the beginning of the period (thousand)	302.247	303.600
Net profit for the current period	670.859	583.131
<b>Earnings per share</b>	<b>2,220</b>	<b>1,921</b>

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#### 26. Related party disclosures

##### a) Trade Payables to Related Parties

Due to related parties balances as of 31 December 2016 and 31 December 2015 are as follows:

Payables related to goods and services received:

	31 December 2016	31 December 2015
Başak Gıda Dağıtım ve Pazarlama A.Ş. (Başak) <sup>(1)</sup>	84.305	67.750
Turkuvaz Plastik ve Tem. Ürün. Tic. A.Ş. (Turkuvaz) <sup>(1)</sup>	74.527	56.190
Aktül Kağıt Üretim Pazarlama A.Ş. (Aktül) <sup>(1)</sup>	35.668	30.215
Hedef Tüketim Ürünleri San. ve Dış Tic. A.Ş. (Hedef) <sup>(1)</sup>	33.382	26.731
Aytaç Gıda Yatırım San. ve Ticaret A.Ş. (Aytaç) <sup>(1)</sup>	14.548	4.295
Apak Pazarlama ve Gıda Sanayi Tic. Ltd. Şti <sup>(1)</sup>	12.580	-
Sena Muhtelif Ürün Paketleme Gıda Sanayi ve Tic. Ltd. Şti. (Sena) <sup>(3)</sup>	11.907	7.482
İdeal Standart İşletmecilik ve Mümessillik San. ve Tic. A.Ş. (İdeal Standart) <sup>(2)</sup>	2.656	2.578
Natura Gıda Sanayi ve Ticaret A.Ş. (Natura) <sup>(1)(*)</sup>	1.350	360
Proline Bilişim Sistemleri ve Ticaret A.Ş. (Proline) <sup>(1)</sup>	1.477	133
Avansas Ofis Malzemeleri Ticaret A.Ş. (Avansas) <sup>(1)</sup>	120	130
	<b>272.520</b>	<b>195.864</b>

<sup>(1)</sup> Companies owned by shareholders of the Company.

<sup>(2)</sup> Group's subsidiary, which is not included in the scope of consolidation.

<sup>(3)</sup> Other related party.

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#### b) Related party transactions

For the periods ended 31 December 2016 and 2015, summary of the major transactions with related parties are as follows:

i) Purchases from related parties during the periods ended 31 December 2016 and 2015 are as follows:

	1 January - 31 December 2016	1 January - 31 December 2015
Başak <sup>(1)</sup>	662.284	544.669
Turkuvaz <sup>(1)</sup>	338.805	244.467
Hedef <sup>(1)</sup>	176.292	211.136
Aktül <sup>(1)</sup>	150.030	118.571
Golf <sup>(1)(*)</sup>	115.847	-
Apak <sup>(1)</sup>	56.631	-
Aytaç <sup>(1)</sup>	47.824	29.280
Sena <sup>(3)</sup>	44.336	35.108
İdeal Standart <sup>(2)</sup>	12.401	12.218
Proline <sup>(1)</sup>	6.628	2.246
Avansas <sup>(1)</sup>	3.867	1.740
Bahariye <sup>(1)</sup>	1.633	960
Ak Gıda <sup>(1)(*)</sup>	-	512.769
Natura <sup>(1)</sup>	-	100.988
Seher <sup>(1)(*)</sup>	-	705
	<b>1.616.578</b>	<b>1.814.857</b>

<sup>(1)</sup> Companies owned by shareholders of the Company.

<sup>(2)</sup> Group's subsidiary, which is not included in the scope of consolidation.

<sup>(3)</sup> Other related party.

<sup>(\*)</sup> Ak Gıda A.Ş and Seher Gıda are released from related party by 20 July 2015 and 14 August 2015 as a result of sale of majority shares and management change of the Company. The purchases in 2015 reflect the period up to that date.

<sup>(\*)</sup> Related party Natura Gıda Sanayi ve Ticaret A.Ş. has transferred its all receivables to its %100 owned subsidiary Golf Gıda Pazarlama ve Dağıtım Ltd. Şti. Advance receivable of Golf amounting to TRY39.057 is accounted under other receivables from related parties (31 December 2015: (Natura) TRY23.977).

ii) For the periods ended 31 December 2016 and 2015 salaries, bonuses and compensations provided to board of directors and key management comprising of 159 and 134 personnel, respectively, are as follows:

	1 January - 31 December 2016	1 January - 31 December 2015
Short-term benefits to employees	53.497	44.575
Long-term defined benefits	3.548	2.394
<b>Total benefits</b>	<b>57.045</b>	<b>46.969</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 analyzing 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:

Profit share position table		Current period	Previous period
Fixed profit share bearing financial instruments			
Financial assets	Profit share deposits	267.262	134.801
Financial liabilities		-	-
Variable profit share bearing financial instruments			
Financial assets		-	-
Financial liabilities		-	-

##### 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.

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#### Credit risk table (Current period - 31 December 2016)

	Credit card receivables		Other receivables		Deposits 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)	-	645.505	39.531	11.758	-	366.402	193.429	-
- Maximum risk secured by guarantees etc.	-	-	-	-	-	-	-	-
A. Net book value of financial assets neither overdue nor impaired	-	645.505	39.531	11.758	-	366.402	193.429	-
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)	-	-	-	445	-	-	-	-
- Impairment	-	-	-	(445)	-	-	-	-
- 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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#### Credit risk table (Prior period - 31 December 2015)

	Credit card receivables		Other receivables		Deposits 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)	-	525.685	39.879	4.287	-	211.676	181.755	-
- Maximum risk secured by guarantees etc.	-	-	-	-	-	-	-	-
A. Net book value of financial assets neither overdue nor impaired	-	525.685	39.879	4.287	-	211.676	181.755	-
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)	-	-	-	360	-	-	-	-
- Impairment	-	-	-	(360)	-	-	-	-
- 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	-	-	-	-	-	-	-	-

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.

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#### Foreign currency position

As of 31 December 2016 and 31 December 2015, the Group's foreign currency position is as follows ;

	31 December 2016				31 December 2015			
	TRY equivalent	USD	Euro	GBP	TRY equivalent	USD	Euro	GBP
1. Trade receivables	-	-	-	-	-	-	-	-
2a. Monetary financial assets (including cash, banks accounts)	34.634	9.816.002	13.308	9.283	1.662	443.524	109.939	5.472
2b. Non-monetary financial assets	-	-	-	-	-	-	-	-
3. Other	-	-	-	-	-	-	-	-
4. Other current assets (1+2+3)	34.634	9.816.002	13.308	9.283	1.662	443.524	109.939	5.472
5. Trade receivables	-	-	-	-	-	-	-	-
6a. Monetary financial assets	98	26.600	1.278	-	77	25.100	1.278	-
6b. Non-monetary financial assets	-	-	-	-	-	-	-	-
7. Other	-	-	-	-	10	3.500	-	-
8. Non-current assets (5+6+7)	98	26.600	1.278	-	87	28.600	1.278	-
9. Total assets (4+8)	34.732	9.842.602	14.586	9.283	1.749	472.124	111.217	5.472
10. Trade payables	18	2.000	-	-	6	2.000	-	-
11. Financial liabilities	-	-	-	-	-	-	-	-
12a. Monetary other liabilities	-	-	-	-	19	6.500	-	-
12b. Non monetary other liabilities	-	-	-	-	-	-	-	-
13. Current liabilities (10+11+12)	18	2.000	-	-	25	8.500	-	-
14. Trade payables	-	-	-	-	-	-	-	-
15. Financial liabilities	-	-	-	-	-	-	-	-
16a. Monetary other liabilities	-	-	-	-	-	-	-	-
16b. Non-monetary other liabilities	-	-	-	-	-	-	-	-
17. Non-current liabilities (14+15+16)	-	-	-	-	-	-	-	-
18. Total liabilities (13+17)	18	2.000	-	-	25	8.500	-	-
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)	34.714	9.840.602	11.586	9.283	1.724	463.624	111.217	5.472
21. Net foreign currency asset/(liability) position of monetary items (TFRS 7.b2.3) (=1+2a+5+6a-10-11-12a-14-15-16a)	34.714	9.840.602	11.586	9.283	1.714	460.124	111.217	5.472
22. Total fair value of financial instruments used for foreign currency hedging	-	-	-	-	-	-	-	-
23. Export	-	-	-	-	-	-	-	-
24. Import	-	-	-	-	-	-	-	-

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#### 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 2016 and 2015:

31 December 2016		Exchange rate sensitivity analysis			
		Current Period		Equity	
		Profit Loss			
		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)	3.463	(3.463)	-	-
2-	Protected part from USD risk(-)	-	-	-	-
3-	USD net effect (1+2)	3.463	(3.463)	-	-
<i>Change of EUR against TRY by 10%</i>					
4-	EUR net asset/(liability)	4	(4)	-	-
5-	Protected part from EUR risk (-)	-	-	-	-
6-	EUR net effect (4+5)	4	(4)	-	-
<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>3.471</b>	<b>(3.471)</b>	<b>-</b>	<b>-</b>

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31 December 2015		Exchange rate sensitivity analysis			
		Current Period		Equity	
		Profit Loss			
		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)	135	(135)	-	-
2-	Protected part from USD risk(-)	-	-	-	-
3-	USD net effect (1+2)	135	(135)	-	-
<i>Change of EUR against TRY by 10%:</i>					
4-	EUR net asset/(liability)	35	(35)	-	-
5-	Protected part from EUR risk (-)	-	-	-	-
6-	EUR net effect (4+5)	35	(35)	-	-
<i>Change of GBP against TRY by 10%:</i>					
7-	GBP net asset/(liability)	2	(2)	-	-
8-	Protected part from GBP risk (-)	-	-	-	-
9-	GBP net effect (7+8)	2	(2)	-	-
<b>Total (3+6+9)</b>		<b>172</b>	<b>(172)</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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As of 31 December 2016 and 31 December 2015, maturities of undiscounted trade payables and financial liabilities of the Group are as follows:

#### 31 December 2016

Contractual maturities	Book value	Total cash outflow	Less than 3 months	3 - 12 months	1 - 5 years	More than 5 years
Non derivative financial liabilities						
Trade payables	2.352.655	2.368.411	2.368.411	-	-	-
Due to related parties	272.520	274.276	274.276	-	-	-

#### 31 December 2015

Contractual maturities	Book value	Total cash outflow	Less than 3 months	3 - 12 months	1 - 5 years	More than 5 years
Non derivative financial liabilities						
Trade payables	1.913.094	1.928.360	1.928.360	-	-	-
Due to related parties	195.864	197.123	197.123	-	-	-

#### 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 (net debt/(Total equity + net debt)) at 31 December 2016 and 31 December 2015 are as follows:

	31 December 2016	31 December 2015
Total liabilities	3.087.960	2.497.426
Less: Cash and cash equivalents	(578.435)	(348.789)
Net debt	2.509.525	2.148.637
Total equity	1.901.177	1.670.359
<b>Total equity+net debt</b>	<b>4.410.702</b>	<b>3.818.996</b>
<b>Net debt/(Total equity + net debt) ratio (%)</b>	<b>57</b>	<b>56</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 2016 and 31 December 2015. See note 10 for disclosures of the land and buildings that are measured at fair value.

31 December 2016	Level 1	Level 2	Level 3	Total
<b>Available for sale financial assets</b>				
Retail industry	-	180.839	-	180.839
<b>Total assets</b>	<b>-</b>	<b>180.839</b>	<b>-</b>	<b>180.839</b>
31 December 2015	Level 1	Level 2	Level 3	Total
<b>Available for sale financial assets</b>				
Retail industry	-	169.165	-	169.165
<b>Total assets</b>	<b>-</b>	<b>169.165</b>	<b>-</b>	<b>169.165</b>

There were no transfers between levels during 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.

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

# BİM BİRLEŞİK MAĞAZALAR A.Ş.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### AT 31 DECEMBER 2016

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

Specific valuation techniques used to value financial instruments include:

- Quoted market prices or dealer quotes for similar instruments,
- The fair value of interest rate swaps is calculated as the present value of the estimated future cash flows based on observable yield curves,
- The fair value of forward foreign exchange contracts is determined using forward exchange rates at the balance sheet date, with the resulting value discounted back to present value,
- Other techniques, such as discounted cash flow analysis, are used to determine fair value for the remaining financial instruments.

As of 31 December 2016 and 2015, 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 uncollectibility 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.



