

**BİM BİRLEŞİK
MAĞAZALAR A.Ş.**

BİM Birleşik Mağazalar A.Ş. Ebubekir Cad. No: 73
Sancaktepe 34887 İstanbul / Turkey
BÜYÜK MÜKELLEFLER V.D 1750051846

December 31, 2017
TIME: 21:00:00

Receipt No: 0639

Number of Stores 6,765

Number of Customer
Visits per Annum 1.5 billion

Number of Products 700

Number of Logistics Centers 57

Thank you for shopping with us.
Have a good day.
POS: 001, 119710-

EKÜ NO: 0001

Z NO: 0776

NF ZN 64008281

NET SALES
TL 24,779,408,000



Contents

02 ABOUT BİM

- 02 Key Indicators
- 09 Expectations and Achievements
- 10 About BİM
- 12 Corporate Profile
- 13 Service Philosophy
- 14 Milestones
- 16 Message from the Board of Directors

18 RETAIL SECTOR IN TURKEY

20 2017 ACTIVITIES

- 20 BİM's Domestic and Foreign Operations
- 22 BİM Difference in Retail
- 24 2017 Activities
- 30 Research and Development Activities and Product Range
- 32 Human Resources

34 CORPORATE GOVERNANCE

- 34 Risk Management and Internal Control Mechanism
- 36 Convenience Translation into English of Independent Auditor's Report on the Early Risk Identification System and Committee Originally Issued in Turkish
- 37 Share Buyback Programs
- 37 Shareholder Structure and Board of Directors
- 38 Board of Directors
- 39 Executive Committee
- 40 Report on Transactions with Related Parties
- 41 Investor Relations
- 42 Statement of Independency
- 43 Corporate Governance Principles Compliance Report
- 51 Statement of Responsibility of the Annual Report and Consolidated Financial Statements
- 52 Convenience Translation into English of Independent Auditor's Report on the Board Of Directors' Annual Report Originally Issued in Turkish

53 CONSOLIDATED FINANCIAL STATEMENT AND INDEPENDENT AUDITOR'S REPORT

- 53 Convenience Translation into English of Consolidated Financial Statements for the Period 1 January - 31 December 2017

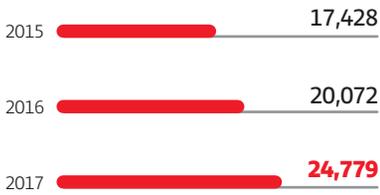
Name of the Company: BİM Birleşik Mağazalar A.Ş.
Report Period: 01 January-31 December 2017
Trade Registry No.: 334499
Web Site: www.bim.com.tr
Capital: TL 303,600,000
Mersis No: 0175005184608645

BİM CONTINUES ITS STEADY GROWTH WITH EVERY TRANSACTION IN ITS STORES. WE HAVE REACHED 1.5 BILLION IN ANNUAL CUSTOMER VISITS AND OUR TURNOVER IS CLOSE TO TL 25 BILLION. NATURALLY, BEHIND THIS SUCCESS IS OUR FAMILY OF THOUSANDS OF EMPLOYEES AND OUR CUSTOMERS, WHO WE NOW CALL OUR NEIGHBORS.

Key Indicators

Significant Organization is Behind this Success

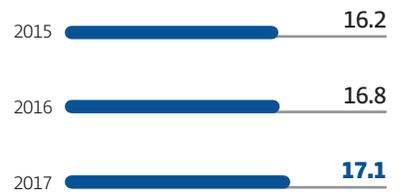
NET SALES (TL Million)



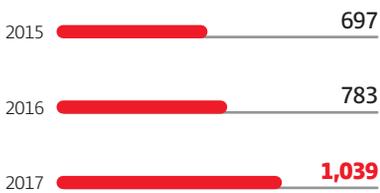
23.5%

Net sales of BiM rose by 23.5% to TL 24.8 billion in 2017.

GROSS PROFIT MARGIN (%)



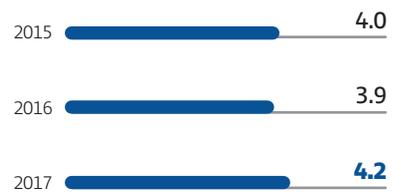
EBIT (TL Million)



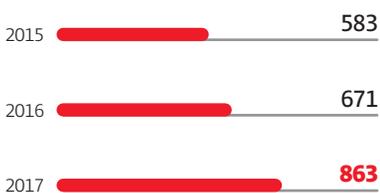
33%

BiM's EBIT rose by 33% to TL 1,039 million in 2017.

EBIT MARGIN (%)



NET PROFIT (TL Million)



29%

Net profits for BiM rose by 29% to TL 863 million in 2017.

NET PROFIT MARGIN (%)





900,000 m²

Delivering hundreds of different kinds of products, our 700-truck fleet departs from our 900,000-square-meter **storage facilities** every day.



6,765

Our 6,765 **stores** are replenished with products that arrive daily from our storage facilities. In this way, there are never empty shelves at BIM stores.





41,993

Our 41,993 **employers**, whether they are stationed in storage facilities, stores or other units, work extremely hard to ensure customer satisfaction.



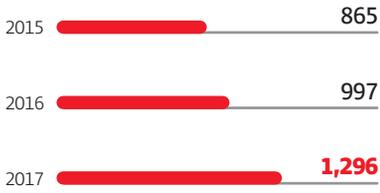


1.5 Billion

Thanks to 1.5 billion **customer visits annually**, millions of consumers are able to buy quality products at affordable prices - and enjoy shopping at the same time.

WITH 2017 A PRODUCTIVE YEAR
IN TERMS OF BOTH SALES AND
PROFITABILITY, BİM DELIVERED A
GROWTH RATE THAT EXCEEDED
EXPECTATIONS.

EBITDA (TL Million)



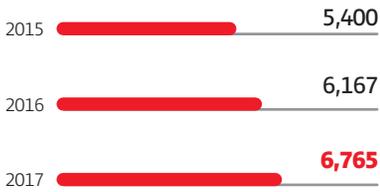
30%

BİM's EBITDA
rose by 30% to
TL 1.3 billion in 2017.

EBITDA MARGIN (%)



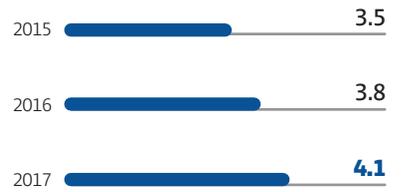
NUMBER OF STORES



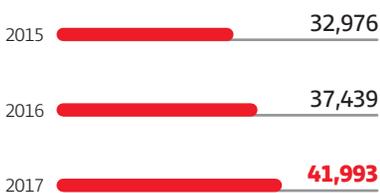
9.7%

As of the end of 2017, BİM has a total
of 6,765 stores, of which 6,118 are in
Turkey and 647 are abroad.

AVERAGE NUMBER OF DAILY CUSTOMERS (VISIT) (Million)



NUMBER OF EMPLOYEES AT THE END OF THE YEAR



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 has been fully consolidated. Both companies are engaged in activities in the field of food retail. In addition, GDP Sanayi ve Ticaret A.Ş., founded in 2017 with a 100% participation rate by BİM, began consolidation on a full consolidation method in the third quarter of 2017. GDP Sanayi ve Ticaret A.Ş. is engaged in packaging and transporting rice and legume products.

Key Indicators

BİM INCREASED ITS NET PROFIT 23.5% AND REACHED TL 24,779 MILLION IN 2017, CONTINUING ITS LEADERSHIP IN THE INDUSTRY.

Summary Consolidated Revenue Table (TL Million)	2017	2016	Change
Sales	24,779	20,072	23.5%
Gross Profit	4,225	3,363	26%
Gross Profit Margin	17.1%	16.8%	
EBITDA	1,296	997	30%
EBITDA Margin	5.2%	5.0%	
EBIT	1,039	783	33%
EBIT Margin	4.2%	3.9%	
Net Profit	863	671	29%
Net Profit Margin	3.5%	3.3%	
Summary Consolidated Balance Sheet (TL Million)			
	2017	2016	Change
Current Assets	3,603	2,654	36%
Non-current Assets	3,423	2,335	47%
Total Assets	7,026	4,989	41%
Short Term Liabilities	3,831	2,968	29%
Long Term Liabilities	237	120	98%
Equities	2,958	1,901	56%
Total Equity and Liabilities	7,026	4,989	41%

Expectations and Achievements

WITH ITS TRANSPARENT, OPEN AND HONEST MANAGEMENT APPROACH, BİM WILL CONTINUE ITS GROWTH AND PROFITABILITY WITH THE SAME STRENGTH IN THE COMING PERIOD.

	Targets	Achievements
Consolidated New Store Openings	635	598
Increase in Sales	20%-23%*	23.5%
EBITDA Margin	5.0% (± 0.5)	5.2%
Investment	TL 500 million	TL 609 million

*Although sales were projected to rise by 15%-18% at the beginning of 2017, this number was revised to 20%-23% in accordance with performance during the first six months, per a public announcement made on August 14, 2017.

	2018 Expectations
Consolidated New Store Openings*	730
Increase in Sales %	+20%
EBITDA Margin	5.0% (± 0.5)
Investment	TL 750 million

*In 2018, 600 stores are planned to be opened in Turkey, 60 stores in Morocco, and 40 stores in Egypt. In addition, 30 FİLE stores are planned to be opened.

About BİM

609

TL Million

Investment in 2017

BİM SUSTAINED ITS STEADY GROWTH IN 2017 AND CONTINUED ITS LEADERSHIP IN THE INDUSTRY.

As the leader 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 6,765 stores, of which 6,118 are in Turkey and 647 are abroad. The company has achieved 71% 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 2017 and continued its leadership in the industry. Sales rose by 23.5% in 2017, thanks to the launch of 598 new stores, 495 of which are in Turkey. In the same period, operational profitability (EBITDA) rose by 30%.



71%

Growth

**in Sales in the Last
Three Years**

598

Stores

Opened in 2017



BİM has launched its new “FILE” retail model as of March 2015. Stores with this new brand are structured as supermarkets and display more stock items than the existing BİM 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. 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 23 new stores launched in 2017, as of year-end, FILE has 44 stores.

According to the January 2018 edition of Deloitte’s “Global Powers of Retailing” report, BİM holds 149th place among the top 250 retail companies in the world. BİM is also the 24th fastest-growing retailer. The building blocks of BİM’s corporate culture created over its 22 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.

Corporate Profile

LAUNCHING 598 NEW STORES ON A CONSOLIDATED BASIS DURING 2017, BİM HAD A TOTAL OF 6,765 STORES AS OF THE YEAR-END.

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 700 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. In 2017, the Company introduced 36 new products.

Launching 598 new stores on a consolidated basis during 2017, BİM had a total of 6,765 stores as of the year-end and increased its store portfolio by 10%. Of these stores, 6,118 are in Turkey and 647 are located abroad. In 2017, the Company continued its leadership in the retail industry. BİM continues to grow, with operations in Morocco and Egypt. BİM launched 53 new stores in Morocco, increasing its number of stores to 382. In Egypt, which is the second of the operations abroad, the number of stores reached 265 as of year-end with the opening of 50 new stores.

In 2017, the Company's total investment amount on a consolidated basis was TL 609 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 2018, the total investment value is expected to be TL 750 million. The Company aims to launch 730 stores and five new regional offices.

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 67% in 2017, while realized as 46% in 2005, the year of BİM's initial public offering. In addition, Bimcell, a brand of BİM operating in the field of mobile communication, improved its subscription base in 2017 as well, increasing the number of subscribers by 200 thousand with new internet packages and mixed packages. Bimcell, a virtual operator that provides prepaid services, currently reaches more than 1.5 million subscribers.

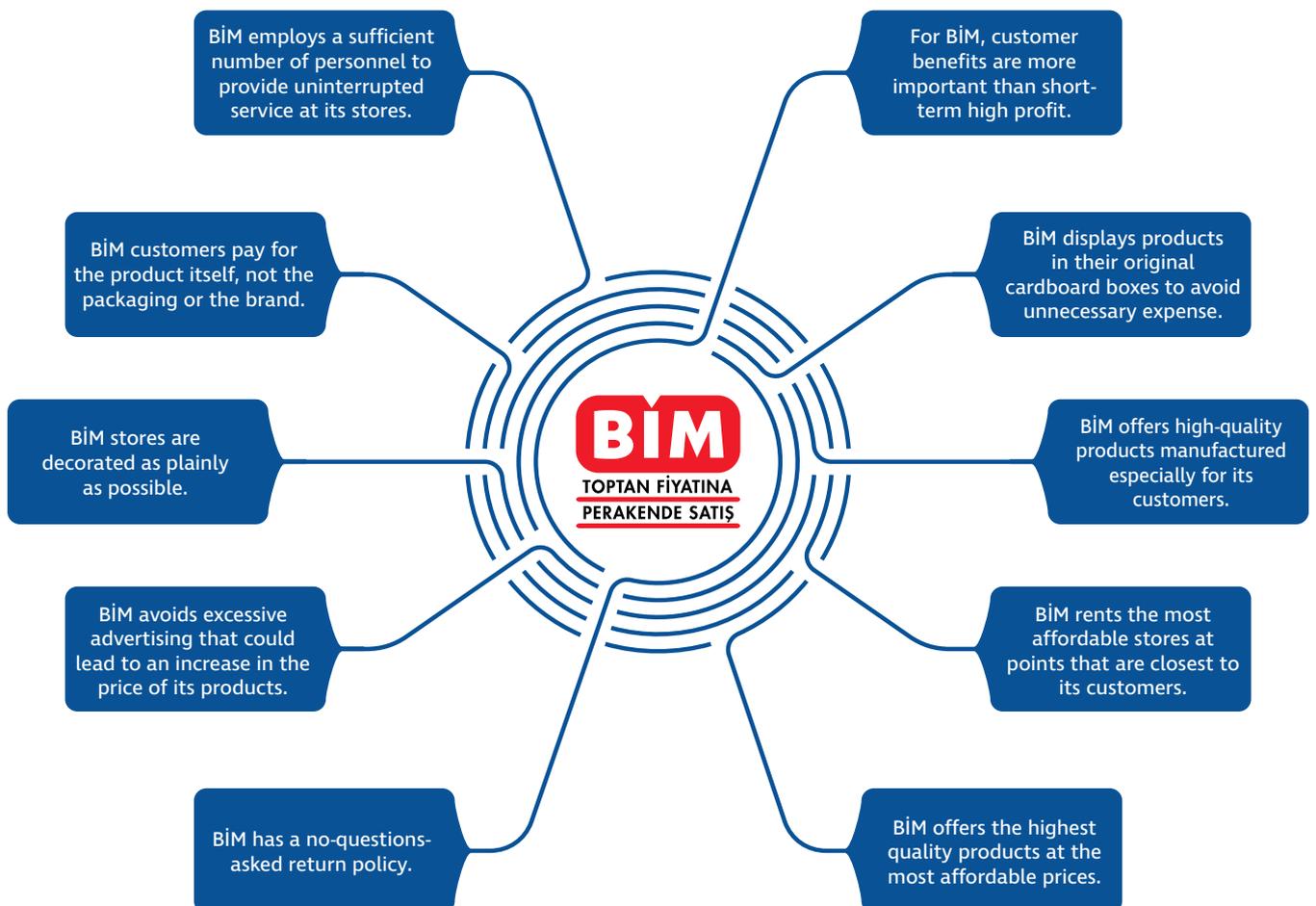
BİM launched FILE, its new retail model, in March 2015. Combining discount grocery shopping with the supermarket concept, FILE provides a variety of products in a modern market context, housed in larger spaces compared to discount markets. In 2017, FILE operates in 44 stores with the opening of 23 new 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 30 stores in 2018, reaching 74 stores in total.

Aiming to sustain the healthy growth of new stores in 2018, 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.

Service Philosophy

FOR BİM, CUSTOMER BENEFITS
ARE MORE IMPORTANT THAN
SHORT-TERM HIGH PROFIT.



Milestones

1995



Commenced operations with 21 stores.

1997



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

2002



Began accepting credit card payments.

2003



Net sales surpassed TL 1 billion.

2010



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

2012



Launched Bimcell, mobile operator brand.

2013



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

2014



Number of Bimcell subscribers reaches over 1 million.

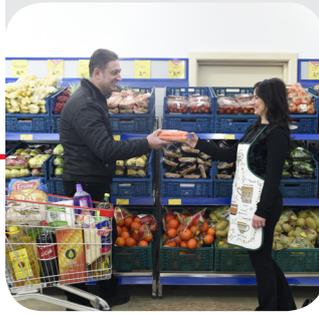
BİM ESTABLISHED ITS CORPORATE CULTURE OVER ITS 22 YEARS OF EXISTENCE WITHIN THE FRAMEWORK OF EXCELLENT SERVICE PRINCIPLE AND POSITIONED THE CUSTOMER SATISFACTION IN THE CENTER OF ITS ACTIVITIES.

2004



Opened its 1,000th 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.

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.

2017



BİM's growth rate and profitability in 2017 exceeded expectations and, due to this success, the Company's continued leadership in the retail industry is solidly established.

Message from the Board of Directors

THE YEAR 2017 HAS BEEN A YEAR OF GROWTH BEYOND OUR EXPECTATIONS AND GOALS FOR BİM. IN ADDITION TO THE ECONOMY'S RESURGENCE, THE ELEVATION IN INTRA-COMPANY PRODUCTIVITY ALSO CONTRIBUTED TO THIS YEAR'S PERFORMANCE INCREASE.

In 2017, the global economy performed better than the previous year, thanks to positive developments in global commerce and financial markets. While 2017 began with a cautious outlook due to political and geopolitical risks, the global economy – particularly in the first half of the year – showed signs of gradual strengthening.

While the United States Federal Reserve adhered to a cautious monetary policy in 2017, growth in the Euro Zone exceeded expectations as economic activity amplified. With growth and stability, capital inflows to developing countries continued to rise, with a corresponding recovery in global exports under the leadership of the EU.

In 2017, factors such as geopolitical uncertainties and fluctuations in financial markets drove a decline in confidence indices in the retail industry. However, Turkey closed the year with robust growth, a moderate upturn in employment, a recovery in public revenues and gradual recovery in the tourism sector, as well as positive trends in portfolio investments; contributing to the nation's strength was the powerful stance retained by banking sector, and measures taken and incentives delivered by the government. In 2018, Turkey may focus accelerating growth, increasing employment, and continuing structural reforms to improve income distribution and double-digit inflation.

For BİM, 2017 has been a year of growth beyond expectations and goals. In addition to the economy's resurgence, the elevation in intra-company productivity also contributed to this year's performance increase. In 2017, 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 intense competition.

In 2017, 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 2017, we have a total of 6,765 stores, of which 382 are located in Morocco and 265 in Egypt. In 2017, we launched a total of 598 stores, 495 of which are in Turkey. The opening of these new stores, combined with strengthened performance in our existing stores, resulted in an increase of 23.5% in our sales. In addition, we reinforced our infrastructure with three new regional offices. In 2017, we made a total TL 609 million investment on a consolidated basis.

3.5%

**Net Profit
Margin**

7,026

TL Million

Total Assets

Along with sales growth in 2017, there have been significant developments in profitability. In the same period, operational profitability (EBITDA) and net profit increased by 30% and 29%, respectively.

As BİM, we continue to successfully operate abroad. In 2017, we launched 53 new stores in Morocco, raising the number of our stores to 382. In Egypt, which is the second overseas operation, we started with 215 stores, expanding to 265 stores with the launch of 50 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 2017, TL 454 million was distributed in cash, representing 68% of the 2016 profit.

Our new retail model, FİLE, 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 44 stores throughout İstanbul as of year-end 2017, FİLE 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 35% of total sales in FİLE.

In 2017, the number of personnel working for BİM increased by 12%. Currently, the number of part-time and full-time personnel working for the Company is 41,993 in total. In addition, BİM has achieved a great success by ranking at the top in the category of "Companies that Create the Most Employment" in the "Turkey's Top 500 Private Companies" survey organized by Capital magazine. The employment opportunities created by BİM, Turkey's leader 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 2018.

In 2017, BİM's Bimcell, a virtual operator in the field of mobile communication, has increased the number of its subscribers due to widespread demand for its new economy packages, expanding its subscriber base to more than 1.5 million.

We will continue our steady and efficient growth in 2018. We intend to open 730 stores on a consolidated basis in the next year, and expect to make TL 750 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 2017, DISCOUNT RETAILERS INCLUDING BİM SUSTAINED THEIR DOUBLE-DIGIT GROWTH RATES, ABOVE THE INDUSTRY AVERAGES, AND BECAME A DRIVING FORCE FOR THE INDUSTRY AT LARGE.

Retail is one of the locomotive industries of the Turkish economy which is one of the fastest-growing economies in the world. The economic revival took its effect in the retail industry in 2017 and investments in the industry continued during that year. Turkey's young population and high urbanization rate are the most important indicators that developments and investments in the retail industry will continue in the medium and long term.

As the organized market share is 50% threshold in Turkey's food retail industry, which is under subbranch of sector, 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 2017, discount retailers including BİM sustained their double-digit growth rates, above the industry averages, and became a driving force for the industry at large. Organized retailers increase their market shares every year and that circumstance shows the potential of the industry.

The high potential of the retail industry generates strong competition as well. 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.

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 in the local stores reached 67% in 2017; 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 FILE 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 2018 edition of Deloitte's "Global Powers of Retailing" report which is published annually, BİM holds 149th place among the top 250 retail companies in the world with reference to the data of 2016 year-end. BİM is also the 24th fastest-growing retailer.

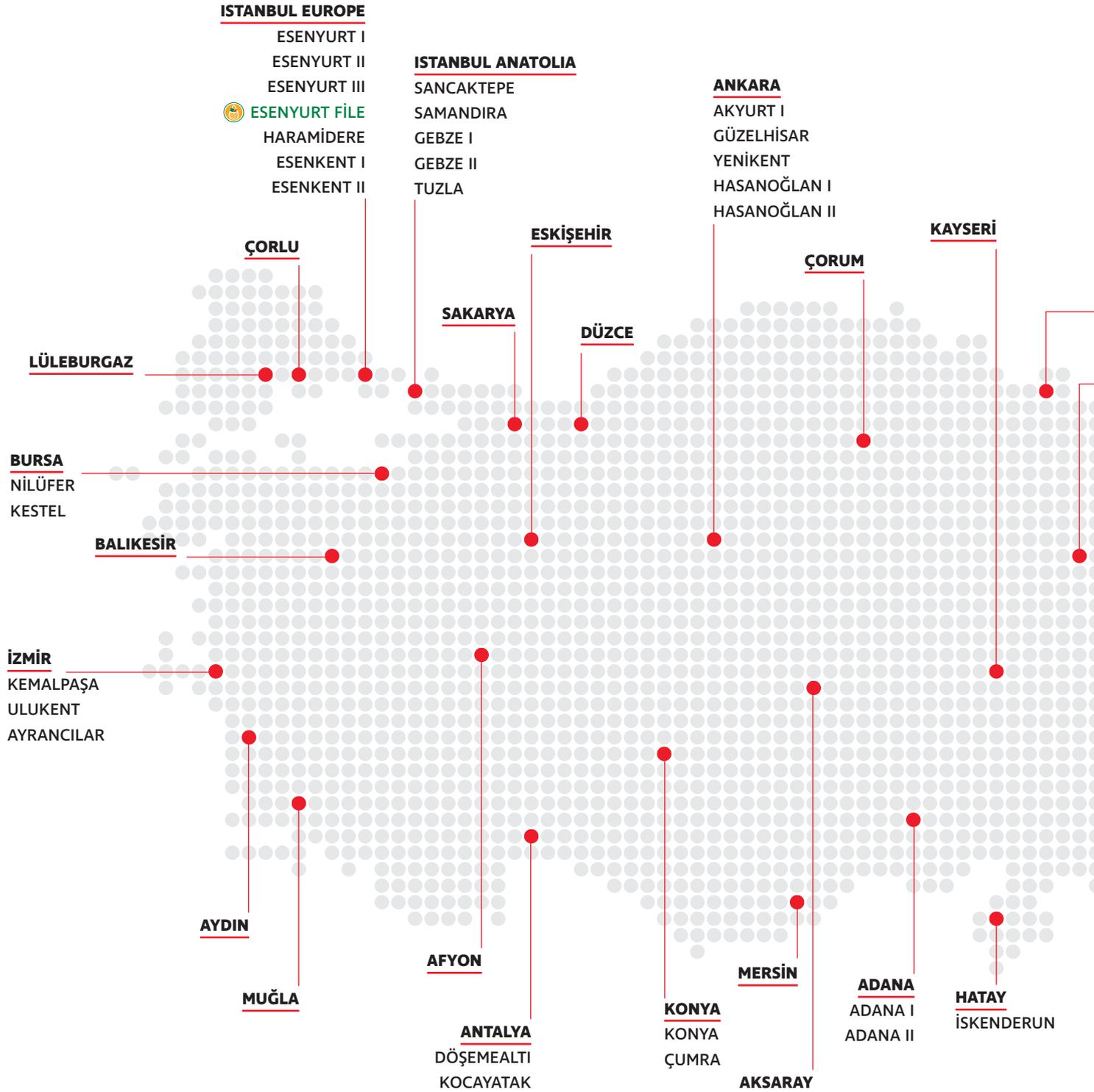
To leverage the growth potential in the supermarket sector as well as in the hard-discount food retail industry, BİM converted its resources into investments, launching its supermarket model with the FILE brand in March 2015. BİM has started to cater to both the hard discount and the supermarket segments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

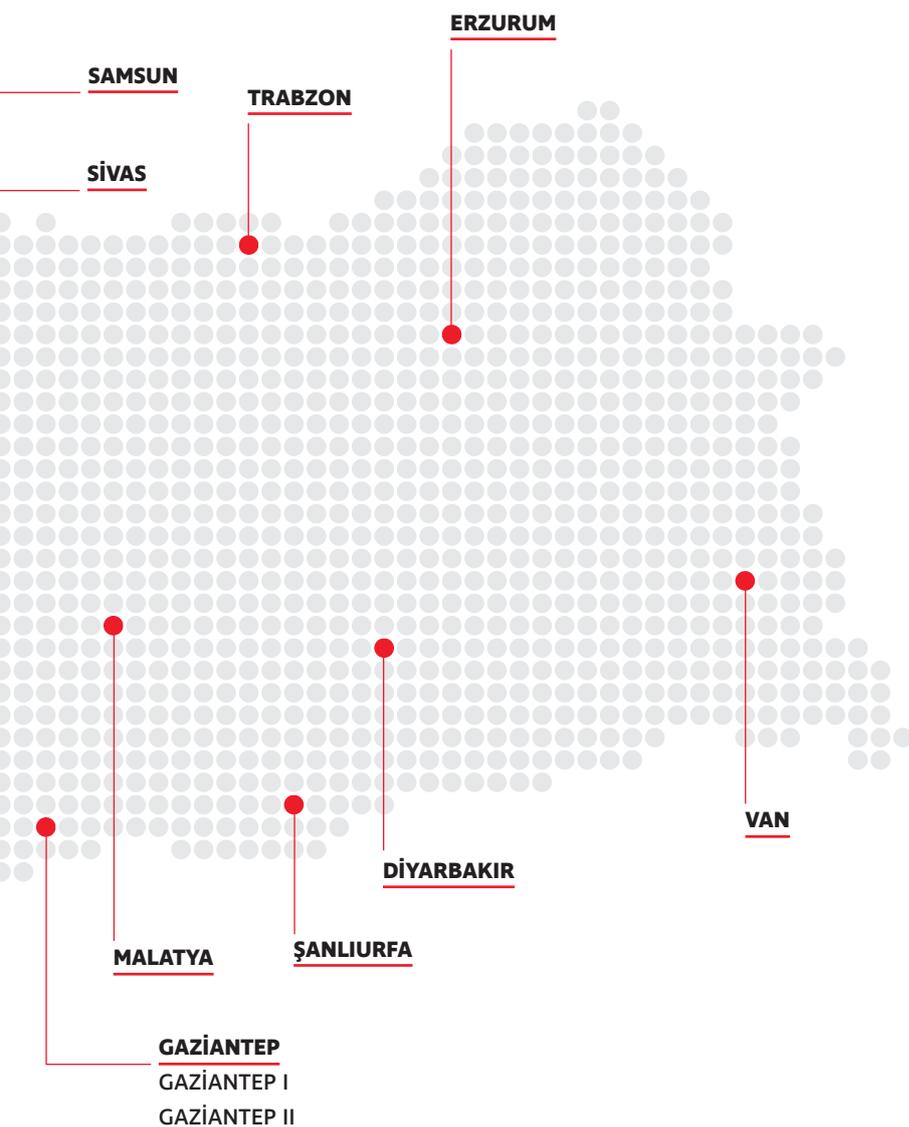
4.1

Million

**Average Number of
Consolidated Daily
Customer Visits**

BİM's Domestic and Foreign Operations





6,074

Stores

BİM Domestic Stores

2016 5,602

51

Logistic Center

2017 6,074



Turkey

44

Stores

FILE Number of Stores

2016 21

1

Logistic Center

2017 44



File

265

Stores

Number of Stores in Egypt

2016 215

2

Logistic Center

2017 265



Egypt

382

Stores

Number of Stores in Morocco

2016 329

3

Logistic Center

2017 382



Morocco

BİM Difference in Retail

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 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 2017, BİM expanded the number of its regional offices in total to 57 by opening two more regional offices in Ankara, and one each in Konya/Çumra. The number of domestic regional offices is planned to be increased to 62 in 2018.

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 establishing 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 700 items; and to ensure that the products reach the customers at the most affordable prices.

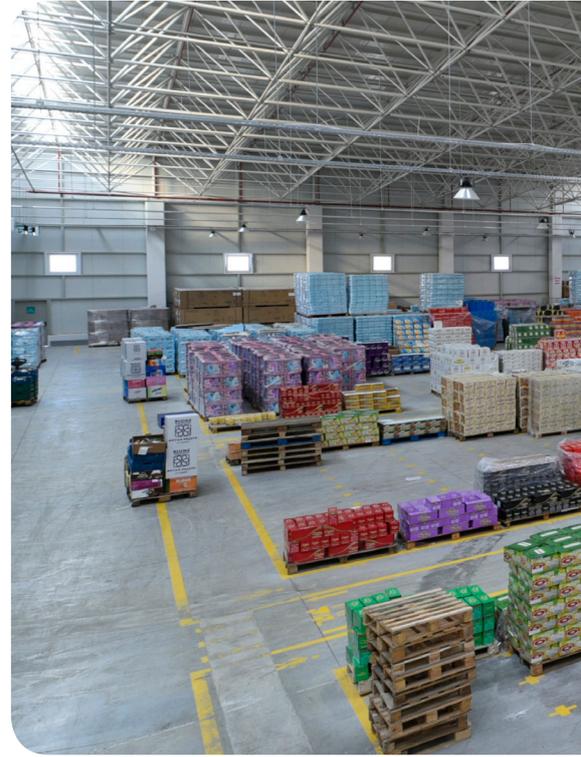
BİM is the biggest purchaser of most of the products it sells in Turkey. By virtue of its high purchasing power, the Company encourages its suppliers to produce high-quality products at lower costs, and in this way manages to procure quality products at affordable prices.

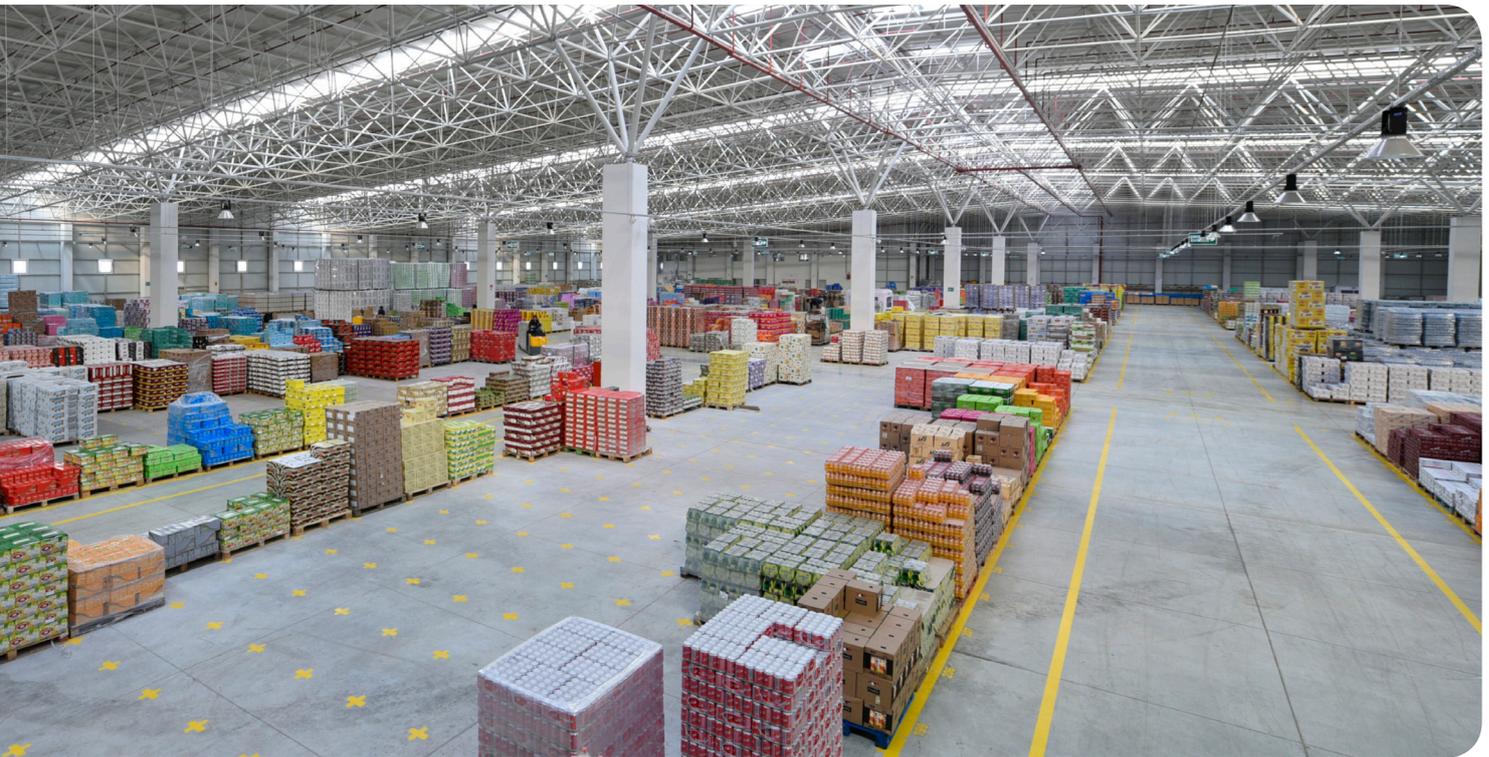
Effective Cost Management

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, stores 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. Results of inventory counts carried out at stores and warehouses are regularly controlled by comparing with data from older records, a process carried out at regular intervals.

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 Unit 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 454 million dividends were distributed, and TL 609 million consolidated investment was made in 2017.

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.

2017 Activities

THANKS TO ITS SUCCESSFUL BUSINESS MODEL, BİM MAINTAINED A STEADY RATE OF GROWTH AND INCREASED ITS SALES VOLUME. THE GROWTH RATE OF BİM IN 2017 WAS 23.5%.

In 2017, BİM continued to strengthen its leading position in the food retail sector. In 2017, as in previous years, the company achieved its growth organically, choosing not to make any acquisitions in the industry. Thanks to its successful business model, BİM maintained a steady rate of growth and increased its sales volume. The growth rate of BİM in 2017 was 23.5%. BİM also raised its net profits by 29% in 2017.

BİM continued to grow steadily, was financially and operationally successful, and strengthened its leadership in the industry in 2017. The Company launched 598 new stores, 495 of which are in Turkey, reaching a total of 6,765 stores. In addition, three new regional offices were launched in 2017. TL 609 million was invested. Effective cost management, increasing the number of stores, and the impact of widespread regional offices play a crucial role in order to grow.

Bimcell, introduced in March 2012, is a BİM brand for the mobile communications segment. Growing rapidly during the past five years, Bimcell continued to improve its subscription base in 2017 and expanded its number of subscribers by 200 thousand with economical internet packages and mixed packages, reaching more than 1.5 million subscribers. Bimcell'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.

Increasing the number of its consolidated stores from 6,167 to 6,765 in 2017, BİM continues its leadership position in the retail industry in Turkey with its annual consolidated sales volume of TL 25 billion.

Investment Policy and Investments in 2017

BİM prefers organic growth in consideration of its investment policy, therefore, the Company mostly makes investments by opening new stores and establishing 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 2017, BİM increased the number of its regional offices from 54 to 57 by opening two more regional offices in Ankara and one in Konya/Çumra. 52 of these 57 offices are located in Turkey.

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 2017, the total amount of investments made on a consolidated basis was TL 609 million, all of which was financed with the Company's equity capital.

In 2018, BİM expects to make TL 750 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.



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 new model. Thus, BİM started to address both the hard discount segment and the supermarket sub-segment of the retail sector.

The primary purpose of this model is to meet consumer needs in groceries, personal care and general hygiene with good or superior quality healthy and fresh products produced at high standards, and offered continuously at low prices. Organized with a warm and friendly design, FILE stores attract attention with their modern market look. Aimed towards making consumers feel that they are shopping in their own neighborhoods or bazaars, FILE stores are well-focused, with a wide range of products. Additionally, and in comparison to traditional discount stores, FILE stores offer customers the opportunity to shop in larger and more spacious areas: FILE-branded stores display more stock items than existing BİM stores. 4,000 products offered at FILE. BİM started to address both the hard discount segment and the supermarket sub-segment of the retail sector.

Our Brands

Harras

Daycare

ACTISOFT

Establishing a new supply system, FILE included new private-label products to its portfolio in addition to national and international products. Three new private-label brands in basic product categories were introduced to consumers. Private labels comprise 35% of the approximately.

FILE enjoyed a successful year in 2017. With 21 stores at the end of 2016, the number of FILE stores has reached 44, thanks to the launch of 23 new stores in 2017. Positive feedback since the first launch of the FILE concept indicates that this is the right model for Turkey.

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.

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 30 new stores and to reach 74 stores in total in 2018.

2017 Activities

3

Logistic Centers

382

Stores

International Operations

MOROCCO



As its first foreign venture, BİM's Morocco operations is the first hard discount chain in the country. BİM 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 34 million, the modern retail industry has significant potential.

Opening its first store in Casablanca on the 11th of April 2009, BİM's operations expanded rapidly. The total number of stores in Morocco reached 382 by the end of 2017. In 2018, 60 new stores are planned to be launched in Morocco.



2

Logistic Centers

265

Stores

EGYPT



In 2013, the first BIM stores were opened in Egypt as the Company's second foreign operation. There are 265 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 95 million, two regional offices were launched. In 2018, 40 new stores are planned to be opened in the country.

The subsidiaries established in Morocco and Egypt were fully consolidated as of December 31, 2017, and their commercial activities are reflected in the financial statements.



2017 Activities

THE NO-QUESTIONS-ASKED RETURN POLICY IMPLEMENTED AT STORES KEEPS CUSTOMER SATISFACTION HIGH AT ALL TIMES.

Stores and Store Management

The BİM maintained its status as a profitable and fast-growing company in 2017. With the opening of new stores, the number of consolidated stores rose to 6,765, and the number of regional offices to 57.

One of the most important elements of cost management at BİM is the avoidance of unnecessary expenses without sacrificing the quality services. 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 listing 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.

Bimcell

Launched in March 2012, Bimcell belongs to BİM and operates in the field of mobile communication. Bimcell improved its subscription base in 2017 as well, expanding its subscriber base by 200 thousand with new Internet packages and mixed packages, reaching more than 1.5 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 Bimcell. It is expected that this interest will rise in 2018 with new and competitive packages and other actions to be taken.

What is Bimcell?

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

What are Bimcell'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.

BiMcell'den bol avantajlı Dost Paketler

1GB

Her yöne
600 DK

Her yöne
600 SMS

BİMCCELL'LİLERLE
SINIRSIZ
KONUŞMA

15 TL

3GB

Her yöne
600 DK

Her yöne
600 SMS

BİMCCELL'LİLERLE
SINIRSIZ
KONUŞMA

25 TL



7GB

Her yöne
900 DK

Her yöne
900 SMS

BİMCCELL'LİLERLE
SINIRSIZ
KONUŞMA

35 TL



DOST1GB 4551
DOST3GB 4551
DOST7GB 4551

Konuşma paket aşımı 6 saniyesi 1 kuruş, internet paket aşımı 0,00492 Krs/Kb olarak ücretlendirilir. Paket, bakiye yeterli olduğu takdirde kullanım süresi sonunda otomatik yenilenir. Yetersiz bakiye nedeniyle yenileme yapılmadığı durumlarda, takip eden 29 gün içerisinde yeterli yüklemeye yapılmazsa paketler otomatik olarak iptal edilir. 29 günde bir, tek seferde 25 TL ve üzeri yüklemeye 30 gün geçerli yurt içi her yöne 500 SMS ve 1 GB cepten internet hediye verilecektir. Kampanyalardan 29 gün içerisinde sadece bir kez yararlanılabilir. Faydalar devretmez. Ayrıntılar: bimcell.com.tr

BiMcell BiM'de | bimcell.com.tr | 444 4 551

Mobil iletişimin BiM'cesi

Research and Development Activities and Product Range

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; 67% 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 36 new products to customers in 2017. 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 700 products available in stores. New products are launched based on changes in customer habits and behaviors. To this



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.



end, in 2017, 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 lower than those of similar products of the same quality. In 2017, the sales ratio of private-label products to total sales was 67%. The Company aims to increase its private-label sales rate.

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

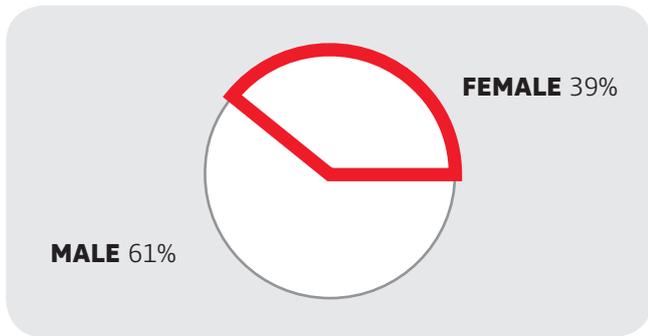
These are branded products specifically designed for BİM.

Branded Products

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

Human Resources

THE BİM FAMILY IS MADE UP OF YOUNG AND DYNAMIC WORKERS, IN ADDITION, BİM PROVIDES ITS YOUNG MANAGERS WITH AN ENVIRONMENT IN WHICH THEY CAN TAKE INITIATIVE AND DEVELOP THEIR MANAGERIAL SKILLS.



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.

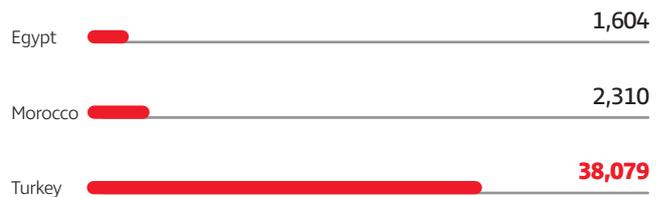
As key members of the BİM family, employees convey the corporate culture to the customers with excellence. The Company offers its employees an environment in which they can develop themselves both professionally and personally. BİM provides its young managers with an environment in which they can take initiative and develop their managerial skills.

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. Not only does this promote the adoption of a continuous corporate culture, but it also has a positive impact on employee motivation. With this policy, BİM serves as a training school that seeks to identify, raise and train its own managers within its own structure.

NUMBER OF EMPLOYEES AS OF YEAR-END



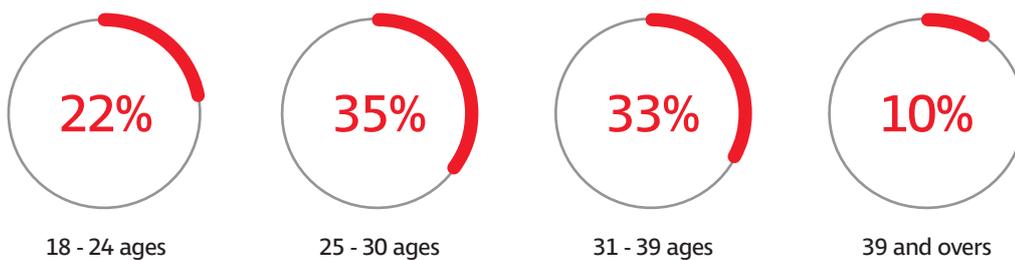
DISTRIBUTION OF EMPLOYEES BY DOMESTIC AND INTERNATIONAL OPERATIONS*



*as of 31.12.2017



DISTRIBUTION OF EMPLOYEES (AGE)



The organic growth model of BiM is the leading factor which drives its success. The company began its activities in 1995 with 21 stores, growing organically to reach a total of 6,765 consolidated stores in 2017. 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.

In 2017, the number of employees at BiM rose by 12%. Currently, there are a total of 41,993 employees, 38,079 of which are in Turkey. The employment BiM generates positively affects the entire country, not just a single region. According to a study conducted by Capital 500, BiM is the company with most employees. BiM will continue to contribute to the country’s employment by opening new stores and regional offices in 2018.

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.

Risk Management and Internal Control Mechanism

BİM HAS PLACED SUITABLE INTERNAL CONTROL MECHANISMS AGAINST RISKS IN THE BUSINESS PROCESSES.

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. 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, credit/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 these needs. 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.

Credit/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 paid 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 are 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 limitless 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 enhance employee satisfaction.

Risk exposures were closely monitored during the year through predefined indicators. The Early Risk Identification Committee held seven meetings in 2017. 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 seven meetings of the Audit Committee held in 2017.

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 2017 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
İstanbul, 7 Mart 2018

Share Buyback Programs

As part of the share purchase program between August 26, 2016 and March 16, 2017, the Company bought back a total of 1,230,280 shares, which were traded on the Istanbul Stock Exchange and accounted for 0.41% of the Company's capital, for a total of TRY 61,111,113 (full TRY). The financing of share repurchases was provided by the Company's internal resources. As of the report date, the repurchased shares continue to be held in the Company and no sales have been made.

Shareholder Structure and Board of Directors

Shareholders Structure of BİM Birleşik Mağazalar A.Ş.

	2017	2016
Merkez Bereket Gıda Sanayi ve Ticaret A.Ş.	14.8%	-
Naspak Gıda Sanayi ve Ticaret A.Ş.	10.5%	-
Mustafa Latif Topbaş	-	14.8%
Ahmet Afif Topbaş	-	9.4%
Free Float (Other)	71.0%	71.1%
Non-public Offering (Other)	3.7%	4.7%
	100%	100%

On May 16, 2017, Mustafa Latif Topbaş, one of the majority shareholders of the Company, sold his total of 44,876,992 non-public shares, which correspond to a capital ratio of 14.8%, from outside the Stock Market to the Merkez Bereket Gıda Sanayi ve Ticaret AŞ. Following this sale, Mustafa Latif Topbaş has no direct shares in Bim Birleşik Mağazalar A.Ş. There has been no change in management and control of the Company.

On 2 November 2017, Ahmet Afif Topbaş and two minor partners sold their non-public shares, which correspond to 10.5% of the Company's capital, from outside the Stock Market to Naspak Gıda Sanayi ve Ticaret AŞ, which is again under the control of Ahmet Afif Topbaş.

In the 2016 Annual General Meeting held on April 18, 2017, 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 May 2, 2017. Biographies of the Company's Board of Directors and Executive Committee members are listed below.

Board of Directors

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 2005, and also as Chairman of the Executive Committee 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 joined one of the largest firms of auditors specializing in publicly traded companies. He has over 45 years' experience in auditing, accounting, taxation and business advisory. He is a Fellow of the Institute of Chartered Accountants of England & Wales (ICAEW), Chamber of Certified Public Accountants (Kenya), 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. He is a member of the BİM Board and Corporate Governance Committee and is an invitee to the Audit Committee & the Early Detection Risk Committee.

Jos Simons

Born in Raalte in the Netherlands in 1945, Jos Simons graduated from the top Management Course at the University of Nijmegen. 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 1997. 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.

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.

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 Board Member of Albaraka Türk Participation Bank and the Vice Chairman of the Board of Trustees of Sabahattin Zaim University in İstanbul.

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 Committee 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. He became the Chairman of the Operations (COO) in November 2007, Aykaç is currently the Chairman of the Operations Committee (COO), and Member of the Executive Committee (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 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 7th among "The Most Respected Executives of the Business World". Since October 2017, he has served as Chairman of the Purchasing Committee, in addition to his existing responsibilities at BİM.

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 Committee of BİM, a position he still holds. 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 Committee of FİLE.

OTHER EXECUTIVE MANAGEMENT

Ürfet Nacar	Member of Operation Committee
Bülent Pehlivan	Member of Operation Committee
İlkay Zengin	Member of Operation Committee
Ünsal Çetinkaya	Member of Operation Committee
Tolga Şahin	Member of Operation Committee and Member of Purchasing Committee
Uğur Kıvrak	Member of Operation Committee
Aynur Çolpan	General Manager of Purchasing and Member of Purchasing Committee

Report on Transactions with Related Parties

In accordance with the Communiqué Serial: II-17.1, Article 10 of the Corporate Governance Communiqué by the Capital Markets Board, it is stated that, in the case that the amount of prevailing and continuing transactions between the Company and its related parties in any accounting period is expected to be more than 10% of the cost of sales in accordance with the last annual financial statements announced to the public in purchasing transactions, or that the ratio of revenue to sales is expected to be more than 10%, it is obligatory for the Board of Directors to prepare a report on the conditions of transactions and provide a comparison with market conditions.

The report, which was prepared in order to examine the prevailing and continuing purchases from related institutions in 2017 in accordance with the relevant legislation, and to determine the suitability of similar transactions to be carried out in 2018, has been approved by the Board of Directors, and the aforementioned report will be presented to shareholders at the general meeting. The result of the report is presented below.

Result of the Report

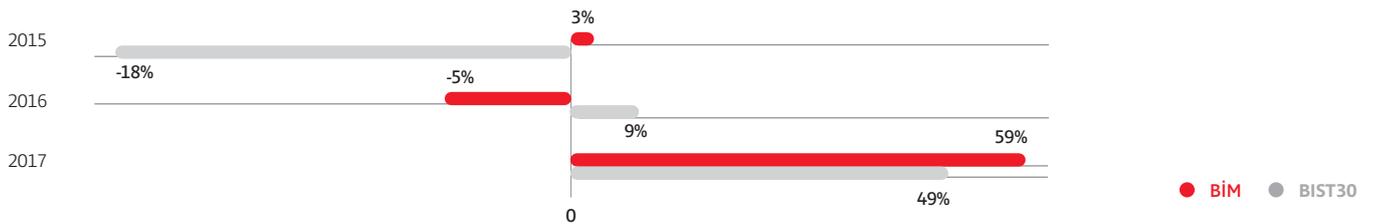
In this report, which was prepared by the Board of Directors in accordance with the regulations in the related communiqués of the Capital Markets Board, the related party transactions of BİM Birleşik Mağazalar A.Ş. have been evaluated, and it was concluded that BİM Birleşik Mağazalar A.Ş. did not show any significant differences in compliance with the International Accounting Standard No. 24 in terms of its prevalence and continuity of transactions with its related parties, and that there are no issues for BİM Birleşik Mağazalar A.Ş. to make prevailing and continuous purchases from the related parties in 2018.

Investor Relations

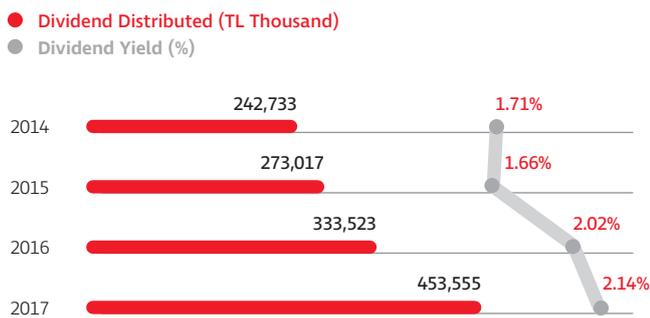
In 2005, Investor Relations Unit was established under the Finance Director in BİM. Investor Relations Unit carries out activities in accordance with Capital Markets Board legislation in order to accurately and promptly provide its investors with the most correct information within the Company's Information Policy. In 2017, 42 disclosures of material matters were made by the unit. Furthermore, information was provided to investors and shareholders in 5 investor conferences and about 160 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. In this context, BİM distributed a total amount of TL 454 million in cash in two installments, corresponding to 68% of 2017 profit.

BİM SHARE PRICE GRAPHIC

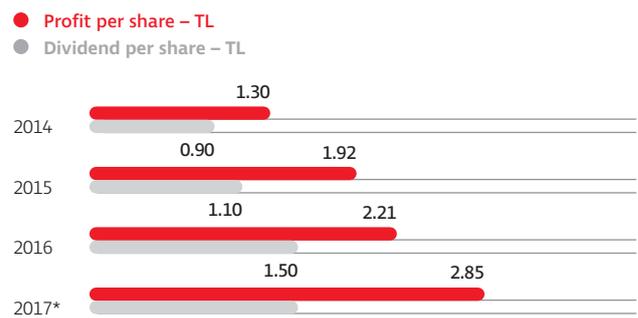


DIVIDEND GRAPHIC 1**



**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 2017 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.

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

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

I declare that;

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 19th of April 2017 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, consistent 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.

Corporate Governance Principles Compliance Report

Throughout the period, the unit attended five brokerage conferences in Turkey and abroad, held around 160 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 2017 was presented to the Board of Directors on the 22th January 2018.

The contact details of the Investor Relations Department may be found on the company's website (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.

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)

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.

The list including the manager of Investor Relations Unit and personnel is below:

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	203513	serkan.savas@bim.com.tr
			Corporate Governance Rating License	700286	
Fatih Uzun	SMMM, Reporting and Investor Relations Specialist	+90 216 564 03 46	Capital Market Activities Level 3 License	208147	fatih.uzun@bim.com.tr
			Corporate Governance Rating License	701420	

4. Information on the General Assembly

The Ordinary General Assembly Meeting of BİM Birleşik Mağazalar Anonim Şirketi for 2016 was held on Tuesday April 18, 2017, 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 17, 2017 Nr: 90726394-431.03, 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 9292, dated 27th of March, 2017. In addition, the information was made public on the company's website (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 Statement of Dividend Distribution, and information 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 77,453,148 shares were represented in person, and TL 172,453,148 shares were represented by proxy, bringing the total number of shares represented during the meeting to TL 249,562,620. The minutes of the General Assembly meeting were announced in the Turkish Trade Registry Gazette numbered 9316, dated 28th of April 2017. There was no loss of company capital or deep-in-debt situation reported.

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 2017, the Company spent a total of TL 13,080,622 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). 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 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.

During meetings regarding the distribution of profits for 2016, Ahmet Afif Topbaş submitted a motion that amount of TRY 425,040,000 suggested by the Board of Directors for the distribution of profits should be increased to TRY

455,400,000. The motion was accepted by a majority of votes.

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 22nd 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 2016 profit, TL 453,555,000 was realized in two installments within the legal period.

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.

Corporate Governance Principles Compliance Report

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 27th of March 2014, and was presented to the information of the shareholders at the General Assembly Meeting held on the 22nd 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 2017 were disclosed to the public through an events disclosure on March 7, 2017. 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 15%-18% to 20%-23% on the 14th of August 2017, taking the first 6 months of 2016 into consideration, and was publicly announced via Public Disclosure Platform on the same day.

9. Company Website and Contents

The company's website address is 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 9th 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 offering circulars.

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 methods 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 and these are specified in the Personnel Regulation. 57 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.

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 KALİTE SİSTEM Merieux NutriSciences and TÜBİTAK 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 18, 2017, 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 January 18, 2017, 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 set 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 18, 2017, 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.

Corporate Governance Principles Compliance Report

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	18.04.2017 - 1 Year	Chairman of the Board of Directors	Board membership in companies
Mahmud P. Merali	Not independent	18.04.2017 - 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	18.04.2017 - 1 Year	Member of the Board of Directors	No additional duties
Ömer Hulusi Topbaş	Not independent	18.04.2017 - 1 Year	Member of the Board of Directors	General Manager at Bahariye Mensucat A.Ş., Board of Trustee at İ.S.Zaim University
Talat İçöz	Independent	18.04.2017 - 1 Year	Member of the Board of Directors, Chairman of Audit Committee, Member of the Early Risk Identification Committee, Member of the Corporate Governance Committee	Academician at Bilgi University
Mustafa Büyükbacı	Independent	18.04.2017 - 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 Birlir 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.

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 2017.

The Board of Directors virtually convened 7 times over the course of 2017, and 17 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	100%

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)

Early Risk Detection Committee's both participants 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 2017, 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://english.bim.com.tr/Category/661/comittees.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.

Corporate Governance Principles Compliance Report

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.

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 15th 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 160 people comprising the members of the Board of Directors and senior executives came to TL 43,716,738 (TL 5,040,576 bonus, TL 308,689 per diem, TL 38,367,473 wage) in 2017. 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 9TH ARTICLE OF THE CAPITAL MARKETS BOARD'S (CMB) "COMMUNIQUE N.II-14.1. AND THE DECISION TAKEN ON THE 7TH OF MARCH 2018 AND 8TH OF MARCH 2018 BY THE BOARD OF DIRECTORS REGARDING THE APPROVAL OF THE CONSOLIDATED FINANCIAL STATEMENTS AND ANNUAL REPORT

- 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 1st of January and the 31st of December 2017, 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 General Assembly of BİM Birleşik Mağazalar A.Ş.

1. Opinion

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 1 January - 31 December 2017 period.

In our opinion, the financial information and the analysis made by the Board of Directors by using the information included in the audited financial statements regarding the Group's position in the Board of Directors' Annual Report are consistent and presented fairly, in all material respects, with the audited full set consolidated financial statements and with the information obtained in the course of independent audit.

2. Basis for Opinion

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

3. Our Audit Opinion on the Full Set Consolidated Financial Statements

We expressed an unqualified opinion in the auditor's report dated 7 March 2018 on the full set consolidated financial statements for the 1 January - 31 December 2017 period.

4. Board of Director's Responsibility for the Annual Report

Group management's responsibilities related to the annual report according to Articles 514 and 516 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") are as follows:

- a) to prepare the annual report within the first three months following the balance sheet date and present it to the general assembly;
- b) to prepare the annual report to reflect the Group's operations in that year and the financial position in a true, complete, straightforward, fair and proper manner in all respects. In this report financial position is assessed in accordance with the financial statements. Also in the report, developments and possible risks which the Group may encounter are clearly indicated. The assessments of the Board of Directors in regards to these matters are also included in the report.
- c) to include the matters below in the annual report:
 - events of particular importance that occurred in the Company after the operating year,
 - the Group's research and development activities,
 - financial benefits such as salaries, bonuses, premiums and allowances, travel, accommodation and representation expenses, benefits in cash and in kind, insurance and similar guarantees paid to members of the Board of Directors and senior management.

When preparing the annual report, the Board of Directors considers secondary legislation arrangements enacted by the Ministry of Customs and Trade and other relevant institutions.

5. Independent Auditor's Responsibility in the Audit of the Annual Report

Our aim is to express an opinion and issue a report comprising our opinion within the framework of TCC and Communiqué provisions regarding whether or not the financial information and the analysis made by the Board of Directors by using the information included in the audited financial statements in the annual report are consistent and presented fairly with the audited consolidated financial statements of the Group and with the information we obtained in the course of independent audit.

Our audit was conducted in accordance with the TSAs. These standards require that ethical requirements are complied with and that the independent audit is planned and performed in a way to obtain reasonable assurance of whether or not the financial information and the analysis made by the Board of Directors by using the information included in the audited financial statements in the annual report are consistent and presented fairly with the audited consolidated financial statements and with the information obtained in the course of audit.

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



Adnan Akan, SMMM
Partner

Istanbul, 8 March 2018

BİM Birleşik Mağazalar A.Ş.

**Convenience Translation Into English of
Consolidated Financial Statements for
the Period 1 January - 31 December 2017
Together with Auditor's Report
(Originally Issued in Turkish)**



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

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

A. Audit of the Consolidated Financial Statements

1. Opinion

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

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

2. Basis for Opinion

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

3. Key Audit Matters

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

Key audit matters

Revenue recognition

The Group operates in hard discount retail markets on domestic and abroad with 6.765 stores in total as of 31 December 2017.

In addition to being the most important financial statement line item for the retail industry, revenue is one of the most important criteria for evaluation of performance and results of strategies applied by the management.

Revenue, amounting to TRY 24,779,408 for the year ended 31 December 2017 is material to the financial statements and its audit is a key audit matter since the completeness and accuracy of revenue transactions are difficult to audit due to the high volume of transactions due to number of stores and the high number of sales points.

How our audit addressed the key audit matter

The audit procedures performed include a combination of validation of key controls in revenue recognition process, substantive tests and analytical procedures.

The revenue recognition process was understood by way of inquiries with the process owners and the design effectiveness, implementation and operating effectiveness of key controls were evaluated with the support of our experts in Information Technology ("IT")

Access to programs, program changes and program development controls were tested by our IT experts.

The controls of accounting entry of sales data to make sure that it can only be performed by the approval of accounting department, automatic transfers of sales data to accounting system, sales prices to cashboxes and sales transactions of stores to the accounting system at the end of the day were tested to make sure that pricing and invoicing of revenue are complete and accurate.

Testing on a sample basis was performed for recognition of daily transfers made to the cash boxes.

Substantive analytical procedures were performed in order to assess the variance in revenue. Annual inflation rate used in the analytics was obtained from independent sources, the square meters were tested by tracing to documents of stores on a sample basis. Thus, the reliability of data used was validated. Product and category based sales and gross margins were compared to prior periods and their consistency was evaluated.

Key audit matters

Fair value of land and buildings

Land and buildings of the Group which are classified under property, plant and equipment are carried at revalued amounts as disclosed in Notes 2, 10 and 16 to the consolidated financial statements. As of 31 December 2017, the carrying value of land and buildings amounting to TRY 1,748,953 was determined by a real estate appraisal company licensed by the Capital Markets Board of Turkey. The most commonly used method in determination of such value is market comparison approach.

Fair value measurement of land and buildings is important to our audit due to the fact that land and buildings constitute a significant portion of total assets of the Group and the valuation methods applied include significant estimates and assumptions such as average comparable value per square meter, bargaining share and adjustment for location.

How our audit addressed the key audit matter

The technical competence and independence of the real estate appraisal company that performed the revaluation study have been verified through the control of relevant licenses, contracts and management representations.

The revaluation reports of all land and buildings were obtained and the following audit procedures have been performed on the valuation reports of particular assets that show a material increase in fair value during the period and the carrying amount in the consolidated financial statements.

- The appropriateness of the valuation method applied was challenged considering best use of the underlying real estate. The consistency of square meters used in the determination of fair value was traced to land registry of real estates concerned.
- Different average sales price comparison values per square meter used by the real estate appraisal company were examined by sampling and comparison to market prices available and the sensitivities of estimations such as bargaining share, location adjustment have been evaluated.
- The fair values disclosed in valuation reports were checked and agreed to disclosures in the consolidated financial statements and the adequacy of disclosures was assessed.

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

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

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

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

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

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

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

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

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



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

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

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

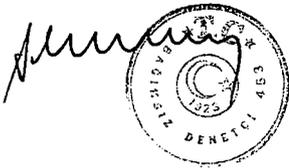
From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law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

B. Other Responsibilities Arising From Regulatory Requirements

1. No matter has come to our attention that is significant according to subparagraph 4 of Article 402 of Turkish Commercial Code ("TCC") No. 6102 and that causes us to believe that the Company's bookkeeping activities concerning the period from 1 January to 31 December 2017 period are not in compliance with the TCC and provisions of the Company's articles of association related to financial reporting.
2. In accordance with subparagraph 4 of Article 402 of the TCC, the Board of Directors submitted the necessary explanations to us and provided the documents required within the context of our audit.
3. In accordance with subparagraph 4 of Article 398 of the TCC, the auditor's report on the early risk identification system and committee was submitted to the Company's Board of Directors on

7 March 2018.

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



Adnan Akan, SMMM
Partner

Istanbul, 7 March 2018

Convenience Translation Into English of Consolidated Financial Statements Originally Issued In Turkish

BİM Birleşik Mağazalar A.Ş.

Consolidated Financial Statements for the Period

1 January - 31 December 2017

INDEX	PAGE
CONSOLIDATED BALANCE SHEETS	58-59
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME	60
CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY	61
CONSOLIDATED STATEMENTS OF CASH FLOWS	62
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS	63-103
NOTE 1 ORGANIZATION AND NATURE OF OPERATIONS OF THE GROUP	63
NOTE 2 BASIS OF PREPARATION OF FINANCIAL STATEMENTS	64-75
NOTE 3 SEGMENT REPORTING	75
NOTE 4 CASH AND CASH EQUIVALENTS	76
NOTE 5 FINANCIAL ASSETS	76-77
NOTE 6 FINANCIAL LIABILITIES	77
NOTE 7 TRADE RECEIVABLES AND PAYABLES	77
NOTE 8 OTHER RECEIVABLES AND PAYABLES	78
NOTE 9 INVENTORIES	78
NOTE 10 PROPERTY, PLANT AND EQUIPMENT	79-81
NOTE 11 INTANGIBLE ASSETS	82
NOTE 12 PROVISIONS, CONTINGENT ASSETS AND LIABILITIES	83-85
NOTE 13 PREPAID EXPENSES	85
NOTE 14 EMPLOYEE TERMINATION BENEFITS	85-86
NOTE 15 OTHER ASSETS AND LIABILITIES	86
NOTE 16 EQUITY	87-88
NOTE 17 SALES AND COST OF SALES	89
NOTE 18 OPERATIONAL EXPENSES	89-90
NOTE 19 EXPENSE BY NATURE	90
NOTE 20 OTHER OPERATING INCOME AND EXPENSE	90-91
NOTE 21 FINANCIAL INCOME	91
NOTE 22 FINANCIAL EXPENSE	91
NOTE 23 INCOME AND EXPENSE FROM INVESTING ACTIVITIES	91
NOTE 24 TAX ASSETS AND LIABILITIES	92-94
NOTE 25 EARNINGS PER SHARE	94
NOTE 26 RELATED PARTY DISCLOSURES	94-95
NOTE 27 FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT	96-101
NOTE 28 FINANCIAL INSTRUMENTS (FAIR VALUE DISCLOSURES IN THE FRAME OF HEDGE ACCOUNTING)	102-103
NOTE 29 EVENTS AFTER BALANCE SHEET DATE	103

Convenience Translation Into English of Consolidated Financial Statements Originally Issued In Turkish

BİM Birleşik Mağazalar A.Ş.

Consolidated Balance Sheets for the Years Ended 31 December 2017 and 2016

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

ASSETS	Notes	Audited 31 December 2017	Audited 31 December 2016
Current assets		3.602.483	2.654.633
Cash and cash equivalents	4	980.378	578.435
Trade receivables		877.380	645.505
- Trade Receivables, Other Parties	7	877.380	645.505
Other receivables	8	46.465	51.289
- Due from related parties		25.069	39.531
- Other receivables, Other parties		21.396	11.758
Inventory	9	1.456.249	1.119.020
Prepaid expenses	13	42.837	107.328
Current income tax assets	24	174.182	131.528
Other current assets	15	24.992	21.528
Non-current assets		3.423.192	2.334.504
Financial investments	5	309.731	193.429
Other receivables		4.463	4.012
- Other Receivables, Other Parties		4.463	4.012
Property, plant and equipment	10	3.057.725	2.090.824
Intangible assets	11	13.193	7.402
- Other intangible assets		13.193	7.402
Prepaid expenses	13	35.229	36.112
Deferred tax assets	24	2.851	2.725
Total assets		7.025.675	4.989.137

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 Birleşik Mağazalar A.Ş.

Consolidated Balance Sheets for the Years Ended 31 December 2017 and 2016

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

LIABILITIES AND EQUITY	Notes	Audited 31 December 2017	Audited 31 December 2016
Current liabilities		3.830.814	2.967.849
Trade payables		3.376.604	2.625.175
- Due to Related parties	26	356.137	272.520
- Due to Third Parties	7	3.020.467	2.352.655
Other payables		141	192
- Due to Third Parties		141	192
Deferred revenue		23.396	14.559
Employee benefit obligations		76.494	51.331
Short term Provisions		70.614	49.049
- Provision for Employee Benefits	12	14.395	11.032
- Other Short term Provisions	12	56.219	38.017
Current Income Tax Liabilities	24	214.182	172.597
Other Current Liabilities	15	69.383	54.946
Non-current Liabilities		236.981	120.111
Non-current provisions		99.142	77.671
- Provision for Employee Benefits	14	99.142	77.671
Deferred Tax Liabilities	24	137.839	42.440
Equity		2.957.880	1.901.177
Equity holders of the parent		2.957.880	1.901.177
Paid-in Share Capital	16	303.600	303.600
Treasury Shares	16	(61.111)	(61.111)
Other Comprehensive Income/Expense not to be Reclassified to Profit or Loss		744.672	231.603
- Property and equipment revaluation reserve	10,16	810.869	279.957
- Revaluation gain/loss on defined benefit plans	14	(66.197)	(48.354)
Other Comprehensive Income/Expense to be Reclassified to Profit or Loss		125.983	(8.205)
- Currency translation difference		(18.646)	(36.956)
- Fair value changes in available-for-sale financial assets	10	144.629	28.751
Restricted Reserves	16	340.409	296.387
Retained Earnings	16	641.326	468.044
Net Income For The Period		863.001	670.859
Total Liabilities and Equity		7.025.675	4.989.137

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 Birleşik Mağazalar A.Ş.

Statements of Profit or Loss and Other Comprehensive Income for the Years Ended 31 December 2017 and 2016

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

INCOME OR LOSS	Notes	Audited 31 December 2017	Audited 31 December 2016
Revenue	17	24.779.408	20.071.717
Cost of sales (-)	17	(20.553.994)	(16.708.737)
GROSS PROFIT		4.225.414	3.362.980
Marketing Expenses (-)	18	(2.770.661)	(2.245.309)
General Administrative Expenses (-)	18	(415.774)	(334.415)
Other Operating Income	20	31.605	24.915
Other Operating Expense (-)	20	(10.907)	(10.573)
OPERATING PROFIT		1.059.677	797.598
Income from investing activities	23	3.037	11.791
Expense from investing activities	23	(1.575)	-
OPERATING PROFIT BEFORE FINANCIAL EXPENSES		1.061.139	809.389
Financial Income	21	45.203	62.664
Financial Expense (-)	22	(10.489)	(22.872)
PROFIT BEFORE TAX FROM CONTINUED OPERATIONS		1.095.853	849.181
- Current Tax Expense	24	(217.609)	(172.222)
- Deferred Tax Expense	24	(15.243)	(6.100)
PROFIT FROM CONTINUED OPERATIONS		863.001	670.859
NET INCOME FOR THE PERIOD		863.001	670.859
Profit for the Period attributable to			
Non-controlling interest		-	-
Equity holders of the parent		863.001	670.859
Earnings per share			
Earnings per share from continued operations (Full TRY)	25	2,854	2,21
Earnings per share from discontinued operations		-	-
Other comprehensive loss			
Items not to be reclassified to profit / loss:		513.069	(13.326)
Gains/(losses) on remeasurements of defined benefit plans, net		(17.843)	(13.326)
Gains/(losses) on revaluation of property, plant and equipment, net		530.912	-
Items to be reclassified to profit / loss:		134.188	(32.081)
Gains/(losses) on revaluation of available for sale financial assets, net		115.878	9.339
Currency translation difference		18.310	(41.420)
Other comprehensive income/(loss)		647.257	(45.407)
Total comprehensive income		1.510.258	625.452
Total comprehensive income attributable to			
Non-controlling interest		-	-
Equity holders of the parent		1.510.258	625.452

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 Birleşik Mağazalar A.Ş.
Consolidated Statements of Changes In Equity for the Years Ended
31 December 2017 and 2016

(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	Tangible assets fair value reserve	Actuarial gain/loss from employee benefits	Currency translation differences	Financial assets fair value reserve	Retained earnings	Net income for the period	Total Equity
Balance at 1 January 2016	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 of shares due to repurchase 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
Balance at 31 December 2016	303.600	(61.111)	296.387	279.957	(48.354)	(36.956)	28.751	468.044	670.859	1.901.177
Balance at 1 January 2017	303.600	(61.111)	296.387	279.957	(48.354)	(36.956)	28.751	468.044	670.859	1.901.177
Transfers	-	-	44.022	-	-	-	-	626.837	(670.859)	-
Dividend (Note 16)	-	-	-	-	-	-	-	(453.555)	-	(453.555)
Total comprehensive income	-	-	-	530.912	(17.843)	18.310	115.878	-	863.001	1.510.258
Balance at 31 December 2017	303.600	(61.111)	340.409	810.869	(66.197)	(18.646)	144.629	641.326	863.001	2.957.880

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 Birleşik Mağazalar A.Ş.

Consolidated Statements of Cash Flow

for the Years Ended 31 December 2017 and 2016

(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 2017	Audited 1 January 31 December 2016
A. CASH FLOWS FROM OPERATING ACTIVITIES		1.410.479	1.185.222
Profit for the period		863.001	670.859
Adjustments to reconcile profit for the period		505.470	420.195
Depreciation and amortisation	10,11,19	256.547	213.695
Provisions for impairments		6.146	6.098
- Provisions for impairments of inventories	9	6.041	5.992
- Allowance for doubtful receivables	8	105	106
Adjustments related to provisions		77.991	70.817
- Provision for employment termination benefits		59.789	56.416
- Legal provisions	12	5.661	4.767
- Other provisions	12	12.541	9.634
Deferred financing income arising from forward purchases		(25.083)	(17.512)
Adjustments related to interest income and other financial instruments	21	(39.396)	(19.434)
Fair value losses (gains) related fixes		(2.125)	-
Adjustments for tax income/ losses	24	232.852	178.322
(Gain)/Loss on sale of property and equipment	23	1.575	(5.075)
Other adjustments related to cash flows arising from investing and financing activities		(3.037)	(6.716)
Changes in net working capital		278.198	277.236
Increases/decreases in inventories		(343.270)	(149.745)
Increases/decreases in trade receivables		(231.875)	(119.820)
Increases/decreases in other assets		4.144	(7.782)
Increases/decreases in trade payables		776.512	533.729
Increases/decreases in other payables		(51)	81
Other net working capital		72.738	20.773
Net cash generated from operating activities		1.646.669	1.368.290
Income taxes paid	24	(215.251)	(166.175)
Employee benefits paid	14	(21.064)	(16.914)
Other cash inflows	8	125	21
B. CASH FLOWS FROM INVESTING ACTIVITIES		(586.526)	(537.641)
Proceeds from sale of tangible and intangible assets	10,11,23	19.027	18.037
Purchases of tangible and intangible assets	10,11	(610.004)	(554.979)
- Purchases of tangible assets		(601.145)	(550.512)
- Purchases of intangible assets		(8.859)	(4.467)
Cash advances given		1.414	(7.415)
Dividend income	23	3.037	6.716
C. CASH FLOWS FROM FINANCING ACTIVITIES		(419.915)	(395.223)
Proceeds from financial liabilities		-	(20.260)
Dividend paid		(453.555)	(333.523)
Participation (profit) shares and cash inflows from other financial instruments		33.640	19.671
Cash outflows related to the company's own shares and receivables based on other equity instruments		-	(61.111)
NET DECREASE IN CASH AND CASH EQUIVALENTS BEFORE CURRENCY TRANSLATION DIFFERENCES (A+B+C)		404.038	252.358
D. EFFECTS OF CURRENCY TRANSLATION DIFFERENCES ON CASH AND CASH EQUIVALENTS		(7.851)	(22.475)
NET INCREASE IN CASH AND CASH EQUIVALENTS (A+B+C+D)		396.187	229.883
E. CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE PERIOD	4	577.519	347.636
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD(A+B+C+D+E)	4	973.706	577.519

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 Birleşik Mağazalar A.Ş.

Notes to the Consolidated Financial Statements for the Year Ended 31 December 2017

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

1. Organization and nature of operations of the Group

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

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

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

The Company established a new company named BIM Stores LLC on 24 July 2012 with 100% ownership in Egypt which is engaged in hard discount retail sector and first stores of BIM Stores LLC has been opened in April 2013. BIM Stores LLC financial statements are consolidated by using the full consolidation method as of 31 December 2017.

At the meeting dated 22 June 2017, the Board of Directors of the Company decided to establish a company with a capital of TL 5,000,000 (full TL), which is a 100% subsidiary to provide the supply and packaging of various foodstuffs, especially rice and pulses, the Executive Committee of the Company has been authorized to execute all procedures for the GDP Gıda Paketleme ve Sanayi ve Ticaret A.Ş. ("GDP Gıda"), became a legal entity and started its activities with the completion of the registration procedures on July 13, 2017. GDP Gıda financial statements are consolidated by using the full consolidation method as of 31 December 2017.

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 7 March 2018 by the Board of Directors of the Company.

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

For the periods ended 31 December 2017 and 2016, the average number of employees in accordance with their categories is shown below:

	1 January - 31 December 2017	1 January - 31 December 2016
Office personnel	2.703	2.291
Warehouse personnel	4.250	3.766
Store personnel	33.089	29.453
Total	40.042	35.510

As of 31 December 2017, the Group operates in 6.765 stores (31 December 2016: 6.167).

Convenience Translation Into English of Consolidated Financial Statements Originally Issued In Turkish

BİM Birleşik Mağazalar A.Ş.

Notes to the Consolidated Financial Statements for the Year Ended 31 December 2017

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

2. Basis of preparation of financial statements

2.1 Basis of presentation

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

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

Going concern assumption

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

2.2 New and amended International Financial Reporting Standards

The accounting policies adopted in preparation of the consolidated financial statements as at 31 December 2017 are consistent with those of the previous financial year, except for the adoption of new and amended IFRS and IFRIC interpretations effective as of 1 January 2017. The effects of these standards and interpretations on the Group's financial position and performance have been disclosed in the related paragraphs.

The Group has adopted the new and revised standards and interpretations issued by the "POAASA" and effective from January 1, 2017, related to its business activity.

a. The new standards, amendments and interpretations which are effective for the financial statements as of 1 January 2017

- Amendments to IAS 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. The standard has no impact on the financial position or performance of the Group.
- Amendments IAS 12 'Income Taxes', effective from annual periods beginning on or after 1 January 2017. The amendments on the recognition of deferred tax assets for unrealised losses clarify how to account for deferred tax assets related to debt instruments measured at fair value. The standard has no impact on the financial position or performance of the Group.

Convenience Translation Into English of Consolidated Financial Statements Originally Issued In Turkish

BİM Birleşik Mağazalar A.Ş.

Notes to the Consolidated Financial Statements for the Year Ended 31 December 2017

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

- Annual improvements 2014–2016;
- IFRS 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.

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

b. Standards and amendments issued but not yet effective as of 31 December 2017:

- IFRS 9 'Financial instruments', effective from annual periods beginning on or after 1 January 2018. This standard replaces the guidance in IAS 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. The Group is in the process of assessing the impact of the standard on financial position and performance and does not expect a material impact.
- IFRS 15 'Revenue from contracts with customers', effective from annual periods beginning on or after 1 January 2018. IFRS 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. The Group is in the process of assessing the impact of the standard on financial position and performance and does not expect a material impact.
- Amendment to IFRS 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. The Group is in the process of assessing the impact of the standard on financial position and performance and does not expect a material impact.
- IFRS 16 'Leases', effective from annual periods beginning on or after 1 January 2019, This standard replaces the current guidance in IAS 17 and is a far-reaching change in accounting by lessees in particular. Under IAS 17, lessees were required to make a distinction between a finance lease (on balance sheet) and an operating lease (off balance sheet). IFRS 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 IFRS 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 possible effects of the standard on the Group's financial position and performance is being evaluated.

Convenience Translation Into English of Consolidated Financial Statements Originally Issued In Turkish

BİM Birleşik Mağazalar A.Ş.

Notes to the Consolidated Financial Statements for the Year Ended 31 December 2017

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

- Amendments to IFRS 4, 'Insurance contracts' regarding the implementation of IFRS 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. The amended standard will:
 - give all companies that issue insurance contracts the option to recognise in other comprehensive income, rather than profit or loss, the volatility that could arise when IFRS 9 is applied before the new insurance contracts standard is issued and;
 - give companies whose activities are predominantly connected with insurance an optional temporary exemption from applying IFRS 9 until 2021. The entities that defer the application of IFRS 9 will continue to apply the existing financial instruments standard - IAS 39

It is unlikely that this change will have a significant effect on the Group's financial position or performance.

- Amendment to IAS 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.
- Amendments to IFRS 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 IFRS 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. The standard has no impact on the financial position or performance of the Group.
- IFRS 9 'Financial instruments', effective from annual periods beginning on or after 1 January 2019. This standard replaces the guidance in IAS 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. The standard has no impact on the financial position or performance of the Group.
- IAS 28 "Investments in associates and joint ventures": This amendment clarifies that investments in associates and joint ventures are accounted for in accordance with TFRS 9 Financial Instruments if investments in associates or joint ventures are held indirectly or directly through an enterprise or similar enterprise it is clear that the ability to choose to measure the fair value difference in profit or loss reflected is valid at the time of initial recognition of each subsidiary or business partnership. The amendment will apply to annual periods beginning on or after 1 January 2019. Early application is allowed.
- IFRS 17 "Insurance Contracts" is effective for annual reporting periods beginning on or after 1 January 2021. This standard replaces TFRS 4, which allows a wide range of applications. TFRS 17 will change the basis of insurance contracts and the accounting of all entities that issue investment contracts with voluntary participation features. The standard has no impact on the financial position or performance of the Group.
- IFRIC 22, 'Foreign currency transactions and advance consideration', effective from annual periods beginning on or after 1 January 2018. This IFRIC addresses foreign currency transactions or parts of transactions where there is consideration that is denominated or priced in a foreign currency. The interpretation provides guidance for when a single payment/receipt is made as well as for situations where multiple payments/receipts are made. The guidance aims to reduce diversity in practice. The standard has no impact on the financial position or performance of the Group.

Convenience Translation Into English of Consolidated Financial Statements Originally Issued In Turkish

BİM Birleşik Mağazalar A.Ş.

Notes to the Consolidated Financial Statements for the Year Ended 31 December 2017

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

- TFRS Comment 23 "Uncertainties in taxation" are effective for annual reporting periods beginning on or after 1 January 2019. This interpretation clarifies some of the uncertainties in the application of TAS 12 Income Tax Standard. IFRS Interpretation Committee clarified that if uncertainty in tax practices had previously been applied, the uncertainty should apply to IAS 37 'Provisions, Contingent Liabilities and Contingent Assets' standard instead of IAS 12. TFRS Comment 23 provides guidance on how to measure and account for deferred tax calculations when there are uncertainties in income taxes. Tax application uncertainty arises when a tax application by a company is unknown to the tax authority. For example, especially if an expense is recognized as a deduction or if the tax return is uncertain in the tax statement regarding whether or not to include a certain amount in the tax calculation. TFRS Comment 23 is a vague tax practice is uncertain; taxable income, expense, asset or liability, tax base, tax rate, and tax rates. The standard has no impact on the financial position or performance of the Group.

2.3. Compliance with TAS

The Group prepared its consolidated financial statements for the period ended 31 December 2017 in accordance with the framework of the Communiqué Serial: II and numbered 14.1 and its related announcements. The consolidated financial statements and its accompanying notes are presented in compliance with the format recommended by CMB, including the mandatory disclosures.

2.4 Presentation and functional currency

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

In the consolidated financial statements, MAD amounts presented in the balance sheet are translated into Turkish Lira at the TRY exchange rate for purchases of MAD at the balance sheet date, TRY 1 = MAD 2,4595 amounts in the statement of comprehensive income have been translated into TRY, at the average TRY exchange rate for purchases of MAD, is TRY 1 = MAD 2,6520. Differences that occur by the usage of closing and average exchange rates are followed under currency translation differences classified under equity.

The functional currency of the Company's other subsidiary, BIM Stores LLC is Egyptian Pound ("EGP"). In the consolidated financial statements, EGP amounts presented in the balance sheet and in the statement of comprehensive income are translated into Turkish Lira at the TRY exchange rate for purchase of EGP at the balance sheet date, TRY 1 = EGP 4,7097, at the average TRY exchange rate for purchases of EGP, is TRY 1 = EGP 4,8816. 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 financial statements of the Group for the current period are prepared comparatively with the previous period in order to enable the determination of the financial situation and performance trends. Comparative information is reclassified in the current period in order to comply with the presentation of the financial statements. In the current period, there has been no classification of past turnover.

Basis of consolidation

The consolidated financial statements comprise the financial statements of the parent company BİM and its subsidiaries prepared for the period ended 31 December 2017. Subsidiaries are consolidated from the date on which control is transferred to the Group. The consolidated financial statements cover BİM and the subsidiaries with 100% control.

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

Convenience Translation Into English of Consolidated Financial Statements Originally Issued In Turkish

BİM Birleşik Mağazalar A.Ş.

Notes to the Consolidated Financial Statements for the Year Ended 31 December 2017

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

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 CMB Accounting Standards 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 reported in income statement in the periods in which they become known.

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

2.6. 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 less any sales returns. Retail sales are done generally with cash or credit cards.

Sales 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.

Financial income

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

Dividend income

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

Convenience Translation Into English of Consolidated Financial Statements Originally Issued In Turkish

BİM Birleşik Mağazalar A.Ş.

Notes to the Consolidated Financial Statements for the Year Ended 31 December 2017

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

Cash and cash equivalents

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

Trade receivables

Trade receivables comprise trade receivables, credit card receivables and other receivables with fixed or determinable payments and are not quoted in an active market; which have an average maturity of 11 days term (31 December 2016: 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 trace 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 valued at the lower of cost or net realizable value. Costs comprise purchase cost and, where applicable and those overheads that have been incurred in bringing the inventories to their present location and condition. Cost is determined using the first-in, first-out (FIFO) method.

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

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

Property, plant and equipment

All property and equipment is initially recorded at cost. Land and building are subsequently measured at revalued amounts which are the fair value at the date of the revaluation, based on valuations by external independent valuers, less subsequent depreciation for building. Group revaluates 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.

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.

Convenience Translation Into English of Consolidated Financial Statements Originally Issued In Turkish

BİM Birleşik Mağazalar A.Ş.

Notes to the Consolidated Financial Statements for the Year Ended 31 December 2017

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

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

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

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

When a 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.

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.

Convenience Translation Into English of Consolidated Financial Statements Originally Issued In Turkish

BİM Birleşik Mağazalar A.Ş.

Notes to the Consolidated Financial Statements for the Year Ended 31 December 2017

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

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.

Changes in the fair value of monetary and non-monetary financial assets that are recorded as available-for-sale financial assets are recognized in other comprehensive income. 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.

Convenience Translation Into English of Consolidated Financial Statements Originally Issued In Turkish

BİM Birleşik Mağazalar A.Ş.

Notes to the Consolidated Financial Statements for the Year Ended 31 December 2017

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

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'.

Trade payables

Trade payables which generally have an average of 53 days term (31 December 2016: 51 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.

Convenience Translation Into English of Consolidated Financial Statements Originally Issued In Turkish

BİM Birleşik Mağazalar A.Ş.

Notes to the Consolidated Financial Statements for the Year Ended 31 December 2017

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

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 2017	3,7719	4,5155
31 December 2016	3,5192	3,7099

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.

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.

Convenience Translation Into English of Consolidated Financial Statements Originally Issued In Turkish

BİM Birleşik Mağazalar A.Ş.

Notes to the Consolidated Financial Statements for the Year Ended 31 December 2017

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

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

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

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

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

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

Convenience Translation Into English of Consolidated Financial Statements Originally Issued In Turkish

BİM Birleşik Mağazalar A.Ş.

Notes to the Consolidated Financial Statements for the Year Ended 31 December 2017

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

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

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

Statement of Cash Flows

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

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

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

Employee Benefits

a) Defined benefit plans:

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

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

b) Unused vacation

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

3. Segment reporting

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

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

Convenience Translation Into English of Consolidated Financial Statements Originally Issued In Turkish

BİM Birleşik Mağazalar A.Ş.

Notes to the Consolidated Financial Statements for the Year Ended 31 December 2017

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

4. Cash and cash equivalents

	31 December 2017	31 December 2016
Cash on hand	183.359	122.780
Banks		
- demand deposits	173.896	99.140
- profit share deposits	510.758	267.262
Cash in transit	112.365	89.253
	980.378	578.435
Less: Accrual for profit share	(6.672)	(916)
Cash and cash equivalents for cash flow	973.706	577.519

As of 31 December 2017 and 31 December 2016 there is no restricted cash. As of 31 December 2017, total profit share deposits are in TRY (31 December 2016: TRY 231.534) and the gross rate for profit share from participation banks for TRY is gross 10.71% per annum (31 December 2016: gross 8.13% per annum) and average maturity is 69 days (31 December 2016: 50 days). 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

Financial investments amounting to TRY 309.731 as of 31 December 2017 are detailed below: (31December 2016: TRY 193.429):

a) Subsidiaries

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

Name of subsidiary	Share (%)	31 December 2017	31 December 2016
İdeal Standart İşletmecilik ve Mümessillik San. ve Tic. A.Ş. ("İdeal Standart") ^(*)	100	12.590	12.590
		12.590	12.590

^(*) İdeal Standart is carried at cost with the consideration of possible value and the financial results are not included in the scope of consolidation since the Group does not have any significant effect on the financial results of the Group; as of 31 December 2017, the total assets and liabilities of the current year are not more than 1% of the total assets and ceiling of the Group in the current year.

Convenience Translation Into English of Consolidated Financial Statements Originally Issued In Turkish

BİM Birleşik Mağazalar A.Ş.

Notes to the Consolidated Financial Statements for the Year Ended 31 December 2017

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

b) Available-for-sale financial assets

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

Name of subsidiary	Share (%)	31 December 2017	31 December 2016
FLO Mağazacılık ve Pazarlama A.Ş. ^(*)	11,5	297.141	180.839
		297.141	180.839

^(*) As of 31 December 2017 the fair value of available-for-sale financial asset is calculated by an independent valuation company by using discounted cash flow analysis method. The netoff deferred tax amount of increase in fair value of available-for-sale financial asset which is amounting to TRY116.302 is shown net under "Fair Value Changes in Available-For-Sale Financial Assets" in other comprehensive income. ± 1 change effect of the discount rate used as 18.1% (31 December 2016: 17,1%) in the calculations is measured (19) / 22 full million TL (31 December 2016: (21)/25 full million TL) and as $\pm 1\%$ change effect of the final growth rate used as 5.7% is 21 / (18) full million TL (31 December 2016: 14/(12) full million TL).

6. Financial liabilities

None (31 December 2016: None).

7. Trade receivables and payables

a) Trade receivables, other parties, net

	31 December 2017	31 December 2016
Credit card receivables	877.380	645.505
	877.380	645.505

As of 31 December 2017 the average term of credit card receivables is 11 days (31 December 2016: 11 days).

b) Trade payables, other parties, net

	31 December 2017	31 December 2016
Trade payables	3.042.960	2.368.411
Unincurred rediscount expense (-)	(22.493)	(15.756)
	3.020.467	2.352.655

As of 31 December 2017 the average term of trade payables is 53 days (31 December 2016: 51 days). As of 31 December 2017 letters of guarantee and cheques are amounting to TRY76.105 and mortgages are amounting to TRY40.601 (31 December 2016: TRY74.324 letters of guarantee and cheques, TRY44.814 mortgages).

Convenience Translation Into English of Consolidated Financial Statements Originally Issued In Turkish

BİM Birleşik Mağazalar A.Ş.

Notes to the Consolidated Financial Statements for the Year Ended 31 December 2017

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

8. Other receivables

a) Other receivables from related parties

	31 December 2017	31 December 2016
Receivables from related parties	25.069	39.531
	25.069	39.531

b) Other receivables from other parties

	31 December 2017	31 December 2016
Other receivables	21.396	11.758
Doubtful receivables	425	445
Less: Allowance for doubtful receivables	(425)	(445)
	21.396	11.758

As of 31 December 2017 and 31 December 2016, the Group does not have any overdue receivables except for doubtful receivables.

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

	2017	2016
Balance at the beginning of the period - 1 January	445	360
Allowance for doubtful receivables	105	106
Collection in current year	(125)	(21)
Balance at the end of the period - 31 December	425	445

9. Inventories

	31 December 2017	31 December 2016
Trade goods, net	1.442.833	1.108.209
Other	13.416	10.811
	1.456.249	1.119.020

Cost of inventories amounting to TRY20.553.994 (31 December 2016: TRY16.708.737) expensed under cost of sales.

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

	2017	2016
Balance at the beginning of the period - 1 January	5.992	7.258
Current year reversal	(5.992)	(7.258)
Allowance for impairment	6.041	5.992
Balance at the end of the period - 31 December	6.041	5.992

As of 31 December 2017, allowance for impairment on trade goods amounting to TRY6.041 (31 December 2016: TRY5.992).

Convenience Translation Into English of Consolidated Financial Statements Originally Issued In Turkish

BİM Birleşik Mağazalar A.Ş.

Notes to the Consolidated Financial Statements for the Year Ended 31 December 2017

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

10. Property, plant and equipment

The movements of property and equipment and the related accumulated depreciation for the periods ended 31 December 2017 and 2016 are as follows:

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

	1 January 2016	Additions	Disposals	Transfers	Currency translation difference	31 December 2016
Cost or revalued amount						
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
Less : Accumulated depreciation						
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)
Net book value	1.784.675					2.090.824

Convenience Translation Into English of Consolidated Financial Statements Originally Issued In Turkish

BİM Birleşik Mağazalar A.Ş.

Notes to the Consolidated Financial Statements for the Year Ended 31 December 2017

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

Depreciation expense amounting to TRY234.453 (1 January - 31 December 2016: TRY196.817) were accounted for in marketing expenses and TRY18.990 (1 January - 31 December 2016: TRY14.417) in general and administrative expenses for the period 1 January – 31 December 2017. 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.

Had the revalued assets been carried at cost less accumulated depreciation, the carrying amounts of land and buildings would have been as follows as of 31 December 2017 and 2016, respectively:

	Land and building	
	31 December 2017	31 December 2016
Cost	963.808	849.273
Accumulated depreciation	(135.052)	(104.029)
	828.756	745.244

Fair values of land and buildings

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

Valuation techniques used to derive level 2 fair values

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

Market comparable method

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

Discounted cash flow method

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

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.

Convenience Translation Into English of Consolidated Financial Statements Originally Issued In Turkish

BİM Birleşik Mağazalar A.Ş.

Notes to the Consolidated Financial Statements for the Year Ended 31 December 2017

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

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

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

Valuation processes of the group

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

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

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

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

	2017	2016
Balance at the beginning of the period - 1 January	279.957	279.957
Revaluation increase	615.277	-
Deferred tax arising from revaluation increase	(84.365)	-
Balance at the end of the period - 31 December	810.869	279.957

As of 31 December 2017 and 31 December 2016, the gross carrying amount of property and equipment and intangibles, which are fully depreciated, but still in use, is as follows:

	31 December 2017	31 December 2016
Furniture and fixtures	137.015	112.582
Machinery and equipment	109.119	98.136
Intangible assets and leasehold improvements	76.982	52.639
Vehicles	22.311	16.849
Land improvements	4.015	3.158
	349.442	283.364

Pledges and mortgages on assets

As of 31 December 2017 and 31 December 2016, there is no pledge or mortgage on property and equipment of the Group.

Convenience Translation Into English of Consolidated Financial Statements Originally Issued In Turkish

BİM Birleşik Mağazalar A.Ş.

Notes to the Consolidated Financial Statements for the Year Ended 31 December 2017

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

11. Intangible assets

The movements of intangible assets and related accumulated amortization for the periods ended 31 December 2017 and 2016 are as follows:

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

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

As of 31 December 2017 amortisation expense amounting to TRY2.871 (1 January - 31 December 2016: TRY2.293) has been charged in marketing expenses and TRY233 (1 January - 31 December 2016: TRY168) in general and administrative expenses.

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

Convenience Translation Into English of Consolidated Financial Statements Originally Issued In Turkish

BİM Birleşik Mağazalar A.Ş.

Notes to the Consolidated Financial Statements for the Year Ended 31 December 2017

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

12. Provisions, contingent assets and liabilities

a) Short term provisions for employee benefits

Unused vacation amounting to TRY14.395 is shown on the current provisions for employee benefits amounting in the Group account of short term provisions for the period ended 31 December 2017 (31 December 2016: TRY11.032).

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

	2017	2016
Balance at the beginning of the period - 1 January	11.032	6.312
Reversals during period	(11.032)	(6.312)
Provision of unused vacation	14.395	11.032
Balance at the end of the period - 31 December	14.395	11.032

b) Other short term provisions

	31 December 2017	31 December 2016
Legal provisions ^(*)	23.578	17.917
Other	32.641	20.100
Total	56.219	38.017

^(*) As of 31 December 2017 and 31 December 2016, the total amount of outstanding lawsuits filed against the Group, TRY39.567 and TRY27.453 (in historical terms), respectively. The Group recognized provisions amounting to TRY23.578 and TRY17.917 for the related periods, respectively.

Current period movement of provision for lawsuits is as follows;

	2017	2016
Balance at the beginning of the period - 1 January	17.917	13.150
Provisions required	5.661	4.767
Balance at the end of the period - 31 December	23.578	17.917

Convenience Translation Into English of Consolidated Financial Statements Originally Issued In Turkish

BİM Birleşik Mağazalar A.Ş.

Notes to the Consolidated Financial Statements for the Year Ended 31 December 2017

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

Letter of guarantees, mortgages and pledges given by the Group

As of 31 December 2017 and 31 December 2016, breakdown of the guarantees, mortgage and pledges given by the Group is as follows:

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

	31 December 2016				
	Total TRY equivalent	TRY	USD	Euro	Moroccan Dirham
A. Total amount of guarantees, pledges and mortgages given in the name of	16.285	15.402	250.870	-	-
<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	-	-	-	-	-
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	-	-	-	-	-
i. On behalf of majority Shareholder	-	-	-	-	-
Total	16.285	15.402	250.870	-	-

Convenience Translation Into English of Consolidated Financial Statements Originally Issued In Turkish

BİM Birleşik Mağazalar A.Ş.

Notes to the Consolidated Financial Statements for the Year Ended 31 December 2017

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

Insurance coverage on assets

As of 31 December 2017 and 31 December 2016, insurance coverage on assets of the Group is TRY1.820.975 and TRY1.546.213 respectively.

13. Prepaid expenses

a) Short term prepaid expenses

	31 December 2017	31 December 2016
Order advances given	33.263	98.701
Other	9.574	8.627
	42.837	107.328

b) Long term prepaid expenses

	31 December 2017	31 December 2016
Advances given for property, plant and equipment	29.852	31.266
Other	5.377	4.846
	35.229	36.112

14. Employee termination benefits

	31 December 2017	31 December 2016
Provision for employee termination benefits	99.142	77.671
	99.142	77.671

The amount payable consists of one month's salary limited to a maximum of TRY 4.732,48 for each period of service as of 31 December 2017 (31 December 2016: TRY4.297,21). The retirement pay provision ceiling is revised semiannually, and TRY5.001,76 which is effective from 1 January 2018, is taken into consideration in the calculation of provision for employment termination benefits (effective from 1 January 2017: TRY4.426,16). 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 2017 and 31 December 2016 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 4,72% by assuming an annual inflation rate of 6,0% and a discount rate of 11,0% (31 December 2016: 10,50%). The anticipated rate of forfeitures that occurred on voluntary turnovers is considered.

Convenience Translation Into English of Consolidated Financial Statements Originally Issued In Turkish

BİM Birleşik Mağazalar A.Ş.

Notes to the Consolidated Financial Statements for the Year Ended 31 December 2017

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

The voluntary and non-voluntary redundancy rates in the calculation of severance indemnity are taken as 28,85% and 8,13% respectively (31 December 2016: 29,44% and 8,53%), and these rates are calculated according to various age groups weighted average of the rates calculated on some basis. Average service age is calculated as 2.75 years for female employees and 4.55 years for male employees, and the general average of the company is 3.85 years. The retirement ages of female and male employees are 50 and 55, respectively, and the average for the group is 53.05.

If the discount rate used as 11,0% in calculation of provision for employment termination benefits is 10,5%, the total provision will be TRY101.536 and if it is 11,5%, TRY96.841 will be used. All other assumptions in the sensitivity analysis are fixed and are based on the change in the discount rate.

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 2017	1 January - 31 December 2016
Current service cost (Note 19)	12.684	11.713
Financial expense of employee termination benefit (Note 22)	7.547	5.846
Total	20.231	17.559

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

	2017	2016
Balance at the beginning of the period - 1 January	77.671	60.368
Financial expense of employee termination benefit	7.547	5.846
Current service cost	12.684	11.713
Benefits paid	(21.064)	(16.914)
Actuarial gains	22.304	16.658
Balance at the end of the period - 31 December	99.142	77.671

15. Other assets and liabilities

a) Other current assets

	31 December 2017	31 December 2016
VAT receivable	15.919	13.952
Other	9.073	7.576
	24.992	21.528

b) Other current liabilities

	31 December 2017	31 December 2016
Taxes and funds payables	67.516	52.040
Other	1.867	2.906
	69.383	54.946

As of 31 December 2017 and 31 December 2016, the Group does not have any other long-term liability.

Convenience Translation Into English of Consolidated Financial Statements Originally Issued In Turkish

BİM Birleşik Mağazalar A.Ş.

Notes to the Consolidated Financial Statements for the Year Ended 31 December 2017

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

16. Equity

a) Share capital and capital reserves

As of 31 December 2017 and 31 December 2016, the breakdown of shareholders and their ownership percentages in the Company are summarized as follows:

	31 December 2017		31 December 2016	
	Historical cost	(%)	Historical cost	(%)
Merkez Bereket Gıda Sanayi ve Ticaret A.Ş. ^(*)	44.877	14,78	-	-
Naspak Gıda Sanayi ve Ticaret A.Ş. ^(*)	31.896	10,51	-	-
Mustafa Latif Topbaş ^(*)	-	-	44.877	14,78
Ahmet Afif Topbaş ^(*)	-	-	28.500	9,39
Other	11.192	3,69	14.588	4,81
Publicly traded	215.635	71,02	215.635	71,02
	303.600	100,00	303.600	100,00

The Company's share capital is fully paid and consists of 303.600.000 (31 December 2016: 303.600.000) shares of TRY 1 nominal value each.

(*) On May 16, 2017, The Company's President of Board of Directors and Executive President Mustafa Latif Topbaş sold all of the 44.876.992 publicly traded shares of BİM Birleşik Mağazalar A.Ş., which corresponded to a 14,78% capital ratio to Merkez Bereket Gıda Sanayi ve Ticaret A.Ş., which is under his control, by selling the shares outside the Stock Exchange. There is no change in management and control of BİM Birleşik Mağazalar A.Ş. On November 2, 2017, Ahmet Afif Topbaş from the shareholders of the Company and Ömer Hulusi Topbaş from the Members of the Board of Directors all had a total of 28.340.000 shares corresponding to 9.33% capital ratio and a total of 520.000 shares of the public shares corresponding to a capital ratio of 0.17% Naspak Food Industry and Trade Inc. under their control by transferring from outside the stock market. The result of these transactions is BİM Birleşik Mağazalar A.Ş. there has not been a change in management and control.

Revaluation surplus

As of 31 December 2017 the Group has revaluation surplus amounting TRY810.869 (31 December 2016: TRY279.957) related to revaluation of land and buildings. 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 instalments and advance dividend can be paid in accordance with profit on financial statements of the Company.

Convenience Translation Into English of Consolidated Financial Statements Originally Issued In Turkish

BİM Birleşik Mağazalar A.Ş.

Notes to the Consolidated Financial Statements for the Year Ended 31 December 2017

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

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 2017 and 31 December 2016 legal reserves, prior year profits and net income for the period in statutory accounts of the Company are as follows:

	31 December 2017	31 December 2016
Legal reserves	340.409	296.387
Extraordinary reserves	777.717	595.276
Net profit for the period	867.509	680.020
	1.985.635	1.571.683

As of 31 December 2017, net profit for the Company's statutory books is TRY867.509 (31 December 2016: TRY680.020) and net profit per consolidated financial statements in accordance with CMB accounting standards is TRY863.001 (31 December 2016: TRY670.859).

c) Treasury shares

The Board of Directors of the Company, on 22 July 2016, referring to the Press Announcement dated 21.07.2016 of the Prime Ministry Capital Market Board, the Company's shares can be repurchased in the Exchange and maximum amount of TRY300.000.000 (full TL), Member of Executive Board and CFO Haluk Dortoğlu has been authorized and the purchase has been terminated as of 16 March 2017. In this context, the Company reversed a total of 1.230.280 shares of the Company's capital, which was traded on BIST between August 26, 2016 and March 16, 2017, amounting to 0,41% against TRY61.111.113 (full TL) The financing of share repurchases is provided by the Company's internal resources. As of the date of the report, the shares that have been repurchased have not been sold. Based on the redemption, own shares' dividend payment amounting to TRY1.845 is accounted under Retained Earnings in equity accounts.

d) Dividend paid

At the Ordinary General Assembly meeting held on April 18, 2017, it was decided to distribute cash dividend in two instalments. In this context, cash dividend distribution for the first instalment of the year 2016 which is amounting TRY202.237 (2016: first installment TRY182.160) and second installment of TRY251.318 (2016: second instalment TRY151.363) in gross was completed as of 31 December 2017. The gross dividend paid per share is 1,50 full TL.

Convenience Translation Into English of Consolidated Financial Statements Originally Issued In Turkish

BİM Birleşik Mağazalar A.Ş.

Notes to the Consolidated Financial Statements for the Year Ended 31 December 2017

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

17. Sales and cost of sales

a) Net Sales

The Group's net sales for the periods ended 31 December 2017 and 2016 are as follows:

	1 January - 31 December 2017	1 January - 31 December 2016
Sales	24.867.089	20.138.491
Sales returns (-)	(87.681)	(66.774)
	24.779.408	20.071.717

b) Cost of sales

	1 January - 31 December 2017	1 January - 31 December 2016
Beginning inventory	1.108.209	963.155
Purchases	20.888.618	16.853.791
Ending inventory (-)	(1.442.833)	(1.108.209)
	20.553.994	16.708.737

18. Operational expenses

a) Marketing expenses

	1 January - 31 December 2017	1 January - 31 December 2016
Personnel expenses	1.298.751	1.056.564
Rent expenses	620.921	509.414
Depreciation and amortization expenses	237.324	199.110
Electricity, water and communication expenses	146.050	119.638
Packaging expenses	135.122	111.299
Advertising expenses	79.112	55.874
Trucks fuel expense	66.429	48.526
Maintenance and repair expenses	61.519	45.856
Taxes and duty expenses	20.814	16.418
Provision for employee termination benefit	10.655	9.839
Other	93.964	72.771
	2.770.661	2.245.309

Convenience Translation Into English of Consolidated Financial Statements Originally Issued In Turkish

BİM Birleşik Mağazalar A.Ş.

Notes to the Consolidated Financial Statements for the Year Ended 31 December 2017

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

b) General and administrative expenses

	1 January - 31 December 2017	1 January - 31 December 2016
Personnel expenses	260.362	217.672
Vehicle rent expenses	22.976	16.300
Legal and consultancy expenses	21.391	18.900
Depreciation and amortization expenses	19.223	14.585
Taxes and duty expenses	13.146	8.209
Motor vehicle expenses	11.647	9.064
Money collection expenses	11.285	9.367
Communication expenses	2.148	1.827
Provision for employee termination benefits	2.029	1.874
Office supplies expenses	1.658	1.413
Other	49.909	35.204
	415.774	334.415

19. Expenses by nature

a) Depreciation and amortisation expenses

	1 January - 31 December 2017	1 January - 31 December 2016
Marketing and selling expenses	237.324	199.110
General and administrative expenses	19.223	14.585
	256.547	213.695

b) Personnel expenses

	1 January - 31 December 2017	1 January - 31 December 2016
Wages and salaries	1.387.717	1.124.736
Social security premiums - employer contribution	171.396	149.500
Provision for employee termination benefits (Note 14)	12.684	11.713
	1.571.797	1.285.949

20. Other operating income

a) Other operating expense

	1 January - 31 December 2017	1 January - 31 December 2016
Gain on sale of scraps	6.664	6.241
Other income from operations	24.941	18.674
	31.605	24.915

Convenience Translation Into English of Consolidated Financial Statements Originally Issued In Turkish

BİM Birleşik Mağazalar A.Ş.

Notes to the Consolidated Financial Statements for the Year Ended 31 December 2017

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

b) Other operating expense

	1 January - 31 December 2017	1 January - 31 December 2016
Provision expenses	8.290	9.016
Other	2.617	1.557
	10.907	10.573

21. Financial income

	1 January - 31 December 2017	1 January - 31 December 2016
Participation account income	39.396	19.434
Foreign currency gains	5.807	43.230
	45.203	62.664

22. Financial expenses

	1 January - 31 December 2017	1 January - 31 December 2016
Finance charge on employee termination benefit including actuarial losses	7.547	5.846
Foreign exchange losses	2.108	15.215
Other financial expenses	834	1.811
	10.489	22.872

23. Income and expense from investing activities

a) Income from investing activities

	1 January - 31 December 2017	1 January - 31 December 2016
Dividend income	3.037	6.716
Gain on sale of property, plant and equipment	-	5.075
	3.037	11.791

b) Expense from Investing Activities

The Loss on sale of property, plant and equipment of group is TRY1,575 as of 31 December 2017. (1 January- 31 December 2016: None).

Convenience Translation Into English of Consolidated Financial Statements Originally Issued In Turkish

BİM Birleşik Mağazalar A.Ş.

Notes to the Consolidated Financial Statements for the Year Ended 31 December 2017

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

24. Tax assets and liabilities

As of 31 December 2017 and 31 December 2016, provision for taxes of the Group is as follows:

	31 December 2017	31 December 2016
Current income tax liabilities	214.182	172.597
Current tax assets (Prepaid taxes)	(174.182)	(131.528)
Corporate tax payable	40.000	41.069

In Turkey, as of 31 December 2017, corporate tax rate is 20% (31 December 2016: 20%). Corporate tax returns are required to be filed by the twenty-fifth day of the fourth month following the balance sheet date and taxes must be paid in one instalment by the end of the fourth month. The tax legislation provides for a temporary tax of 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 2017 the corporate tax rate is 30% (31 December 2016: 30%) where the consolidated subsidiary of the Company, BIM Stores SARL operates. In Egypt, as of 31 December 2017 the corporate tax rate is 22.5% (31 December 2016: 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 2016: 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.

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

In accordance with the regulation numbered 7061, published in Official Gazette on 5 December 2017, "Law on the Amendment of Certain Tax Laws and Some Other Laws", corporate tax rate for the years 2018, 2019 and 2020 has increased from 20% to 22%. Therefore, deferred tax assets and liabilities as of 31 December 2017 are calculated with 22% tax rate for the temporary differences which will be realized in 2018, 2019 and 2020, and with 20% tax for those which will be realized after 2021 and onwards.

Convenience Translation Into English of Consolidated Financial Statements Originally Issued In Turkish

BİM Birleşik Mağazalar A.Ş.

Notes to the Consolidated Financial Statements for the Year Ended 31 December 2017

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

As of 31 December 2017 and 31 December 2016, temporary differences based for deferred tax and deferred tax asset and liability calculated by using applicable tax rates are as follows:

	Balance sheet		Comprehensive income	
	31 December 2017	31 December 2016	1 January - 31 December 2017	1 January - 31 December 2016
Deferred tax liability				
Tangible and intangible assets, except the effect of revaluation effect	56.335	38.047	18.288	7.951
The effect of the revaluation of land and buildings	107.657	23.292	84.365	-
The effect of the revaluation of financial asset	7.612	7.188	424	2.335
Other adjustments	5.133	3.252	1.881	656
Deferred tax asset				
Reserve for employee termination benefit	(19.828)	(15.534)	(4.294)	(3.460)
Other adjustments	(21.921)	(16.530)	(5.391)	(3.930)
Currency translation difference	-	-	298	1.551
Deferred tax	134.988	39.715	95.571	5.103

Deferred tax is presented in financial statements as follows:

	31 December 2017	31 December 2016
Deferred tax assets	2.851	2.725
Deferred tax liabilities	(137.839)	(42.440)
Net deferred tax liability	(134.988)	(39.715)

Movement of net deferred tax liability for the periods ended 31 December 2017 and 2016 are as follows:

	2017	2016
Balance at the beginning of the period - 1 January	39.715	36.163
Deferred tax expense/(income) recognized in statement of profit or loss	15.243	6.100
Deferred tax expense/(income) recognized in statement of comprehensive income	80.328	(997)
- Revaluation of financial assets available for sale	424	2.335
- Revaluation of property, plant and equipment	84.365	-
- Remeasurement losses of defined benefit plans	(4.461)	(3.332)
Foreign currency translation differences	(298)	(1.551)
Balance at the end of the period - 31 December	134.988	39.715

Convenience Translation Into English of Consolidated Financial Statements Originally Issued In Turkish

BİM Birleşik Mağazalar A.Ş.

Notes to the Consolidated Financial Statements for the Year Ended 31 December 2017

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

Tax reconciliation

	1 January - 31 December 2017	1 January - 31 December 2016
Profit before tax	1.095.853	849.181
Corporation tax at effective tax rate of 20%	(219.171)	(169.836)
Disallowable expenses	(1.528)	(861)
Tax rate effect of the consolidated subsidiary	(4.307)	(3.937)
Other	(7.846)	(3.688)
	(232.852)	(178.322)
- Current	(217.609)	(172.222)
- Deferred	(15.243)	(6.100)

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.

	1 January - 31 December 2017	1 January - 31 December 2016
Earnings per share		
Average number of shares at the beginning of the period	302.370	303.573
Net profit of the year	863.001	670.859
Earnings per share	2,854	2,221

26. Related party disclosures

a) Trade payables to related parties

Due to related parties balances as of 31 December 2017 and 31 December 2016 are as follows:

Payables related to goods and services received:

	31 December 2017	31 December 2016
Başak Gıda Dağıtım ve Pazarlama A.Ş. (Başak) ⁽¹⁾	97.145	84.305
Turkuvaz Plastik ve Tem. Ürün. Tic. A.Ş. (Turkuvaz) ⁽¹⁾	94.994	74.527
Hedef Tüketim Ürünleri San. ve Dış Tic. A.Ş. (Hedef) ⁽¹⁾	65.676	33.382
Sena Muhtelif Ürün Paketleme Gıda Sanayi ve Tic. Ltd. Şti. (Sena) ⁽³⁾	28.458	11.907
Aktül Kağıt Üretim Pazarlama A.Ş. (Aktül) ⁽¹⁾	26.115	35.668
Apak Pazarlama ve Gıda Sanayi Tic. Ltd. Şti. (Apak) ⁽¹⁾	17.190	12.580
Reka Bitkisel Yağlar Sanayi ve Ticaret A.Ş. (Reka) ^{(1)(*)}	15.878	-
Aytaç Gıda Yatırım San. ve Ticaret A.Ş. (Aytaç) ⁽¹⁾	7.299	14.548
İdeal Standart İşletmecilik ve Müessesilik San. ve Tic. A.Ş. (İdeal Standart) ⁽²⁾	3.038	2.656
Proline Bilişim Sistemleri ve Ticaret A.Ş. (Proline) ⁽¹⁾	307	1.477
Avansas Ofis Malzemeleri Ticaret A.Ş. (Avansas) ⁽¹⁾	37	120
Natura Gıda Sanayi ve Ticaret A.Ş. (Natura) ⁽¹⁾	-	1.350
	356.137	272.520

⁽¹⁾ Companies owned by shareholders of the Company.

⁽²⁾ Non consolidated subsidiaries of the Group.

⁽³⁾ Other related party

Convenience Translation Into English of Consolidated Financial Statements Originally Issued In Turkish

BİM Birleşik Mağazalar A.Ş.

Notes to the Consolidated Financial Statements for the Year Ended 31 December 2017

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

b) Related party transactions

For the periods ended 31 December 2017 and 2016, summary of the major transactions with related parties are as follows:

i) Purchases from related parties during the periods ended 31 December 2017 and 2016 are as follows:

	1 January - 31 December 2017	1 January - 31 December 2016
Başak ⁽¹⁾	787.240	662.284
Turkuvaz ⁽¹⁾	440.218	338.805
Hedef ⁽¹⁾	325.958	176.292
Aktül ⁽¹⁾	203.597	150.030
Golf ⁽¹⁾	144.989	115.847
Apak ⁽¹⁾	111.807	56.631
Aytaç ⁽¹⁾	109.431	47.824
Reka ^{(1) (*)}	86.970	-
Sena ⁽³⁾	77.355	44.336
İdeal Standart ⁽²⁾	13.667	12.401
Proline ⁽¹⁾	3.546	6.628
Avansas ⁽¹⁾	1.294	3.867
Bahariye Tekstil Sanayi ve Ticaret A.Ş.	-	1.633
	2.306.072	1.616.578

⁽¹⁾ Companies owned by shareholders of the Company.

⁽²⁾ Non-consolidated subsidiaries of the Group.

⁽³⁾ Other related party

^(*) Has entered into the status of the related company as of September 20, 2017 and the related purchase amount covers the amount up to the end of this year.

ii) For the periods ended 31 December 2017 and 2016 salaries, bonuses and compensations provided to board of directors and key management comprising of 160 and 159 personnel, respectively, are as follows

	1 January - 31 December 2017	1 January - 31 December 2016
Short-term benefits to employees	68.496	53.497
Long-term defined benefits	3.798	3.548
Total benefits	72.294	57.045

Convenience Translation Into English of Consolidated Financial Statements Originally Issued In Turkish

BİM Birleşik Mağazalar A.Ş.

Notes to the Consolidated Financial Statements for the Year Ended 31 December 2017

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

27. Financial instruments and financial risk management

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

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

Price risk

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

Profit share rate risk

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

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

Profit share rate position table

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

Profit share position table		Current period	Previous period
Financial assets	Fixed profit share bearing financial instruments	510.758	267.262
	Profit share deposits	510.758	267.262
Financial liabilities	-		
Financial assets	Variable profit share bearing financial instruments	-	-
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.

Convenience Translation Into English of Consolidated Financial Statements Originally Issued In Turkish

BİM Birleşik Mağazalar A.Ş.

Notes to the Consolidated Financial Statements for the Year Ended 31 December 2017

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

Credit risk table (Current period – 31 December 2017)

	Credit card receivables		Other receivables		Deposit in bank		Financial assets	
	Related party	Other party	Related party	Other party	Related party	Other party	Related party	Other party
Maximum credit risk exposures as of report date (A+B+C+D+E)	-	877.380	25.069	21.396	-	684.654	309.731	-
- Maximum risk secured by guarantees etc.	-	-	-	-	-	-	-	-
A. Net book value of financial assets neither overdue nor impaired	-	877.380	25.069	21.396	-	684.654	309.731	-
B. Net book value of financial assets that are renegotiated, if not that will be accepted as past due or impaired	-	-	-	-	-	-	-	-
C. Carrying value of financial assets that are past due but not impaired	-	-	-	-	-	-	-	-
- The part under guarantee with collateral etc.	-	-	-	-	-	-	-	-
D. Net book value of impaired assets	-	-	-	-	-	-	-	-
- Past due (gross carrying amount)	-	-	-	425	-	-	-	-
- Impairment	-	-	-	(425)	-	-	-	-
- The part of net value under guarantee with collateral etc.	-	-	-	-	-	-	-	-
- Not past due (gross carrying amount)	-	-	-	-	-	-	-	-
- Impairment	-	-	-	-	-	-	-	-
E. Off-balance sheet items with credit risk	-	-	-	-	-	-	-	-

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	-	-	-	-	-	-	-	-

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.

BİM Birleşik Mağazalar A.Ş.

Notes to the Consolidated Financial Statements for the Year Ended 31 December 2017

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

Foreign currency position

As of 31 December 2017 and 2016, the Group's foreign currency position is as

	31 December 2017			31 December 2016			
	TRY equivalent	USD	Euro	GBP TRY equivalent	USD	Euro	GBP
1. Trade receivables	-	-	-	-	-	-	-
2a. Monetary financial assets (including cash, banks accounts)	12.423	3.145.291	113.557	9.102	9.816.002	13.308	9.283
2b. Non-monetary financial assets	-	-	-	-	-	-	-
3. Other	-	-	-	-	-	-	-
4. Other current assets (1+2+3)	12.423	3.145.291	113.557	9.102	9.816.002	13.308	9.283
5. Trade receivables	-	-	-	-	-	-	-
6a. Monetary financial assets	106	26.600	1.278	98	26.600	1.278	-
6b. Non-monetary financial assets	-	-	-	-	-	-	-
7. Other	-	-	-	-	-	-	-
8. Non-current assets (5+6+7)	106	26.600	1.278	98	26.600	1.278	-
9. Total assets (4+8)	12.529	3.171.891	114.835	9.102	9.842.602	14.586	9.283
10. Trade payables	317	84.078	-	18	2.000	-	-
11. Financial liabilities	-	-	-	-	-	-	-
12a. Monetary other liabilities	-	-	-	-	-	-	-
12b. Non-monetary other liabilities	-	-	-	-	-	-	-
13. Current liabilities (10+11+12)	317	84.078	-	18	2.000	-	-
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)	317	84.078	-	18	2.000	-	-
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)	12.212	3.087.813	114.835	9.102	9.840.602	11.586	9.283
21. Net foreign currency asset/(liability) position of monetary items (TFRS 7.b23) (=1+2a+5+6a-10-11-12a-14-15-16a))	12.212	3.087.813	114.835	9.102	9.840.602	11.586	9.283
22. Total fair value of financial instruments used for foreign currency hedging	-	-	-	-	-	-	-
23. Export	-	-	-	-	-	-	-
24. Import	-	-	-	-	-	-	-

Convenience Translation Into English of Consolidated Financial Statements Originally Issued In Turkish

BİM Birleşik Mağazalar A.Ş.

Notes to the Consolidated Financial Statements for the Year Ended 31 December 2017

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

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 2017 and 2016:

31 December 2017

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

Convenience Translation Into English of Consolidated Financial Statements Originally Issued In Turkish

BİM Birleşik Mağazalar A.Ş.

Notes to the Consolidated Financial Statements for the Year Ended 31 December 2017

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

31 December 2016

Exchange rate sensitivity analysis				
	Previous Period			
	Profit Loss		Equity	
	Foreign currency appreciation	Foreign currency depreciation	Foreign currency appreciation	Foreign currency depreciation
<i>Change of USD against TRY by 10%:</i>				
1- USD net asset/(liability)	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)	-	-
Total (3+6+9)	3,471	(3,471)	-	-

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.

Convenience Translation Into English of Consolidated Financial Statements Originally Issued In Turkish

BİM Birleşik Mağazalar A.Ş.

Notes to the Consolidated Financial Statements for the Year Ended 31 December 2017

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

As of 31 December 2017 and 31 December 2016, maturities of undiscounted trade payables and financial liabilities of the Group are as follows:

31 December 2017

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	3.020.467	3.042.960	3.042.960	-	-	-
Due to related parties	356.137	358.727	358.727	-	-	-

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	-	-	-

Capital risk management

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

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

The gearing ratios at 31 December 2017 and 31 December 2016 are as follows:

	31 December 2017	31 December 2016
Total liabilities	4.067.795	3.087.960
Less: Cash and cash equivalents	(980.378)	(578.435)
Net debt	3.087.417	2.509.525
Total equity	2.957.880	1.901.177
Total equity+net debt	6.045.297	4.410.702
Net debt/(Total equity+net debt) (%)	51	57

Convenience Translation Into English of Consolidated Financial Statements Originally Issued In Turkish

BİM Birleşik Mağazalar A.Ş.

Notes to the Consolidated Financial Statements for the Year Ended 31 December 2017

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

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 2017 and 31 December 2016. See note 10 for disclosures of the land and buildings that are measured at fair value (Note 10).

31 December 2017	Level 1	Level 2	Level 3	Total
Available for sale financial assets				
Retail industry	-	297.141	-	297.141
Total assets	-	297.141	-	297.141
31 December 2016	Level 1	Level 2	Level 3	Total
Available for sale financial assets				
Retail industry	-	180.839	-	180.839
Total assets	-	180.839	-	180.839

There were no transfers between levels during year.

Convenience Translation Into English of Consolidated Financial Statements Originally Issued In Turkish

BİM Birleşik Mağazalar A.Ş.

Notes to the Consolidated Financial Statements for the Year Ended 31 December 2017

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

(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.

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 2017 and 31 December 2016, except for the available for sale financial assets disclosed in Note 5, the fair values of certain financial assets carried at cost including cash and cash equivalents profit share accruals and other short term financial assets are considered to approximate their respective carrying values due to their short-term nature. The carrying value of trade receivables along with the related allowance for unearned income and uncollectibilities are estimated to be their fair values.

- Financial liabilities

Financial liabilities of which fair values approximate their carrying values:

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

29. Events after balance sheet date

None.

