BİM ANNUAL REPORT 2018

Walking beside our customers, in fighting against inflation.

CONTENTS

Trade Name of the Company:	BİM Birleşik Mağazalar A.Ş.
Report Period:	1 January - 31 December 2018
Trade Registry No.:	334499
Website:	www.bim.com.tr
Capital:	TL 303,600,000
Mersis No:	0175005184608645

Inflation is the continuous increase in the general level of product and service prices. High inflation may establish an environment that reduces money's purchasing power, as well as its reliability, resulting in uncertainty. Producers struggle to set prices, while consumers struggle to follow changes in prices. Investment and consumption decisions cannot be taken in a sound manner; investment terms are reduced. In an environment of high inflation, product prices can vary frequently and unpredictably, making it difficult to discern that a specific product might be more or less expensive than others. Consequently, both companies and consumers may misinterpret price changes, which results in inefficient use of resources; thus, it is important to keep inflation at a low and stable level in an economy. It is important to maintain the value of money.

Monetary stability contributes to economic growth and a nation's well-being. People are easily able to compare prices in economies where price stability is ensured, and they can make more informed investment and saving decisions. Resources in a stable economy are allocated more efficiently and productivity increases.

Since its establishment in 1995, BİM has successfully maintained the lowest levels possible for the prices of its products based on the Company's high-cost discipline, an efficiency-driven operational approach, gross profit margins much lower than the sector average, and the motto "high quality, low price." Setting an example for other players in the market, the Company contributes to the reduction of inflation.

For the 23 years since the day of our establishment, and in line with the core policy of our business model, we have been operating with the understanding of "Everyday low price." We reflect cost savings in the product prices. This policy is a key factor in establishing our customers' confidence.

We continue to deliver high-quality products to our people with an affordable prices policy, in line with their expectations.

BİM Executive Committee


LOW-RENT
STORES CLOSE TO
OUR PEOPLE
BİM
TOPTAN FİYATINA
PERAKENDE SATIŞ

Our brand challenged the retailer tradition of the ‘Main Street’ location. The location closest to our customers is the right place for us, so our stores are located in our customers’ neighborhoods.


EFFICIENT
LOGISTICS
SYSTEM

Our customers will never hear us say, “We ran out of that product, but it will arrive soon.” Our warehouses continuously supply our stores with a system that functions efficiently, thus our stores consistently offer the highest on-shelf product availability.

BİM
TOPTAN FİYATINA
PERAKENDE SATIŞ

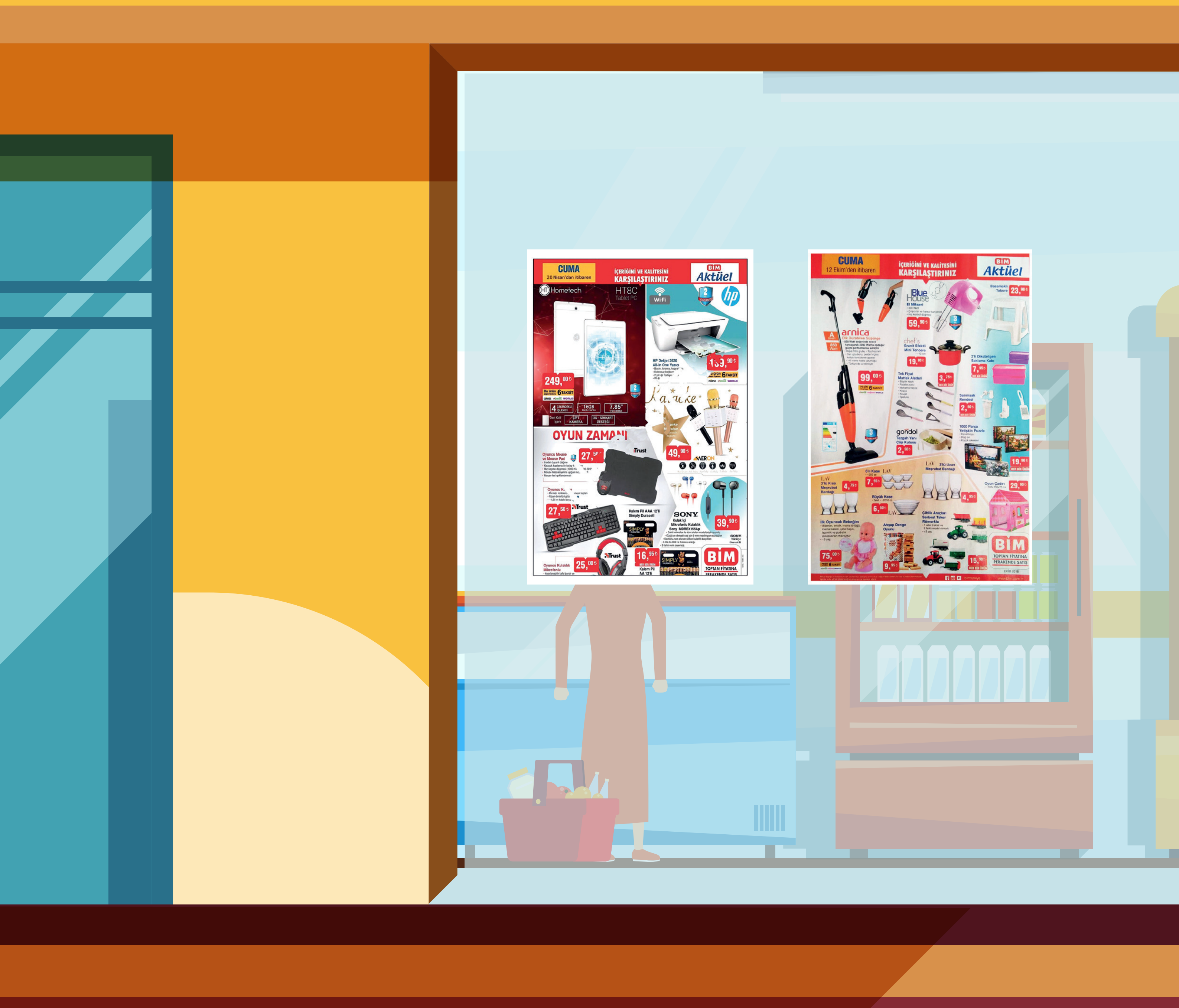
HANDY - NOT DANDY - SHELVES

We do not offer thousands of categories; instead, we offer private-label (PL) products that are predominantly owned by us. Our customers can easily and quickly locate items, without wasting their time, in our functional, practical stores. We keep our stores simple, straightforward and plain; we pass up grandiose decorating themes, and we pass these savings along to our customers.

FRIENDLY PERSONNEL
IN SUFFICIENT NUMBERS

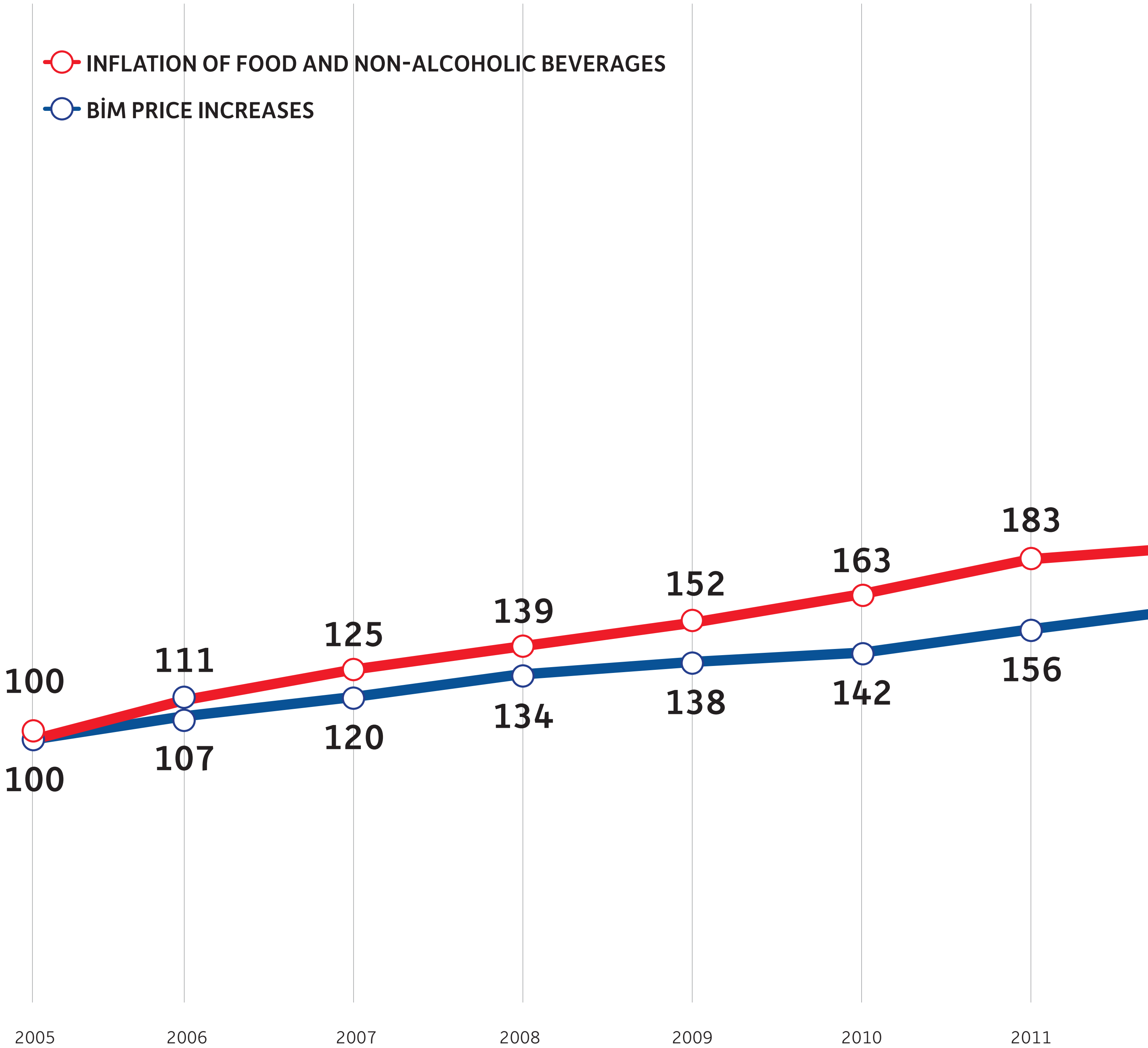
The sincere BİM atmosphere in our stores is established by our well-qualified and a sufficient number of employees at each store. At BİM, we ensure that each member of our team is capable, informed and pleasant. Our friendly employees make our customers feel like they are shopping in their local convenience store.

LESS ADVERTISING,
MORE DIFFERENT COMMUNICATION CHANNELS

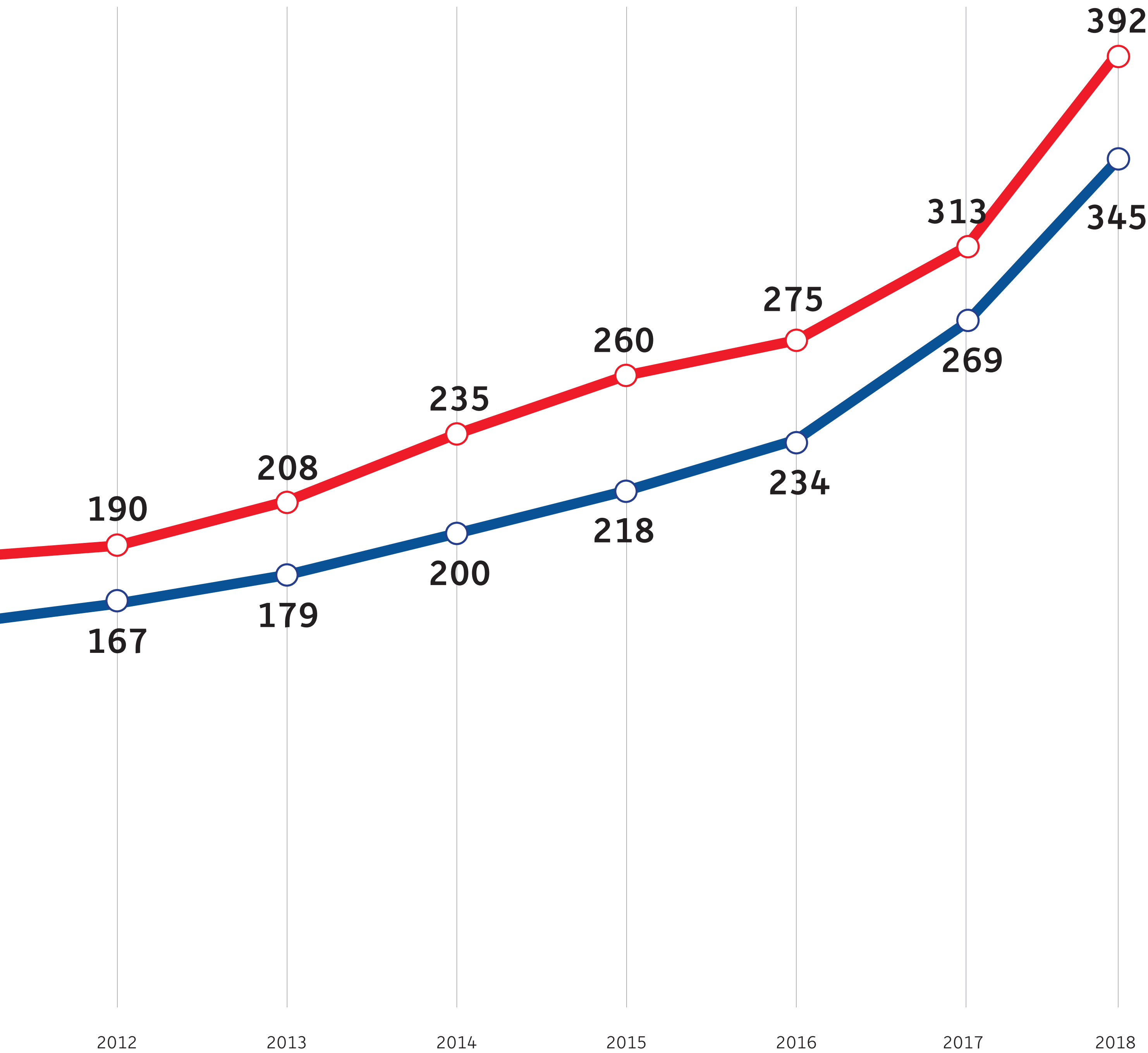


You won’t often see ads for BİM on pricey media. Our service quality and products are known across communities through word of mouth, due to the nature of our relationships with local residents. Additionally, our brochures and banners have strictly been followed.

PRICE INDEX AND INFLATION GRAPH



SINCE ITS ESTABLISHMENT, BİM HAS SET AN EXAMPLE WITH "EVERYDAY LOW PRICE" POLICY FOR ALL PRODUCTS AND INFLUENCED AFFORDABLE PRICES ACROSS THE COUNTRY.



KEY INDICATORS

BY CARRYING OUT ACTIVITIES WITH A NEGATIVE WORKING CAPITAL, BİM FINANCES ITSELF THROUGH POSITIVE CASH GENERATION.

Net Sales (TL Million)

2016	20,072
2017	24,779
2018	32,323

30.4%

IN 2018, BİM'S NET SALES INCREASED BY 30.4%.

Gross Profit Margin (%)

2016	16.8
2017	17.1
2018	17.7

EBIT (TL Million)

2016	783
2017	1,039
2018	1,530

4.7%

IN 2018, BİM'S EBIT MARGIN WAS 4.7%.

EBIT Margin (%)

2016	3.9
2017	4.2
2018	4.7

Net Profit (TL Million)

2016	671
2017	863
2018	1,251

45%

IN 2018, BİM'S NET PROFIT INCREASED BY 45%.

Net Profit Margin (%)

2016	3.3
2017	3.5
2018	3.9

EBITDA (TL Million)

2016	997
2017	1,296
2018	1,879

45%

IN 2018, BİM'S EBITDA INCREASED BY 45%.

EBITDA Margin (%)

2016	5.0
2017	5.2
2018	5.8

Number of Stores

2016	6,167
2017	6,765
2018	7,478

4.5 MILLION

THE AVERAGE DAILY NUMBER OF CONSOLIDATED VISITORS TO BİM IS 4.5 MILLION.

Average Number of Consolidated Daily Customers (Visit) (Million)

2016	3.8
2017	4.1
2018	4.5

Number of Consolidated Employees at the End of the Year

2016	37,439
2017	41,993
2018	47,980

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/TFRS). BİM has a 100% participation rate in its affiliate companies, BİM Stores SARL in Morocco and BİM Stores LLC in Egypt, which have been fully consolidated. Both companies are engaged in activities in the field of food retail. In addition, GDP Sanayi ve Ticaret A.Ş., founded in 2017 with a 100% participation rate by BİM, was consolidated on the basis of full consolidation in 2018. GDP Sanayi ve Ticaret A.Ş. is engaged in packaging and transportation of rice and legume products.

KEY INDICATORS

30% GROWTH WAS ATTAINED INCLUDING A TOTAL OF 713 NEW STORES OPENED IN 2018, WITH 618 BASED IN TURKEY. IN THE SAME PERIOD, OPERATIONAL PROFITABILITY (EBITDA) INCREASED BY 45%.

Summary Consolidated Revenue Table (TL Million)	**2018**	**2017**	**Change (%)**
Sales	32,323	24,779	30
Gross Profit	5,710	4,225	35
Gross Profit Margin	17.7%	17.1%	
EBITDA	1,879	1,296	45
EBITDA Margin	5.8%	5.2%	
EBIT	1,530	1,039	47
EBIT Margin	4.7%	4.2%	
Net Profit	1,251	863	45
Net Profit Margin	3.9%	3.5%	

Summary Consolidated Balance Sheet (TL Million)	**2018**	**2017**	**Change (%)**
Current Assets	4,842	3,603	34
Fixed Assets	4,106	3,423	20
Total Assets	**8,948**	**7,026**	**27**
Short-Term Liabilities	5,131	3,831	34
Long-Term Liabilities	305	237	29
Shareholder's Equity	3,512	2,958	19
Total Equity and Liabilities	**8,948**	**7,026**	**27**

EXPECTATIONS AND ACHIEVEMENTS

IN 2018, THE COMPANY'S TOTAL INVESTMENTS ON A CONSOLIDATED BASIS WERE TL 956 MILLION AND ENTIRELY FINANCED BY BİM'S OWN EQUITY.

	Goals	Achievements
Consolidated New Store Openings	730	713
Increase in Sales	30%*	30%
EBITDA Margin	5.5% +*	5.8%
Investment	TL 750 Million	TL 956 Million

* Although, at the beginning of 2018, sales were projected to rise by 20% +, this figure was revised to 30% (+- 2) in accordance with realizations in the first nine months, per a material disclosure made on 9 November 2018. Similarly, the EBITDA margin, determined as 5.0% (+-0,5) at the beginning of the year, was revised to 5.5% + by considering realizations during the first nine months.

	2019 Expectations
Consolidated New Store Openings*	820
Increase in Sales (%)	25% (+-2)
EBITDA Margin	5.0% (+-0.5)**
Investment	TL 1,100 million

* In 2019, BİM plans to open 700 stores in Turkey, 60 stores in Morocco, and 30 stores in Egypt. In addition, 30 stores are planned to be opened in the FİLE format.
** The EBITDA margin target does not include the potential effects of Turkish Financial Reporting Standards (TFRS) no. 16.

ABOUT BİM

BİM REFLECTS ITS ACHIEVEMENTS TO PRODUCT PRICES AND MAINTAINS ITS OPERATIONS WITH A LIMITED LEVEL OF PROFIT MARGIN BY MINIMIZING COSTS AND WITHOUT DISRUPTING ITS SERVICE QUALITY, BASED ON ITS BUSINESS MODEL.

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 affordable prices. Today, the Company has a total of 7,478 stores, of which 6,736 are in Turkey and 742 are abroad. The Company has achieved 85% growth in the last three years.

BİM reflects its achievements to product prices and maintains its operations with a limited level of profit margin by minimizing the costs, and without disrupting its service quality, based on its business model. Therefore, the Company's fight against inflation has been continuous, since the very day it was established. Moreover, BİM has significantly contributed to the balanced course of the price mechanisms in the sector. With the "everyday low price" policy, BİM influenced affordable prices and set an example for the overall sector. In addition to its structural fight against inflation, the Company affected discounts in approximately 50 products, as part of its unwavering fight against inflation, in 2018. Sales prices were not updated, despite the increased cost of some products. BİM will continue to fight against inflation in the upcoming period as well.

BİM sustained its leading position in the sector by continuing to grow consistently in 2018 as well. Thirty percent growth was attained from sales in a total of 713 new stores opened in 2018, 613 of which were based in Turkey. In the same period, operational profitability (EBITDA) rose by 45%.

BİM launched FİLE, its new retail model, in March 2015. FİLE-branded stores are more like supermarkets and display more stock items than existing BİM stores. FİLE stores are well-focused, serving with an understanding of a store that offers multiple types of products under a single umbrella, with its 'modern neighborhood supermarket' concept. Featuring a larger space in terms of square meters compared to the discount stores, FİLE provides customers with a more spacious shopping experience. FİLE's development exceeded expectations by attaining EBITDA profitability in just three years: The FİLE concept claimed a major position among customers and quickly established itself through its unique supermarket approach, coupled with a powerful, fresh and quality range of products. As of the end of the year, FİLE has 64 stores, 20 of which were opened in 2018.

In 2018, BİM continued to support its suppliers, which it treats as business partners, as optimally as possible given the current economic environment.

According to Deloitte's January 2019 edition of the 'Global Powers of Retailing' report, its annual and traditional report, BİM ranked 150 among the world's top 250 retail companies, BİM is also the 22nd fastest-growing retailer worldwide. The backbone of BİM's 23-year corporate culture comprises customer satisfaction, flawless service principles, positive relations with suppliers, and qualified human resources. With its transparent, open and honest management approach, BİM will continue its growth and profitability with the same strength in the upcoming period.

TL **32.3** Billion

NET SALES

45%

INCREASE IN NET PROFIT

4.5 Million People

DAILY NUMBER OF CUSTOMERS

BİM SUSTAINED ITS LEADING POSITION IN THE SECTOR BY CONTINUING TO GROW CONSISTENTLY IN 2018 AS WELL.

CORPORATE PROFILE

OPENING 713 NEW STORES ON A CONSOLIDATED BASIS, AS OF THE END OF 2018, BİM CURRENTLY SERVES WITH A TOTAL OF 7,478 STORES AND INCREASED ITS STORE PORTFOLIO BY 11%.

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 affordable prices. 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 2018, 42 new products were listed.

Launching 713 new stores on a consolidated basis as of the end of 2018, BİM had a total of 7,478 stores as of the year-end and increased its store portfolio by 11%. Of these stores, 6,736 are based in Turkey, while 742 are based abroad. In 2018, the Company continued its leadership in the retail industry. BİM continues to grow, with operations in Morocco and Egypt; BİM launched 60 new stores in Morocco, increasing its number of stores to 442. In Egypt, which is the second leg of operation abroad, the number of stores reached 300 as of year-end, with the opening of 35 new stores.

In 2018, the Company's total investments were TL 956 million on a consolidated basis and entirely financed by the Company's equity capital. BİM will continue to make these investments in the upcoming period. In 2019, the total investments are expected to reach TL 1,100 million. The Company aims to launch 820 stores and four 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 2018, while it was 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 communications, offered new Internet and mixed packages. As of the end of 2018, Bimcell's number of subscribers has exceeded 1.6 million. Bimcell is a virtual operator that provides prepaid services.

BİM launched FİLE, its new retail model, in March 2015. Combining discount grocery shopping with the supermarket concept, FİLE provides a variety of products in a modern market context, housed in larger spaces compared to discount stores. In 2018, FİLE operates in 64 stores with the opening of 20 new stores.

Through FİLE, BİM introduced new concepts with special sections such as bakery products, meat & delicatessen, vegetable-fruit and personal care products. Aiming to be an alternative for customers who also seek affordable prices and high-quality products apart from basic foodstuffs, FİLE is expected to open 30 stores in 2019, reaching 94 stores in total. FİLE attained operational profitability (EBITDA) in 2018.

Aiming to sustain its solid growth by means of new stores in 2019, BİM will maintain its effective cost management policy and 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

BİM OFFERS HIGH-QUALITY PRODUCTS MANUFACTURED SPECIFICALLY FOR ITS CUSTOMERS.

- BİM employs a sufficient number of personnel to provide uninterrupted service at its stores.
- For BİM, customer benefits are more important than short-term high profit.
- BİM displays products in their original cardboard boxes to avoid unnecessary expenses.
- BİM offers the highest quality products at the most affordable prices.
- BİM rents the most affordable stores at points that are closest to its customers.
- BİM offers high-quality products manufactured especially for its customers.
- BİM has a no-questions-asked return policy.
- BİM avoids excessive advertising that could lead to an increase in the price of its products.
- BİM stores are decorated as simply as possible.
- BİM customers pay for the product itself, not the packaging or the brand.

BİM
TOPTAN FİYATINA
PERAKENDE SATIŞ

MILESTONES

BİM'S JOURNEY TO SUCCESS AS THE LEADER OF THE TURKISH RETAIL SECTOR BEGAN WITH 21 STORES IN 1995.

1995

BİM commenced its 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 a market leader with a turnover of TL 6.574 million.

BİMCELL'DE
CEBİNİZE DOST PAKETLER

2012

Launched Bimcell, a mobile operator brand.

2013

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

2014

Number of Bimcell subscribers surpassed one million.

Opened its 1,000th store.

Publicly offered 44.12% of its shares.

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

Commenced its first foreign operation by opening stores in Morocco.

FİLE, BİM's new retail model, opened its first stores.

BİM
TOPTAN FİYATINA
PERAKENDE SATIŞ
BİM BİM FİLE

2016

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

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.

BİM
FİLE

2018

Morocco and FİLE operations attained operational profitability (EBITDA).

MESSAGE FROM THE BOARD OF DIRECTORS

2018 WAS THE YEAR THAT WE REACHED OUR TARGETS. WE CONSISTENTLY MAINTAINED OUR INVESTMENTS DESPITE RISING INFLATION AND FOREIGN EXCHANGE RATES.

In 2018, the global economy was shadowed by a trade competition between China and the USA. Despite power struggles among trade blocks and tightening financial conditions, the global economy is anticipated to grow by 3.7% in 2018, in parallel with the previous year, according to IMF data.

Attaining the highest growth rate among developing countries in 2017, the Turkish economy maintained this performance in the first half of 2018, despite a minimal loss in momentum. The second half of the year marked difficulties, due to market volatility driven by a triangle of currency, interest and inflation. The normalization process commenced as of the year's third quarter, with resolute steps undertaken by the Public Authority and the Turkish Central Bank's new monetary policies. As of the first nine months of 2018, the Turkish economy achieved 4.5% growth, and we are certain that it will recover from these tough times with further strength in the upcoming period.

The food retail market maintained its dynamism and continued to gain further momentum with increased consumer trends despite the financial risks in the Turkish economy and negative developments with respect to currency, inflation and interest rates. The discount retail sector, which includes BİM, continued to achieve two-digit growth figures, also exceeding the average in 2018 and proving to be a driving force for the overall sector.

BİM is among the primary organizations contributing to Turkey's "All-Out War on Inflation." We reflect our achievements to product prices and maintain operations with a limited level of profit margin by minimizing the costs, and without disrupting our service quality, based on our business model. Our fight against inflation began on the day of our establishment, and BİM continues to significantly contribute to the balanced course of the price mechanisms in the sector. With the "everyday low price" policy, BİM set an example for the overall sector. In addition to its structural fight against inflation, the Company affected discounts in approximately 50 products to combat inflation in 2018. As part of our business model, we will continue to fight inflation ceaselessly in the upcoming period as well.

As BİM, we maintained our consistent growth with high profitability in 2018 as well. We sustained our leading position in the sector, further strengthening it in the past year, and our growth rate and profitability reached expectations.

In 2018, also, we preserved the substantial growth performance that we have continuously sustained since our establishment. As of the end of 2018, we provide services with a total of 7,478 stores. Of these, 442 are based in Morocco and 300 in Egypt. We launched a total of 713 stores in 2018, 618 of which were based in Turkey. The opening of these new stores, combined with strengthened efficiency in our existing stores, resulted in an increase of 30% in our sales. We improved our logistics infrastructure with four general directorates and a logistics center that we opened within the year. Investments that we made on a consolidated basis in 2018 amounted to TL 956 million.

The positive performance we achieved in 2018 resulted in an increase in profitability in line with our expectations. In this period, our operational profitability (EBITDA) increased by 45%.

Our overseas operations continue to grow as well. In 2018, we launched 60 new stores in Morocco, reaching 442 stores. The most important development of our operations in this country is that we achieved operational profitability. As for Egypt, where operations kicked off in 2013, the number of our stores is 300, with the opening of 35 new stores.

TL **8.9** Billion

TOTAL ASSETS

47,980 People

TOTAL NUMBER OF EMPLOYEES

7,478

TOTAL NUMBER OF STORES

IN 2018, THE NUMBER OF EMPLOYEES WORKING FOR BİM INCREASED BY 14%. THE COMPANY HAS A TOTAL OF 47,980 EMPLOYEES WORKING ON A PART-TIME AND FULL-TIME BASIS.

BİM is among the rare companies distributing dividends at a high rate to its investors, despite its strong growth. In 2018, TL 571 million, accounting for 66% of the 2017 profit, was distributed in cash.

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 bakery products, meat-delicatessen, fruit-vegetable and personal care. Offering a cozy design, FİLE stores aim to make consumers feel comfortable as if they are shopping in their local neighborhood or market. Featuring an average of 4,500 different products, the stores offer meat products, delicatessen, fresh fruits and vegetables, bakery products and personal care products, and around 33% of the products sold consist of private label products. Concluding 2017 with 44 stores, FİLE had a successful year in 2018, launching 20 stores and reaching 64 stores at the end of the year. Thirty new stores are planned to be launched in 2019, with a target of 94 stores by the end of 2019. Positive feedback since the launch of the FİLE concept indicates that this is the right model for Turkey. FİLE attained operational profitability (EBITDA) in 2018.

In 2018, the number of personnel working for BİM increased by 14%. Currently, the number of part-time and full-time personnel working for the Company is 47,980 in total. The employment opportunities created by BİM, Turkey’s leading retail company, have a positive impact on the entire country. BİM will continue to contribute to the Turkish economy in 2019 by opening new stores and regional offices.

Bimcell, introduced in March 2012, is a BİM brand for the mobile communications segment. Bimcell further improved its subscriber base in 2018, expanding its subscriber numbers by 100 thousand with new Internet packages and mixed packages, and exceeding 1.6 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 economic, competitive and innovative packages, customers are paying more attention to Bimcell.

As BİM, we will continue our steady and efficient growth in 2019, aiming to open 820 stores on a consolidated basis for the upcoming activity year. Moreover, four general directorates are planned to commence operations to manage these stores. A total of TL 1,100 million is projected for investment in both the domestic and international operations; as we have in Turkey, we will continue to launch stores overseas as well. Despite an anticipated slowdown in growth and the economy, the employment we created will continue to expand. We plan to add a minimum of 4 thousand people to our workforce on an annual basis.

In its own sector, BİM is defined as a retailer particularly preferred by suppliers for cooperation. It is our top priority to ensure that the firms we collaborate with act in line with business ethics and principles. In addition to keeping inflation under control in the sector, BİM positions itself as a company that raises the bar for business ethics accordingly. We treat our suppliers as business partners and never hesitate to support them, in the best way we can, in the current economic environment, as required by business partnership.

Since the day we were founded in 1995, we have achieved a stable and efficient growth. Our employees are undoubtedly the most important driving force behind our achievements. We are most assured that our solid growth will be sustainable on this successful journey that we have embarked on, together with our employees, suppliers, customers and shareholders.

RETAIL SECTOR IN TURKEY

NOW, DISCOUNT STORES ARE ONE OF THE MOST IMPORTANT PLAYERS IN THE TURKISH RETAIL SECTOR. AS A SECTOR LEADER, BİM EXPANDS NOT ONLY IN TURKEY BUT ALSO ABROAD WITH SLIMMER PROFIT MARGINS AND ITS VERY OWN STORE FORMAT THAT WAS IMPLEMENTED RESOLUTELY.

The fact that the traditional market sustains its importance in our country indicates a huge potential, while the organized retail sector follows a transformative trend via internet in the world. The traditional retail market accounts for more than half of the Turkish retail market. Traditional retail continues to remain important in Turkey although the organized retail market has achieved a huge leap, especially in the last two decades. However, a decline is observed in the traditional sector, whereas the organized retail sector furthers its growth momentum.

Hard discount retailing has grown with a significant pace in the last five years. Operating under the structure of hard discount retailing, retailers managed to attain a significant momentum by continuing to attract customers from each level of socio-economic groups.

Now, discount stores are one of the most important players in the Turkish retail sector. As a sector leader, BİM expands not only in Turkey but also abroad with slimmer profit margins and its very own store format that was implemented resolutely.

The discount food retailer group, which includes BİM, continued to grow in 2018, exceeding the sector average. According to the data from the Federation of Turkish Retailers, the sales share of discount stores in the total market sales is 39.2%, while the share of other supermarkets is 23.1%, and that of local supermarkets is 37.7%. The employment share of discount stores within total markets is 37%.

Just like manufacturers, the retail sector creates jobs and employment in segments such as logistics, warehousing and packaging, and across many channels, particularly including stores, to ensure that the production of suppliers reaches the end consumer. The development of each link of the supply chain and the proper functioning of this system contributes to the growth of each and every link. It is clear that the retail sector directly contributes to production and especially to the growth of our national economy.

Due to the nature of its operations, the retail sector does not allow for informal employment. The sector contributes to the expansion of the formal economy, production and employment, as well as the reduction of inflation. In this way, it creates a positive impact on the national economy. Notably, the countrywide penetration of discount food stores extends the employment it generates across the entire country. As well, creating employment for youth and women is among the social benefits it provides.

39%

SHARE OF DISCOUNT STORES IN TOTAL MARKET SALES

Source: Federation of Turkish Retailers

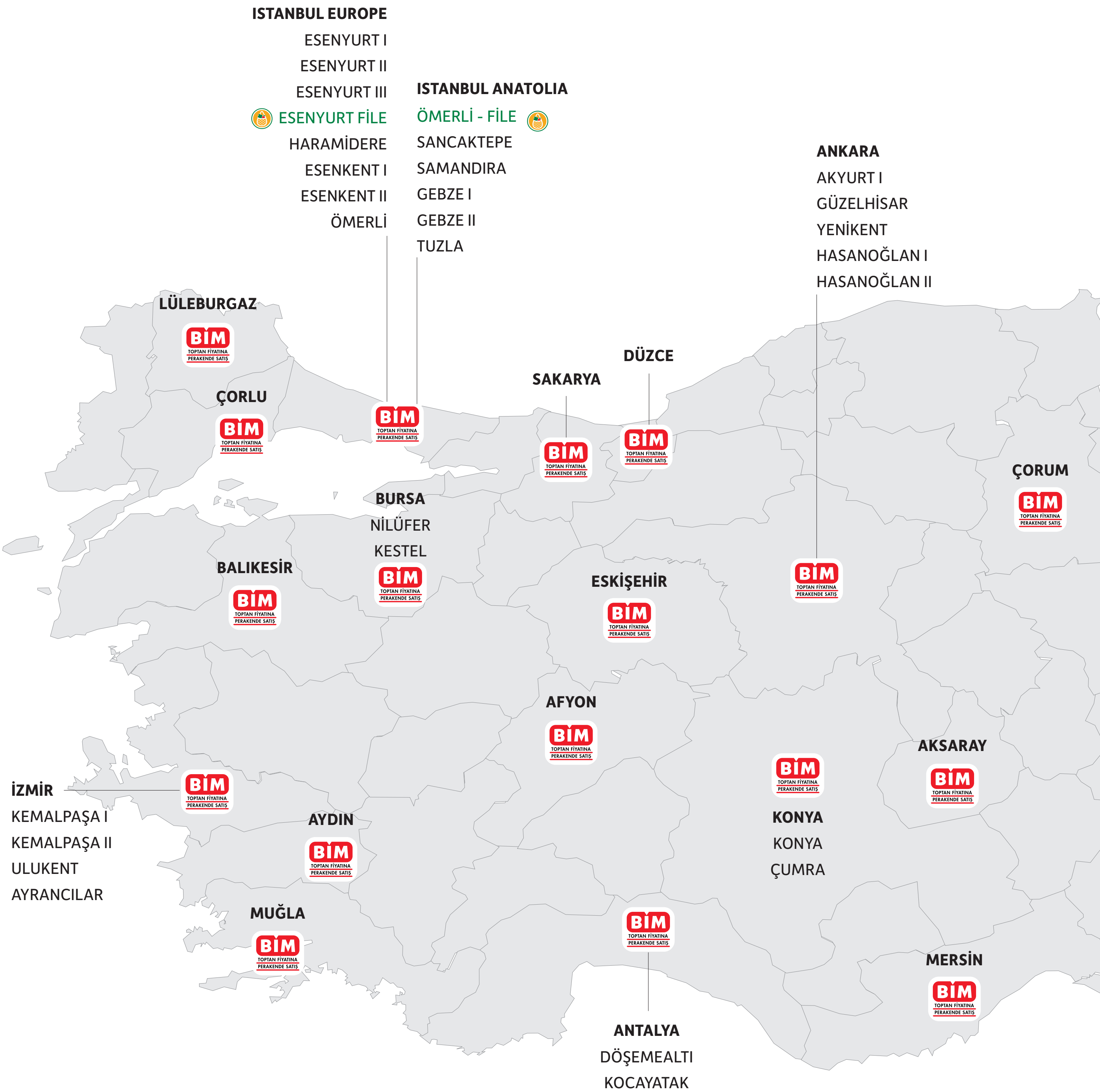
The retail sector in Turkey offers opportunities for private-label products to become widespread. BİM is in a leading position in this regard. The proportion of private label products sold in domestic BİM stores to the total sales reached 67% in 2018, while the average in Turkey fell well below this rate. The focus on private label products will continue in 2019 as well, both in BİM operations and in FİLE, BİM's new format.

BİM is the leader in the retail sector. According to the January 2019 edition of Deloitte's "Global Powers of Retailing" report, which is published annually, BİM holds a 150th place among the top 250 retail companies in the world with reference to data of year 2017. BİM is also the 22nd fastest-growing retailer worldwide.

To gain leverage from the growth potential in the supermarket sector as well as in the hard-discount food retail industry, BİM converted its resources into investments, launching its supermarket model with the FİLE brand in March 2015. FİLE's development exceeded expectations by attaining EBITDA profitability in a short period of three years. The FİLE concept claimed a major position in the eyes of customers and quickly established itself. A unique supermarket approach, coupled with a powerful, fresh and quality range of products, held a critical role in terms of its rapid rise in popularity. For the last three years, BİM has addressed the demands of both the hard discount and supermarket segments of the retail industry.

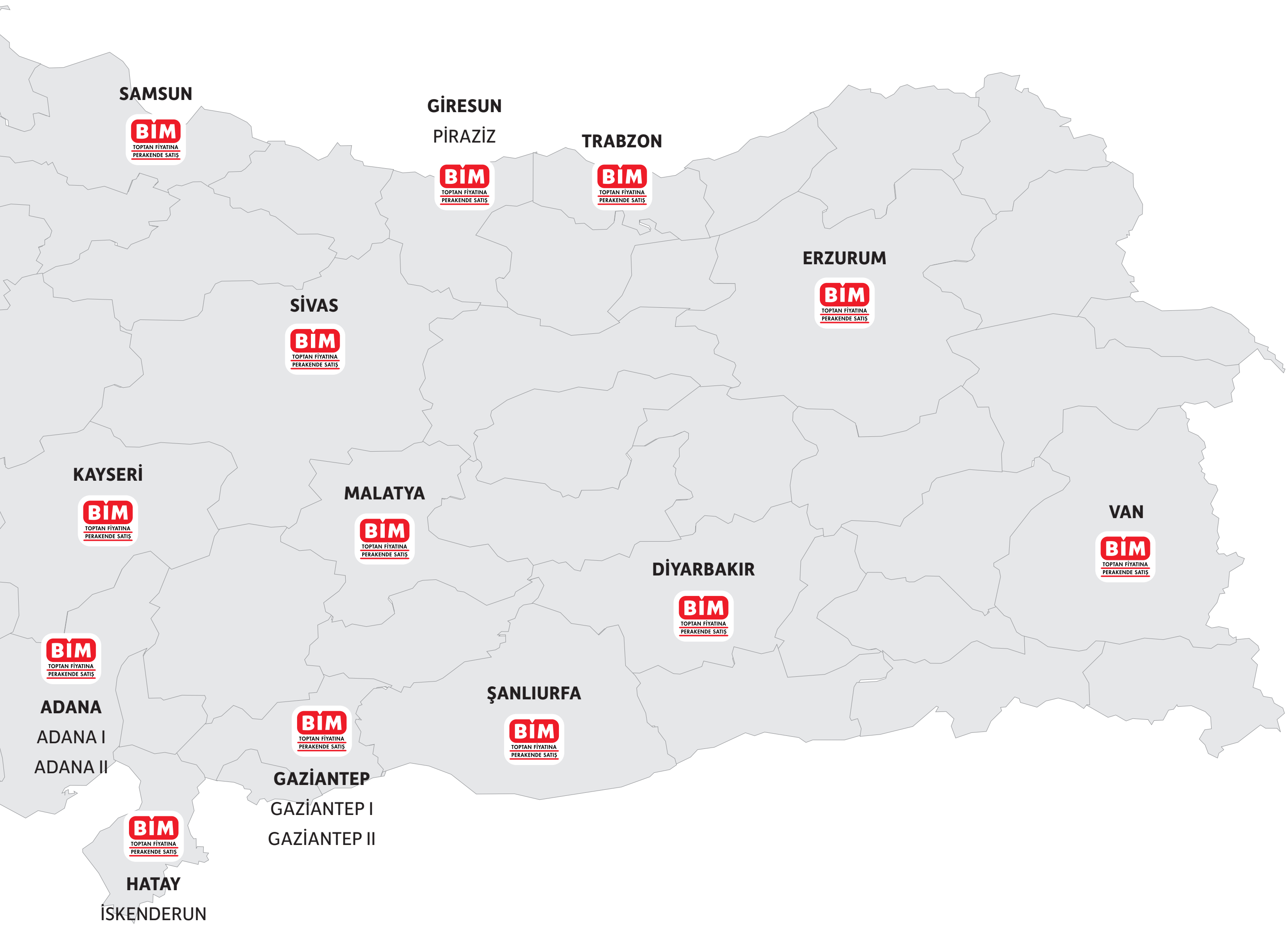
THE DISCOUNT FOOD RETAILERS GROUP THAT INCLUDES BİM SUSTAINED ITS GROWTH EXCEEDING THE SECTOR AVERAGE IN 2018 AS WELL.

BİM'S DOMESTIC AND FOREIGN OPERATIONS



6,672 STORES	**64** STORES	**300** STORES	**442** STORES
54 LOGISTICS CENTERS	**2** LOGISTICS CENTERS	**2** LOGISTICS CENTERS	**3** LOGISTICS CENTERS

	BİM DOMESTIC STORES	FİLE STORES	EGYPT STORES	MOROCCO STORES
2017	6,074	44	265	382
2018	6,672	64	300	442



BİM DIFFERENCE IN RETAIL

MAINTAINING CONSISTENT GROWTH FIGURES THANKS TO ITS SUCCESSFUL BUSINESS MODEL, BİM INCREASED ITS SALES VOLUME BY 85% OVER THE LAST THREE YEARS.

BİM is coordinated through regional offices with their own management, staff, and logistics 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 2018, BİM commissioned BİM regional offices in Piraziz, Giresun; Çumra, Konya; Ömerli, Istanbul, where it also commissioned a regional warehouse, expanding the total number of its regional offices to 61 on a consolidated basis. The number of regional offices is planned to reach 65 in 2019.

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 range. 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 range to around 700 items, and to ensure that products reach 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 of products and services. As a consequence, BİM increases its competitive advantage within the market every year.

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

With the effective cost management policy which it implements across all operations, BİM is constantly consolidating 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 in the same region.
3. Sufficient personnel is employed to maintain uninterrupted service.

61

NUMBER OF BİM'S REGIONAL OFFICES AND WAREHOUSES

4. Store decoration is kept as simple as possible, minimum shelving is used, costs are kept at a minimum and gains obtained are reflected on the product prices.
5. Promotion and advertising expenditures are kept to a minimum for what is required.
6. Products are distributed through the Company's own logistics network.
7. The product range is kept limited, and large quantities of purchases are made from suppliers at low prices.
8. The product range includes as many private-label products as possible.
9. Cost calculations are maintained on a daily basis, and effective cost controls are implemented, with immediate action taken when 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 the records, a process conducted 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 food safety as a 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 procedures; 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 a negative working capital, BİM finances itself through cash collection. In addition to operating cash outflows, TL 571 million in dividends were distributed, and TL 956 million consolidated investment was made in 2018.

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

2018 ACTIVITIES

WITH "EVERYDAY LOW PRICE" POLICY THAT HAS BEEN PERFORMED SINCE ITS ESTABLISHMENT, BİM CONTINUED TO SUPPORT TURKEY'S FIGHT AGAINST INFLATION IN 2018.

In 2018, BİM strengthened and maintained its leading position in the food retail sector. Maintaining consistent growth figures thanks to its successful business model, BİM increased its sales volume by 85% over the last three years. In 2018, as in previous years, the Company achieved its growth organically, choosing not to make any acquisitions within the industry. The annual growth rate achieved by BİM in 2018 is 30%. BİM also increased its net profit by 45% in 2018.

As the sector leader, BİM embarked on its fight against inflation from its establishment. The Company minimizes its costs, without disrupting its service quality, and reflects that to prices based on the business model. Maintaining a certain level of profit margin, BİM influences the sector with its hard discount model.

With the "everyday low price" policy that has been performed since its establishment, BİM continued to support Turkey's fight against inflation in 2018. As a natural outcome of its business model, the Company will continue to combat inflation in the upcoming period, while generating added value for our country and people.

BİM continued to expand, exceeding both financial and operational expectations and strengthened its leadership in the industry in 2018. The Company increased the number of stores to 7,478 by launching 713 stores on a consolidated basis. In addition, four new regional offices were launched in 2018. A total of TL 956 million was invested.

Bimcell, introduced in March 2012, is a BİM brand for the mobile communications segment. Growing rapidly in six years, Bimcell expanded its base of subscribers, reaching more than 1.6 million subscribers in 2018. With affordable Internet packages and mixed packages, Bimcell's population coverage across Turkey stands at 98%. The group offers "charging per second" and "pay as you go" alternatives in competitive and innovative packages and, for this reason, its customers remain loyal to the brand, and new clients sign 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.

BİM continues its leadership position in the retail industry in Turkey with an annual consolidated sales volume of TL 32 billion.

Investment Policy and Investments in 2018

BİM prefers organic growth in consideration of its investment policy, therefore, the Company primarily 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, thus requiring low levels of investment. The added value gained from this cost management is reflected in product prices.

In 2018, BİM commissioned regional offices in Piraziz, Giresun; Çumra, Konya; and two in Ömerli with one being owned by FİLE-expanding the total number of its regional offices to 61 on a consolidated basis. The number of regional offices is planned to reach 65 in 2019.

Regional offices are strategically important for BİM. Lands are purchased in order to build warehouses and regional center buildings in line with compliance criteria.

Since it began to be traded publicly, BİM has sustained a high and steady level of investment. In 2018, the total amount of investments made on a consolidated basis was TL 956 million, all of which were financed with the Company's equity capital.

Despite the current financial fluctuations and rising foreign exchange, interest, and inflation rates, BİM will continue to maintain and increase its investments, with approximately 820 stores in total planned to be opened on a consolidated basis in 2019. The planning of the four new regional directorates has been completed and an investment worth TL 1,100 million is projected in total.

1.6 Million

NUMBER OF BİMCELL SUBSCRIBERS

TL **1,251** Million

NET PROFIT

64

NUMBER OF FİLE STORES

Our Brands

BİM launched FİLE, its new retail model, in March 2015 to gain leverage from the growth potential in the supermarket sector as well as in the hard-discount food retail industry.

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. Prepared with a warm and sincere design, FİLE stores stand out with a modern market perception, aiming to make consumers feel comfortable as if they are shopping in their local neighborhood or market. FİLE stores are highly focused, serving with an understanding of a store that offers multiple types of products under a single umbrella. Additionally, and in comparison to traditional discount stores, FİLE stores offer customers the opportunity to shop in larger and more spacious areas: FİLE-branded stores display more stock items than existing BİM stores. Around 4,500 products are offered at FİLE. BİM now fulfills the demands of both the hard discount segment and the supermarket sub-segment of the retail sector.

Establishing a new supply system, FİLE included new private-label products to its portfolio in addition to national and international brands. Three new private-label brands in basic product categories were introduced to consumers, and 33% of the products sold at FİLE consist of private label products.

With the launch of 20 additional stores, FİLE reached 64 stores in total, continuing to grow in 2018. It commissioned a second logistics center on the Asian side of Istanbul in December 2018. FİLE will extend its penetration in the upcoming period and further grow by raising its locational efficiency with logistics centers. Positive feedback since the first launch of the FİLE concept indicates that this is the right model for Turkey.

FİLE delivers innovation to customers, including special sections such as bakery products, meat- delicatessen, fruit-vegetable, and personal care. In addition, the “Everyday low price” practice at BİM is also applied at FİLE. Practices such as promotions and loyalty cards are not offered at FİLE either.

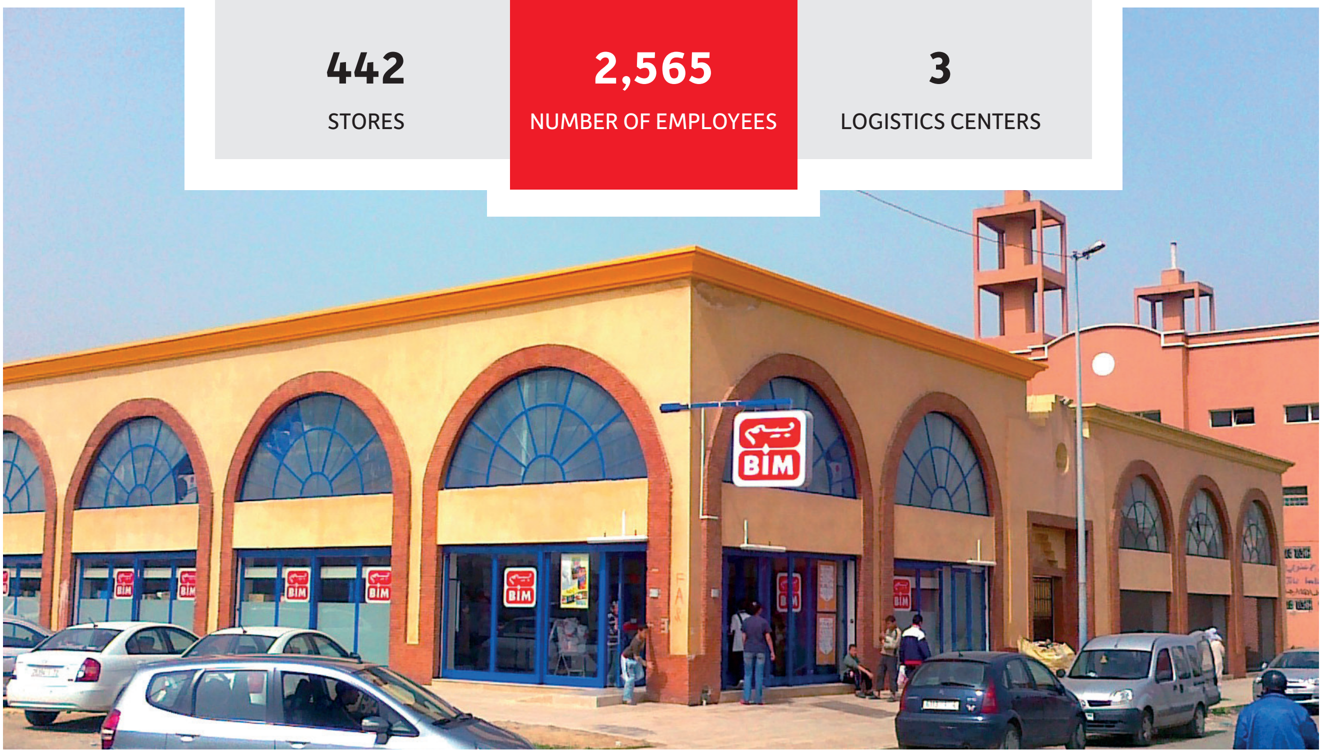
FİLE successfully attained EBITDA profitability in a very short time, despite launching its first store in 2015. Sustaining the right business model in a simple way has had a major role in this success; in particular, the strong offering in the fresh products group and a quality-price balance in private label products ensured profitability at FİLE earlier than expected.

2018
ACTIVITIES

442
STORES

2,565
NUMBER OF EMPLOYEES

3
LOGISTICS CENTERS



FOREIGN OPERATIONS

MOROCCO

ATTAINING OPERATIONAL PROFITABILITY AT THE END OF 2018, BİM EXPANDED ITS TOTAL NUMBER OF STORES TO 442, WITH THE OPENING OF 60 NEW STORES IN THE MOROCCO OPERATION.

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

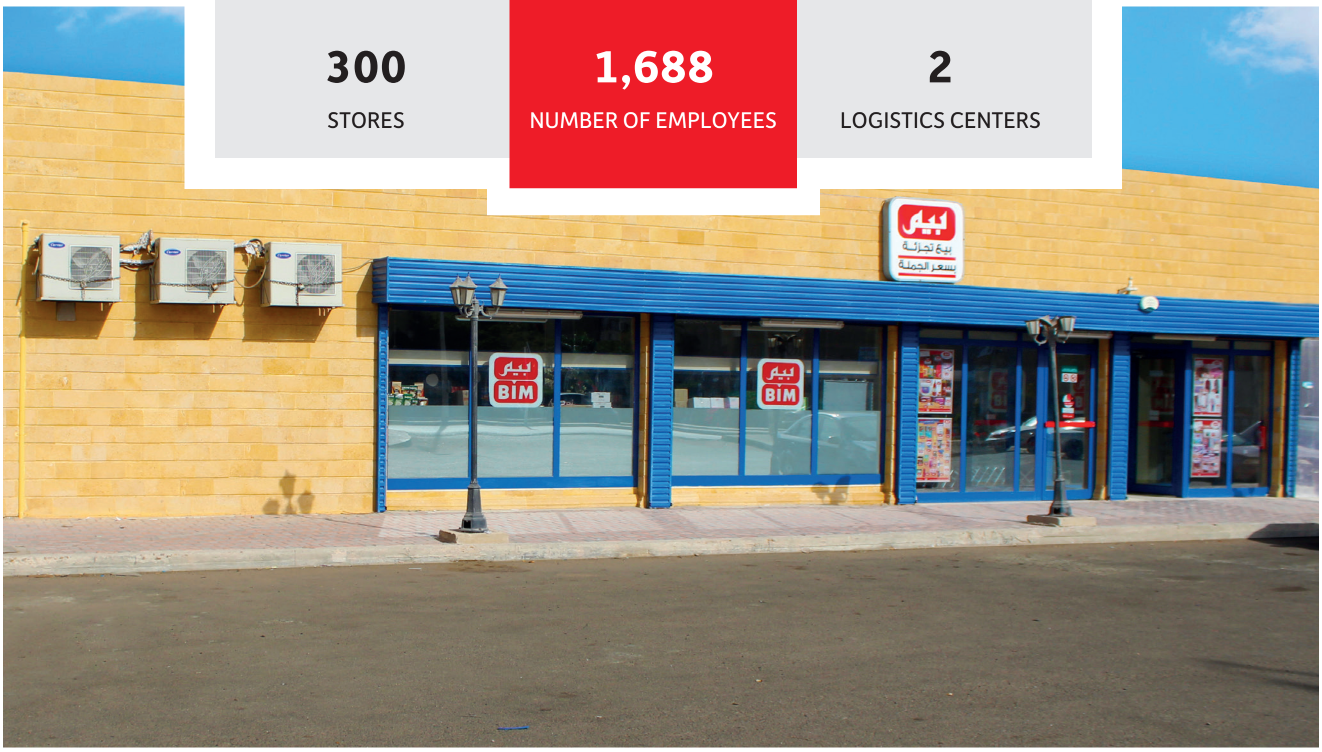
Being geographically close to Europe, Morocco is a more developed country in terms of culture, economy, infrastructure, and politics compared to other African and Middle Eastern countries. In Morocco, which has a population of about 34 million, the modern retail industry holds significant potential.

BİM launched its operations in Morocco with the opening of the first store in Casablanca, on April 11, 2009. Attaining operational profitability at the end of 2018, BİM increased its total number of stores to 442 with the opening of 60 new stores in the Morocco operation. An additional 60 stores are planned to be opened in Morocco in 2019.

300
STORES

1,688
NUMBER OF EMPLOYEES

2
LOGISTICS CENTERS



EGYPT

AS OF THE END OF THE YEAR, THERE ARE 300 STORES IN EGYPT, LAUNCHED IN 2013 AS THE SECOND FOREIGN OPERATION.

In 2013, the first BİM stores were opened in Egypt as the Company's second foreign operation. There are 300 stores in Egypt as of year-end 2018. BİM also owns the entire capital of the resident company there.

In Egypt, one of the largest countries in the Middle East, with a population of 95 million, two regional offices were opened. In 2019, 30 new stores are planned to be opened in the country.

The financial statements of the subsidiaries established in Morocco and Egypt were fully consolidated as of December 31, 2018.

2018 ACTIVITIES

BİM'S DECENTRALIZED STRUCTURE ENSURES THAT EACH REGION IS MANAGED AUTONOMOUSLY WITH A SOLE FOCUS ON ITS OWN AREA, THUS INCREASING EFFICIENCY.

BİM maintained its status as a profitable and healthy-growing company in 2018. With the opening of new stores, the number of consolidated stores rose to 7,478, and the total number of regional offices and warehouses to 61.

One of the most important elements of cost management at BİM is avoiding unnecessary expenses without sacrificing service quality. These gains are reflected in product prices. Our concept, "Everyday low price," is the Company's primary guiding principle. Furthermore, the no-questions-asked return policy implemented at stores keeps customer satisfaction consistently high. Under this policy, customers may return products they purchased with no explanation required and no time restrictions.

The Company prioritizes low prices and high quality for all products sold in its stores. The purchasing department ensures the quality and conformity of products via tests, before listing products for sale. At the sales stage, product quality is also regularly controlled.

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

Bimcell

Bimcell, introduced in March 2012, is a BİM brand for the mobile communications segment. Bimcell improved its subscriber base in 2018 as well, expanding the number of its subscribers by 100 thousand with new Internet packages and mixed packages, and exceeding 1.6 million subscribers. The Company's coverage across Turkey is 98%. Thanks to its "pay as you go" option, where customers are charged per second, as well as its economic, competitive and innovative packages, customers are paying more attention to Bimcell. It is expected that this interest will rise in 2019 with new advantageous and competitive packages, as well as 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 phones.

What are Bimcell's values?

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

BİM CELL'DE

CEBİNİZE DOST PAKETLER

25 TL yüklemeye 1GB ve 500 SMS HEDİYE

BİMCELL İÇİ SINIRSIZ KONUŞMA

Paket	İnternet	Dakika	SMS	Fiyat
Dost 2 GB	2 GB	HER YÖNE 600 DK	HER YÖNE 600 SMS	19 TL
Dost 5 GB	5 GB	HER YÖNE 750 DK	HER YÖNE 750 SMS	29 TL
Dost 10 GB	10 GB	HER YÖNE 1000 DK	HER YÖNE 1000 SMS	39 TL

RESEARCH AND DEVELOPMENT ACTIVITIES AND PRODUCT RANGE

PRIVATE LABEL PRODUCTS COMPRISE 67% OF PRODUCTS OFFERED BY BİM. ONGOING EFFORTS ARE UNDERTAKEN TO PRESERVE AND IMPROVE THE TASTE AND PACKAGING OF THESE PRODUCTS AND ENSURE QUALITY CONTROL.

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 respective product groups;
- Following up on product quality in accordance with procedures, and performing scheduled and/or necessary studies and tests;
- Demonstrating 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 to preserve and develop quality in both the taste and packaging of these products, as well as for quality control.

As a result of studies and tests carried out with suppliers, BİM offered 42 new products to customers in 2018. Changes in customer habits and behaviors are reflected in the introduction of new products.

Product Range

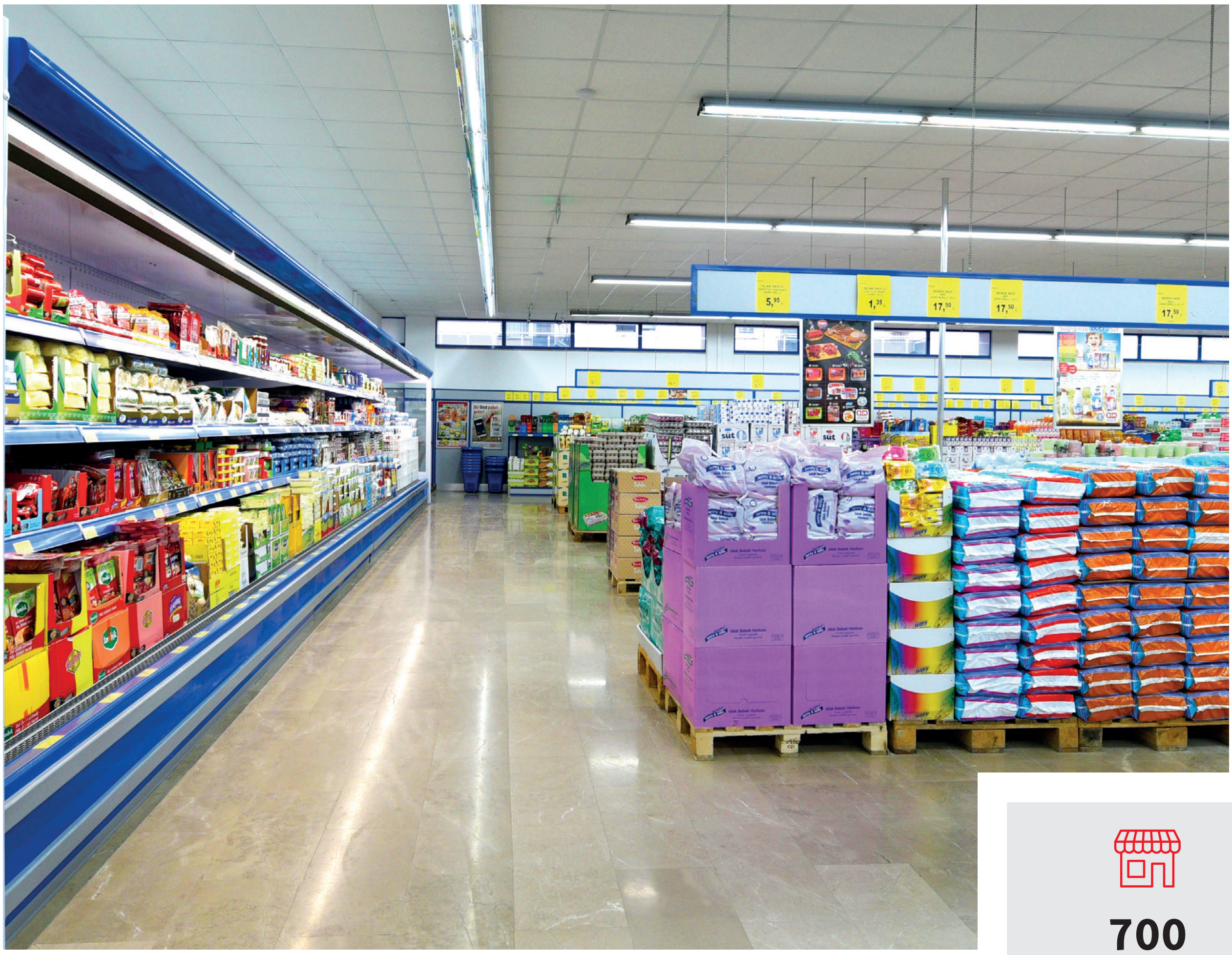
High quality and low prices constitute the basic criteria for defining the product portfolio at BİM. The products offered at the stores are carefully selected to meet the daily basic needs of a household. The BİM family has adopted a detailed and precise working method for selecting and pricing these 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 end, in 2018, 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 high quality; their brands and formulae are owned solely by BİM, and they are 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 2018, the sales ratio of private-label products to total sales was 67%. The Company aims to increase the sales ratio of its private-label products.



700

NUMBER OF PRODUCTS OFFERED BY BİM

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 that are kept in stock for a limited period and offered to customers in weekly periods. When they are on offer, spot products increase the number of customers visiting stores and, consequently, increase the sales of standard listed products as well.

Exclusive Products

These are branded products specifically designed for BİM.

Branded Products

Branded products are products that are widely recognized in the market.

BİM'S PRODUCT PORTFOLIO IS DETERMINED BY A KEY CRITERION: HIGH QUALITY AND LOW PRICES. STORE PRODUCTS ARE SELECTED TO OPTIMALLY MEET BASIC DAY-TO-DAY HOUSEHOLD NEEDS.

HUMAN RESOURCES

AS THE MOST IMPORTANT MEMBERS OF THE BİM FAMILY, EMPLOYEES ARE MOTIVATED TO CONVEY THE CORPORATE CULTURE TO CUSTOMERS WITH EXCELLENCE.

Human Resources Profile

Acutely aware 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 recruitment and promotion 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 customers with excellence. The Company offers its employees an environment and career opportunities 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.

The Company attaches importance to training programs, for the development of its HR staff. The Company organizes orientation training sessions and programs both for onboarding employees and promoted employees, while topics to be addressed in the training sessions are standardized through internal regulations. Additionally, occupational training is offered for positions requiring expertise, and OHS and hygiene training is offered for onboarding employees.

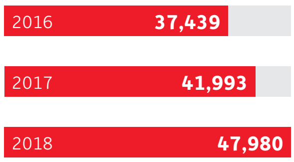
BİM encourages its employees to use their potential and abilities. The BİM family is made up of young and dynamic workers, in addition to experienced and qualified individuals in senior management positions. One of the Company's priorities is to appoint its own personnel to strategic positions. Currently, 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 performances. Not only does this advance the adoption of continuous corporate culture, but it also has a positive impact on employee motivation. With this policy, BİM serves as a training ground that seeks to identify, raise and train its own managers within its own structure.

The organic growth model of BİM is the leading factor driving its success. The Company began its activities in 1995 with 21 stores, growing organically to reach a total of 7,478 stores on a consolidated basis in 2018. The organic growth model plays an important role in the Company's human resources policy, instilling a strong corporate culture and high levels of loyalty, which are the most significant factors in the Company's success.

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

In 2018, the number of personnel working for BİM increased by 14%. Currently, there are a total of 47,980 employees, 43,727 of which are in Turkey. The employment that BİM generates positively affects the entire country, not just a single region. BİM will continue to contribute to the country's employment by opening new stores and regional offices in 2019.

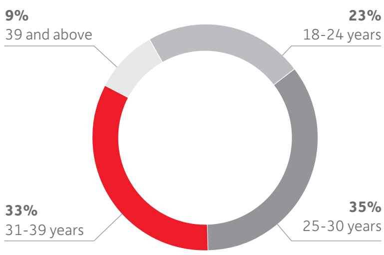
Number of Employees as of Year-End*

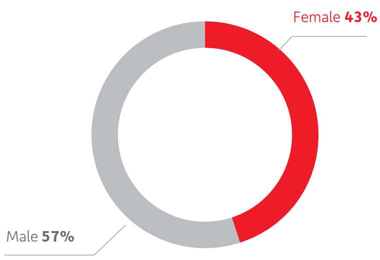


Distribution of Employees by Domestic and Foreign Operations*

* As of 31.12.2018

Distribution of Employees (Age)





RISK MANAGEMENT AND INTERNAL CONTROL MECHANISM

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 TO SUPPORT THESE MECHANISMS.

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 procedures, according to the risk appetite defined by the Board of Directors, are integrated into 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 Detection of Risk 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 attain high productivity in the hard discount retailing industry, to expand into the countries where this concept can be applied in the future, and to serve consumers in those countries. 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 supervisions by the management and by means of 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 different business models in order to expand its market share in the retail industry.

Operational risk consists of potential damages due to inadequate and ineffective work processes, employees and systems, or due to external events. The Company has created appropriate policies and procedures for business processes, has conducted 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 have been established as well. 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 the 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, monies collected from stores by contracted companies, bank deposits, financial investments made and advances that may be paid to some suppliers. The Company has defined the selection procedures of the 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 in 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 variations. The Company's transactions are predominantly 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.

As a particular concern to the industry, an important regulation, along with the Environment Law and Law Regarding Amendments to Certain Laws, was enacted in 2018, stipulating that users or consumers will be charged for plastic bags at sales points. With this regulation, which aims to reduce the use of plastic bags in order to protect the environment, prevent and eliminate environmental pollution, bags that were provided free-of-charge are now made available to consumers in return for a fee set forth in the legislation. The Company has taken the necessary measures to ensure compliance with the aforementioned regulation and started to charge consumers for bags, within the designated period of time. It is considered that the regulation will not affect the activities negatively and there are no concerns about risks associated with compliance.

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 a 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 increases employee satisfaction.

Risk exposures were closely monitored during the year through predefined indicators. The Early Detection of Risk Committee held six meetings in 2018. The Committee has informed the Company's Board of Directors via 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 to support these mechanisms.

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 assist the Company in developing these processes and achieving its goals. The Internal Audit Unit operates under the Audit Committee, which consists of Independent Members of 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 the senior management and to the Audit Committee. In addition, investigation efforts are undertaken to detect any misconduct, as part of the department's activities.

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 subsequent to 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 this framework. 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 the International Internal Auditing Standards and Code of Ethics. All processes associated with the activities are managed in the most effective way through an audit software product.

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 control issues, during the six meetings of the Audit Committee held in 2018.

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 the 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 are 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 between 1 January 2018-11 July 2018 and 1 member between 11 July 2018-31 December 2018. The Committee has submitted the relevant reports for the period 1 January-31 December 2018 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 the committee is sufficient, in all material respects, in accordance with Article 378 of TCC.

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

Gökhan Yüksel, SMMM
Partner

Istanbul, 6 March 2019

SHARE BUYBACK PROGRAMS

The share buyback program was launched as part of the resolution of the Company's Board of Directors dated 8 May 2018. Within the scope of the current program, the Company bought back a total of 2,587,553 shares, which were traded on the Istanbul Stock Exchange and accounted for 0.85% of the Company's capital, for a total price of TL 174,618,286 (full TL), between 9 May and 15 August 2018. The share buyback program was concluded as part of the resolution of the Company's Board of Directors dated 11 September 2018. The financing of share repurchases was provided by the Company's internal resources. As of the report date, the repurchased shares were not sold.

The BIMAS shares held by the Company reached 3,817,833 (the ratio to the Company capital is 1.26%) by means of purchases made with the previous programs.

SHAREHOLDING STRUCTURE

BİM Birleşik Mağazalar A.Ş. Shareholding Structure

	2018	2017
Merkez Bereket Gıda Sanayi ve Ticaret A.Ş.	14.8%	14.8%
Naspak Gıda Sanayi ve Ticaret A.Ş.	10.5%	10.5%
Not Publicly Traded (Other)	3.2%	3.7%
Free Float (Other)	71.5%	71.0%
	100%	**100%**

BOARD OF DIRECTORS AND SENIOR MANAGEMENT

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 as Chairman of the Executive Committee since January 2010.

Mahmud P. Merali - FCA ATII CPA(K)

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), Institute of Certified Public Accountants of Kenya Institute of Chartered Accountants of Zambia (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.

Jozef Wilhelmus Johannes Simons

Born in Raalte, the Netherlands in 1945, Jozef Simons graduated from the Top Management Course at the University of Nijenrode. With a proven track record of more than 10 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 1 January 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 served as a member of the Board of Directors at BİM since June 2005.

Ahmet Akça

Ahmet Akça studied mathematics at Middle East Technical University and sociology at İstanbul University and graduated from the Bursa Economics and Commercial Sciences Academy's Department of Economics. From 1981 to 1988, he served as a Foreign Trade Manager in the glass and food industries. In 1988, he became the CEO of an international trading company, a position he held until 1992. He later started his own business, which he still runs. He is the founder and Chairman of the Board of Directors of the logistics company, Akça Lojistik Hizmetleri ve Ticaret A.Ş. He was a member of the Committee of Trustees in April 2010, at the time of the establishment of Bezmialem Foundation University and has been serving as the Chairman of the Committee of Trustees since November 2011. In March 2013, he was appointed as a Board Member at Turkcell, by the Capital Markets Board, and has been serving as the Chairman of the Board of Directors at Turkcell since August 2013.

Name and Surname	The Condition of Independence	The Date of Appointment and the Term of Office	Duty at the Board of Directors	Duties Outside the Company
Mustafa Latif Topbaş	Not Independent	25.04.2018-1 Year	Chairman of the Board of Directors	Board Membership in Companies
Mahmud P. Merali	Not Independent	25.04.2018-1 Year	Vice Chairman of the Board of Directors, Member of the Corporate Governance Committee, Member of the Early Detection of Risk Committee	Managing Partner and Chairman of EMEA Region at Merali's Group and Consultant at international companies in the United Kingdom, BAE, and Africa
Jozef Wilhelmus Johannes Simons	Not Independent	25.04.2018-1 Year	Member of the Board of Directors	No additional duties
Ömer Hulusi Topbaş	Not Independent	25.04.2018-1 Year	Member of the Board of Directors	General Manager at Bahariye Mensucat A.Ş., Member of Board of Trustees at İ.S. Zaim University
Ahmet Akça	Independent	25.04.2018-1 Year	Member of the Board of Directors, Chairman of Audit Committee	Chairman of Turkcell Board of Directors, Chairman of Akça Lojistik Board of Directors, Chairman of the Committee of Trustees at Istanbul Bezmialem University

The Board of Directors virtually convened six times during 2018, and on 18 additional occasions convened 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%
Jozef Wilhelmus Johannes Simons	100%
Ömer Hulusi Topbaş	100%
Ahmet Akça	100%

New members were elected to replace the Independent Members whose term of office at the Board of Directors expired at the 2017 General Assembly Meeting on April 25, 2018, and Ahmet Akça and Bekir Pakdemirli were elected. Bekir Pakdemirli resigned his membership on the Board of Directors on July 11, 2018. There were no changes in the Executive Committee over this period. The members of the Board of Directors and Executive Committee hold first-degree signing authority, with the limits of their authority specified by the Board of Directors and registered and announced in the Trade Registry Gazette dated June 8, 2018.

SENIOR MANAGEMENT

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 as Chairman of the Executive Committee since January 2010.

Galip Aykaç

Galip Aylaç was born in Akdağmadeni, Yozgat in 1957. With more than 18 years of professional experience in various executive positions at Gima, Turkey's first organized retail chain, he started to work for BIM in 1997 as Purchasing Director. He became the Chairman of the Operations (COO) in November 2007. He is currently the Chairman of the Operations Committee (COO), and Member of the Executive Committee (appointed in January 2010). In the Retail Sun Awards, the most prestigious awards of the retail sector, he was recognized as "The Most Successful Professional Manager in 2010." He is also a member of Turkish Retailing Council, established by The Union of Chambers and Commodity Exchanges; and the President of the Food Retailers Association and Board Member the Federation of Shopping Centers and Retailers. Furthermore, in an evaluation by Fortune magazine, Aykaç ranked third among the most successful business persons in 2013 and 2014, and ranked second in 2015. In Xsights Research and Consulting Firm's 2013 survey for Marketing Turkey Magazine, he 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. He later worked for the international audit firms Arthur Andersen, and Ernst &Young for around eight years. In 2003, he 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, he was granted the "CFO of the Year" award in 2009 by Finance in Emerging Europe, a business magazine published in Europe within the structure of Frankfurter Allgemeine Zeitung Group. According to the results of a study conducted by Thomson Reuters Extel in the field of investor relations, Dortluoğlu was selected as "The Best CFO in Turkey" by the international corporate investors in 2014. In 2010, he was appointed as a Member of the Executive Committee of BİM, a position he still holds. He directed the process of conceptualizing and establishing FİLE – which opened its first store in March 2015 – as a new retailing model in the supermarket sector and continues in his role as the Chairman of the Executive Committee of FİLE.

Other Executive Management

Ürfet Nacar	Member of Operation Committee
İlkay Zengin	Member of Operation Committee
Tolga Şahin	Member of Operation Committee and Member of Purchasing Committee
Uğur Kıvrak	Member of Operation Committee
Murat Dalgıç	Member of Operation Committee
Aynur Çolpan	General Manager of Purchasing and Member of Purchasing Committee

Bülent Pehlivan and Ünsal Çetinkaya resigned from their Memberships on the Operation Committee over the period. Murat Dalgıç was appointed as the Member of the Operation Committee over the period.

Pursuant to the decisions of the General Assembly, an honorarium is paid to the members of the Board of Directors. The Company does not provide loans, credits, or other such benefits to the 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 143 people comprising the members of the Board of Directors and senior executives, amounted to TL 52,343,605 (TL 3,391,000 bonus, TL 358,187 per diem, TL 48,594,418 wage) in 2018. Executives do not receive dividends. All members of the Board of Directors have Directors & Officers Liability Insurance with a fee exceeding 25% of the Company's paid-in capital.

COMMITTEES ESTABLISHED UNDER 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 Detection of Risk Committee have been formed within the Board of Directors.

Audit Committee

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. The members do not hold any other executive position at the Company.

Four reports were issued and submitted to the Board of Directors over the period. The reports issued include reviews to investigate whether the annual and interim financial statements reflect the facts in accordance with the accounting principles followed by the Company; no significant findings were obtained suggesting that legal regulations were not observed or that the Company's financial and operational situation does not reflect the facts, according to the results of such reviews.

Ahmet Akça - Chairman

Corporate Governance Committee

The Committee has two members as of end-2018. One of the members holds an executive position as the Reporting and Investor Relations Manager at the Company. The Corporate Governance Committee also assumes the duties and responsibilities of the Nomination Committee and Remuneration Committee to be established as set forth in the relevant legislation.

The Corporate Governance Committee meets at least once a year. The members of the Corporate Governance Committee are given below:

Mahmud P. Merali - Member
Serkan Savaş - Member
(Executive Member)

Early Detection of Risk Committee

The members of the Early Detection of Risk Committee 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 take necessary measures to mitigate these identified hazards and manage the risks. The Early Detection of Risk Committee presents reports to the Board of Directors every two months.

Mahmud Pyarali Merali - Member

While no services were received from independent experts during the activities of the Committees in 2018, the Committees can make use of independent expert opinions when necessary.

The Board of Directors believes that the expected benefits were obtained 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

Having served as the Member of the Audit Committee, Chairman of the Corporate Governance Committee and Chairman of the Early Detection of Risk Committee over the period, Bekir Pakdemirli retired from office on July 11, 2018.

SOCIAL RESPONSIBILITY AND DONATIONS MADE WITHIN THE YEAR

During the activity period of 2018, the Company spent a total of TL 12,315,297 in donations and aids 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 the Aids & Donations policy.

The Company is not involved in any production activity. Plastic and cardboard waste is delivered to licensed recycling companies which are engaged in the recycling of packaging waste.

At BİM, human health and the safety of the products sold are prioritized over all kinds of material gain. BİM regularly tests the quality of its products via official and private independent laboratories in order to monitor 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.

REPORT ON TRANSACTIONS WITH RELATED PARTIES

In accordance with Article 10 of the Corporate Governance Communiqué Serial: II-17.1 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 2018 in accordance with the relevant legislation, and to determine the suitability of similar transactions to be carried out in 2019, has been approved by the Board of Directors, and the aforementioned report will be presented to the shareholders at the general meeting. The result of the report is provided below.

Result of the Report

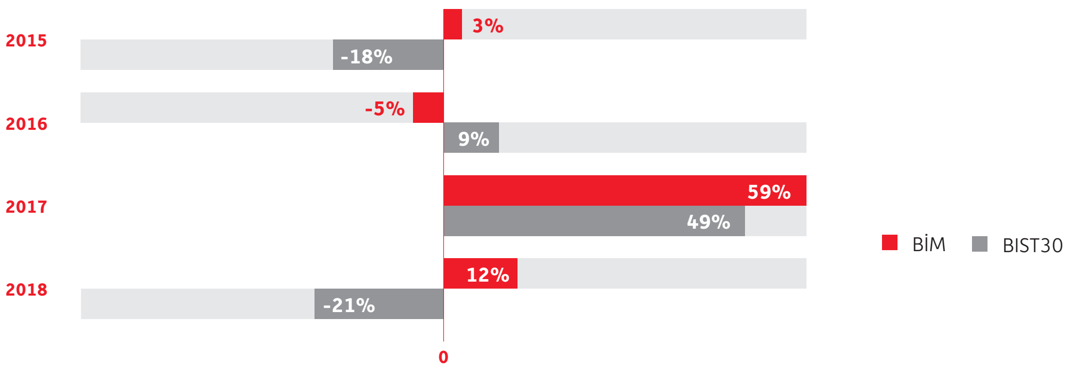
In this report, which was prepared by the Board of Directors in accordance with the regulations in the related communiqués of the Capital Markets Board, the related party transactions of BİM Birleşik Mağazalar A.Ş. have been evaluated, and it was concluded that BİM Birleşik Mağazalar A.Ş. did not show any significant difference 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 preventing BİM Birleşik Mağazalar A.Ş. from making prevailing and continuous purchases from the related parties in 2019 under similar conditions.

INVESTOR RELATIONS

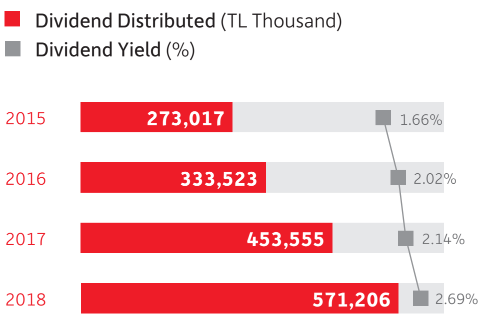
In 2005, the Investor Relations Unit was established under the Finance Directorate at BİM. The Investor Relations Unit carries out activities in accordance with the Capital Markets Board legislation in order to accurately and promptly provide its investors with the most correct information within the Company's Information Policy. In 2018, 67 material disclosures were performed by the Unit. Furthermore, information was provided to investors and shareholders at four investor conferences and approximately 150 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 surpassed this ratio. In this context, BİM distributed a total amount of TL 571 million in cash in two installments, corresponding to 66% of 2018 profit.

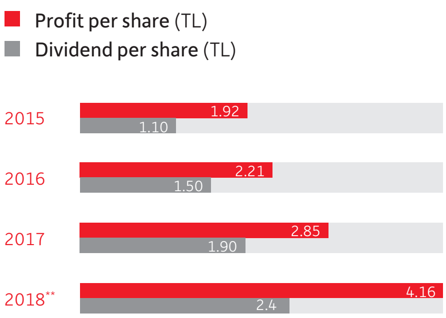
The Company's Board of Directors decided to distribute bonus shares amounting to TL 303.6 million (TL 1.0 per share) and TL 729 million cash (TL 2.4 per share) to shareholders from 2018 profit as per the resolution dated March 6, 2019. The resolution has the nature of proposition and the distribution will take place depending on the approval of the legal authorities and General Assembly.



Cash Dividend Graph 1*



Cash Dividend Graph 2



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

** The resolution of the Board of Directors regarding the distribution of the profit for 2018 involves TL 2.4 cash and TL 1.0 bonus shares per share. Distribution of profit will take place upon the approval of the legal authorities and General Assembly.

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 INDEPENDENCE

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 provide 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 rights of the beneficiaries 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 a member of the Board of Directors.

Kind regards,

Ahmet AKÇA
Independent member

CORPORATE GOVERNANCE PRINCIPLES COMPLIANCE REPORT

Declaration of Compliance 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 Communique Serial: II-17, 1, published on January 03, 2014, by the Capital Markets Board of Turkey, have been complied with. Regarding non-mandatory recommendations, we have continued to act in accordance with these recommendations. 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 the public. Persons who will attend the General Assembly meetings are determined in the Internal Directive of the General Assembly.

Articles of Association include a provision stipulating that minority rights are to be respected in compliance with the Capital Markets Law and the regulations of the Capital Markets Board. Accordingly, no less than one-twentieth of the legally applicable capital was assigned for minority rights. No applications were made or no conflict of interest took place in this regard.

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 were publicly disclosed on 25.04.2018 via a material disclosure. In order to make the company's decision-making processes more efficient, and to foster a more dynamic organizational structure, it was 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.

In accordance with the structuring of the Board of Directors, some members can hold positions in multiple committees.

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.

CORPORATE GOVERNANCE PRINCIPLES COMPLIANCE REPORT

Corporate Governance Compliance Report

	COMPANY COMPLIANCE STATUS					EXPLANATION
	Yes	Partial	No	Exempted	Not Applicable	
1.1. FACILITATING THE EXERCISE OF SHAREHOLDER RIGHTS						
1.1.2 - Up-to-date information and disclosures which may affect the exercise of shareholder rights are available to investors at the corporate website.	X					
1.2. RIGHT TO OBTAIN AND REVIEW INFORMATION						
1.2.1 - Management did not enter into any transaction that would complicate the conduct of special audit.	X					
1.3. GENERAL ASSEMBLY						
1.3.2 - The company ensures the clarity of the General Assembly agenda, and that an item on the agenda does not cover multiple topics.	X					
1.3.7 - Insiders with privileged information have informed the board of directors about transactions conducted on their behalf within the scope of the company's activities in order for these transactions to be presented at the General Shareholders' Meeting.					X	
1.3.8 - Members of the board of directors who are concerned with specific agenda items, auditors, and other related persons, as well as the officers who are responsible for the preparation of the financial statements were present at the General Shareholders' Meeting.	X					
1.3.10 - The agenda of the General Shareholders' Meeting included a separate item detailing the amounts and beneficiaries of all donations and contributions.	X					
1.3.11 - The General Shareholders' Meeting was held open to the public, including the stakeholders, without having the right to speak.			X			In accordance with the Internal Directive on the Working Principles and Procedures of the General Assembly, the shareholders who are registered to the list of attendants or their representatives, board members, auditor, the Ministry representative and the persons to be elected or appointed to the presiding chair, are nominated to the Board of Directors, Members of the Executive Committee of the Company, those with responsibilities in the agenda, other company managers and employees invited to the meeting, voice and video reception officers, officers who provide services for Electronic General Assembly (EGKS) and other guests can join the meeting. On the other hand, if the stakeholders who are not included in the related directive wish to participate in the general meeting, the relevant demand is evaluated by the presidency. No any conflict of interest detected regarding this issue.
1.4. VOTING RIGHTS						
1.4.1 - There is no restriction preventing shareholders from exercising their shareholder rights.	X					
1.4.2 - The company does not have shares that carry privileged voting rights.	X					
1.4.3 - The company withholds from exercising its voting rights at the General Shareholders' Meeting of any company with which it has cross-ownership, in case such cross-ownership provides management control.					X	
1.5. MINORITY RIGHTS						
1.5.1 - The company pays maximum diligence to the exercise of minority rights.	X					

	COMPANY COMPLIANCE STATUS					EXPLANATION
	Yes	Partial	No	Exempted	Not Applicable	
1.5.2 - The Articles of Association extend the use of minority rights to those who own less than one twenthieth of the outstanding shares, and expand the scope of the minority rights.			X			Articles of Association include a provision stipulating that the minority rights are to be used 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. There is not any proposal regarding this issue and no any conflict of interest detected. The Company does not have any short term plan to take action for this issue.
1.6. DIVIDEND RIGHT						
1.6.1 - The dividend policy approved by the General Shareholders' Meeting is posted on the company website.	X					
1.6.2 - The dividend distribution policy comprises the minimum information to ensure that the shareholders can have an opinion on the procedure and principles of dividend distributions in the future.	X					
1.6.3 - The reasons for retaining earnings, and their allocations, are stated in the relevant agenda item.					X	
1.6.4 - The board reviewed whether the dividend policy balances the benefits of the shareholders and those of the company.	X					
1.7. TRANSFER OF SHARES						
1.7.1 - There are no restrictions preventing shares from being transferred.	X					
2.1. CORPORATE WEBSITE						
2.1.1. - The company website includes all elements listed in Corporate Governance Principle 2.1.1.	X					Due to the fact that the offering circular prepared for IPO in 2005, has been out of date, it does not appear on the website.
2.1.2 - The shareholding structure (names, privileges, number and ratio of shares, and beneficial owners of more than 5% of the issued share capital) is updated on the website at least every 6 months.	X					
2.1.4 - The company website is prepared in other selected foreign languages, in a way to present exactly the same information with the Turkish content.	X					
2.2. ANNUAL REPORT						
2.2.1 - The board of directors ensures that the annual report represents a true and complete view of the company's activities.	X					
2.2.2 - The annual report includes all elements listed in Corporate Governance Principle 2.2.2.	X					Since the Company has not received any services in such areas as investment advisory and rating companies, the annual report does not contain any relevant issues.
3.1. CORPORATION'S POLICY ON STAKEHOLDERS						
3.1.1 - The rights of the stakeholders are protected pursuant to the relevant regulations, contracts and within the framework of bona fides principles.	X					
3.1.3 - Policies or procedures addressing stakeholders' rights are published on the company's website.		X				Although no specific policies and procedures have been set up for stakeholders to exercise their rights, the Company's corporate website contains e-mail addresses and phone numbers for all stakeholders to contact. In addition, it is aimed to inform all stakeholders through press releases, annual report, website, investor relations activities, social media within the scope of information policy.
3.1.4 - A whistleblowing programme is in place for reporting legal and ethical issues.		X				The Company's general communication tools (e-mail addresses, call center, etc.) are used to inform the Company about illegal and unethical transactions by stakeholders. No specific mechanism has been established for this.
3.1.5 - The company addresses conflicts of interest among stakeholders in a balanced manner.	X					

CORPORATE GOVERNANCE PRINCIPLES COMPLIANCE REPORT

	COMPANY COMPLIANCE STATUS					EXPLANATION
	Yes	Partial	No	Exempted	Not Applicable	
3.2. SUPPORTING THE PARTICIPATION OF THE STAKEHOLDERS IN THE CORPORATION'S MANAGEMENT						
3.2.1 - The Articles of Association, or the internal regulations (terms of reference/manuals), regulate the participation of employees in management.		X				Although the Company does not have a specific regulation for the participation of the employees in the management and decision-making mechanisms, it is encouraged by the company management that the employees express their opinions and requests in the way they want while giving the necessary authorities and responsibilities within the team they are in.
3.2.2 - Surveys/other research techniques, consultation, interviews, observation method etc. were conducted to obtain opinions from stakeholders on decisions that significantly affect them.		X				Stakeholders' opinions are taken in important decisions that may have consequences for stakeholders. However, methods such as surveys etc. are not applied.
3.3. HUMAN RESOURCES POLICY						
3.3.1 - The company has adopted an employment policy ensuring equal opportunities, and a succession plan for all key managerial positions.		X				Although there is no succession planning approved for key management positions, the appointment of personnel from internal sources to strategic positions is one of the Company's priorities. As of today, a large part of the management team consists of employees who have started their careers at BİM or have been working at the Company since their establishment and have been promoted because of their performances.
3.3.2 - Recruitment criteria are documented.	X					
3.3.3 - The company has a policy on human resources development, and organises trainings for employees.		X				Although the Company does not have a written and approved human resources development policy, additional trainings are provided like oriental trainings, occupational information trainings, occupational health and safety trainings and specialized cadres who can enable them to train and develop themselves professionally.
3.3.4 - Meetings have been organised to inform employees on the financial status of the company, remuneration, career planning, education and health.	X					
3.3.5 - Employees, or their representatives, were notified of decisions impacting them. The opinion of the related trade unions was also taken.		X				The decisions that affect the employees are reported directly to the employees as soon as possible.
3.3.6 - Job descriptions and performance criteria have been prepared for all employees, announced to them and taken into account to determine employee remuneration.	X					
3.3.7 - Measures (procedures, trainings, raising awareness, goals, monitoring, complaint mechanisms) have been taken to prevent discrimination, and to protect employees against any physical, mental, and emotional mistreatment.	X					
3.3.8 - The company ensures freedom of association and supports the right for collective bargaining.	X					
3.3.9 - A safe working environment for employees is maintained.	X					
3.4. RELATIONS WITH CUSTOMERS AND SUPPLIERS						
3.4.1 - The company measured its customer satisfaction, and operated to ensure full customer satisfaction.	X					
3.4.2 - Customers are notified of any delays in handling their requests.	X					

	COMPANY COMPLIANCE STATUS					EXPLANATION
	Yes	Partial	No	Exempted	Not Applicable	
3.4.3 - The company complied with the quality standards with respect to its products and services.	X					
3.4.4 - The company has in place adequate controls to protect the confidentiality of sensitive information and business secrets of its customers and suppliers.	X					
3.5. ETHICAL RULES AND SOCIAL RESPONSIBILITY						
3.5.1 - The board of the corporation has adopted a code of ethics, disclosed on the corporate website.		X				The ethic rules are stated in the personnel and other internal regulations. Since no any separate document was established for this, it is not published on the Company's website.
3.5.2 - The company has been mindful of its social responsibility and has adopted measures to prevent corruption and bribery.	X					
4.1. ROLE OF THE BOARD OF DIRECTORS						
4.1.1 - The board of directors has ensured strategy and risks do not threaten the long-term interests of the company, and that effective risk management is in place.	X					
4.1.2 - The agenda and minutes of board meetings indicate that the board of directors discussed and approved strategy, ensured resources were adequately allocated, and monitored company and management performance.	X					
4.2. ACTIVITIES OF THE BOARD OF DIRECTORS						
4.2.1 - The board of directors documented its meetings and reported its activities to the shareholders.	X					
4.2.2 - Duties and authorities of the members of the board of directors are disclosed in the annual report.	X					
4.2.3 - The board has ensured the company has an internal control framework adequate for its activities, size and complexity.	X					
4.2.4 - Information on the functioning and effectiveness of the internal control system is provided in the annual report.	X					
4.2.5 - The roles of the Chairman and Chief Executive Officer are separated and defined.			X			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 25th of April 2018 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.
4.2.7 - The board of directors ensures that the Investor Relations department and the corporate governance committee work effectively. The board works closely with them when communicating and settling disputes with shareholders.	X					
4.2.8 - The company has subscribed to a Directors and Officers liability insurance covering more than 25% of the capital.	X					

CORPORATE GOVERNANCE PRINCIPLES COMPLIANCE REPORT

	COMPANY COMPLIANCE STATUS					EXPLANATION
	Yes	Partial	No	Exempted	Not Applicable	
4.3. STRUCTURE OF THE BOARD OF DIRECTORS						
4.3.9 - The board of directors has approved the policy on its own composition, setting a minimal target of 25% for female directors. The board annually evaluates its composition and nominates directors so as to be compliant with the policy.			X			There are no female members in the Board of Directors and there is no policy established regarding this issue. No any conflict of interest detected.
4.3.10 - At least one member of the audit committee has 5 years of experience in audit/accounting and finance.	X					
4.4. BOARD MEETING PROCEDURES						
4.4.1 - Each board member attended the majority of the board meetings in person.	X					
4.4.2 - The board has formally approved a minimum time by which information and documents relevant to the agenda items should be supplied to all board members.	X					
4.4.3 - The opinions of board members that could not attend the meeting, but did submit their opinion in written format, were presented to other members.					X	
4.4.4 - Each member of the board has one vote.	X					
4.4.5 - The board has a charter/written internal rules defining the meeting procedures of the board.	X					
4.4.6 - Board minutes document that all items on the agenda are discussed, and board resolutions include director's dissenting opinions if any.	X					
4.4.7 - There are limits to external commitments of board members. Shareholders are informed of board members' external commitments at the General Shareholders' Meeting.		X				Although the duties of the members of the Board of Directors outside the Company are not bound to a certain rule, detailed resumes of the members and the duties they receive outside the Company are presented to the shareholders through annual report at the general assembly.
4.5. BOARD COMMITTEES						
4.5.5 - Board members serve in only one of the Board's committees.			X			In accordance with the structure of the Board of Directors of our company, some of the members of the Board of Directors may be present in more than one committee. No conflict of interest was detected. The Company has no plans to increase the number of Board members in the short term.
4.5.6 - Committees have invited persons to the meetings as deemed necessary to obtain their views.	X					
4.5.7 - If external consultancy services are used, the independence of the provider is stated in the annual report.					X	There are no persons / organizations where the relevant committees receive consultancy service during the year.
4.5.8 - Minutes of all committee meetings are kept and reported to board members.	X					
4.6. FINANCIAL RIGHTS						
4.6.1 - The board of directors has conducted a board performance evaluation to review whether it has discharged all its responsibilities effectively.		X				Although there is no mechanism for the performance evaluation of the Board of Directors, the effectiveness of the Board of Directors are evaluated from time to time.
4.6.4 - The company did not extend any loans to its board directors or executives, nor extended their lending period or enhanced the amount of those loans, or improve conditions thereon, and did not extend loans under a personal credit title by third parties or provided guarantees such as surety in favour of them.	X					
4.6.5 - The individual remuneration of board members and executives is disclosed in the annual report.			X			Pursuant to the Corporate Governance Principles, remuneration paid to the members of the Board of Directors and executive managers and all other benefits granted, are publicly announced via annual report. However, the announcement is not made on an individual basis and Company does not have any plans for this.

Corporate Governance Information Form

1. SHAREHOLDERS	
1.1. Facilitating the Exercise of Shareholders Rights	
The number of investor meetings (conference, seminar/etc.) organised by the company during the year	4
1.2. Right to Obtain and Examine Information	
The number of special audit request(s)	0
The number of special audit requests that were accepted at the General Shareholders' Meeting	0
1.3. General Assembly	
Link to the PDP announcement that demonstrates the information requested by Principle 1.3.1. (a-d)	https://www.kap.org.tr/en/Bildirim/669922
Whether the company provides materials for the General Shareholders' Meeting in English and Turkish at the same time	Yes
The links to the PDP announcements associated with the transactions that are not approved by the majority of independent directors or by unanimous votes of present board members in the context of Principle 1.3.9	No such transaction took place during the year.
The links to the PDP announcements associated with related party transactions in the context of Article 9 of the Communique on Corporate Governance (II-17.1)	No such transaction took place during the year.
The links to the PDP announcements associated with common and continuous transactions in the context of Article 10 of the Communique on Corporate Governance (II-17.1)	https://www.kap.org.tr/en/Bildirim/666858
The name of the section on the corporate website that demonstrates the donation policy of the company	Investor Relations/Corporate Governance/ Policies
The relevant link to the PDP with minute of the General Shareholders' Meeting where the donation policy has been approved	https://www.kap.org.tr/en/Bildirim/431725
The number of the provisions of the articles of association that discuss the participation of stakeholders to the General Shareholders' Meeting	26
Identified stakeholder groups that participated in the General Shareholders' Meeting, if any	Only the shareholders participated the General Assembly.
1.4. Voting Rights	
Whether the shares of the company have differential voting rights	No
In case that there are voting privileges, indicate the owner and percentage of the voting majority of shares.	Not Applicable
The percentage of ownership of the largest shareholder	14.78%
1.5. Minority Rights	
Whether the scope of minority rights enlarged (in terms of content or the ratio) in the articles of the association	No
If yes, specify the relevant provision of the articles of association.	Not Applicable
1.6. Dividend Right	
The name of the section on the corporate website that describes the dividend distribution policy	Investor Relations/Corporate Governance/ Policies
Minutes of the relevant agenda item in case the board of directors proposed to the general assembly not to distribute dividends, the reason for such proposal and information as to use of the dividend	Not Applicable
PDP link to the related general shareholder meeting minutes in case the board of directors proposed to the general assembly not to distribute dividends	Not Applicable

CORPORATE GOVERNANCE PRINCIPLES COMPLIANCE REPORT

General Assembly Meetings	
General Meeting Date	25.04.2018
The number of information requests received by the company regarding the clarification of the agenda of the General Shareholders' Meeting	0
Shareholder participation rate to the General Shareholders' Meeting	82%
Percentage of shares directly present at the GSM	0.47%
Percentage of shares represented by proxy	81.50%
Specify the name of the page of the corporate website that contains the General Shareholders' Meeting minutes, and also indicates for each resolution the voting levels for or against	Investor Relations/General Assembly Information
Specify the name of the page of the corporate website that contains all questions asked in the general assembly meeting and all responses to them	Investor Relations/General Assembly Information
The number of the relevant item or paragraph of General Shareholders' Meeting minutes in relation to related party transactions	Article 8
The number of declarations by insiders received by the board of directors	0
The link to the related PDP general shareholder meeting notification	https://www.kap.org.tr/en/Bildirim/678964

2. DISCLOSURE AND TRANSPARENCY	
2.1. Corporate Website	
Specify the name of the sections of the website providing the information requested by the Principle 2.1.1.	Investor Relations and About us sections
If applicable, specify the name of the sections of the website providing the list of shareholders (ultimate beneficiaries) who directly or indirectly own more than 5% of the shares.	Investor Relations / Shareholders
List of languages for which the website is available	Turkish and English
2.2. Annual Report	
The page numbers and/or name of the sections in the Annual Report that demonstrate the information requested by principle 2.2.2.	
a) The page numbers and/or name of the sections in the Annual Report that demonstrate the information on the duties of the members of the board of directors and executives conducted out of the company and declarations on independence of board members	Board of Directors and Senior Management, Declaration of Independence
b) The page numbers and/or name of the sections in the Annual Report that demonstrate the information on committees formed within the board structure	Committees established within the Board of Directors
c) The page numbers and/or name of the sections in the Annual Report that demonstrate the information on the number of board meetings in a year and the attendance of the members to these meetings	Board of Directors and Senior Management
ç) The page numbers and/or name of the sections in the Annual Report that demonstrate the information on amendments in the legislation which may significantly affect the activities of the corporation	Risk Management and Internal Control Functions
d) The page numbers and/or name of the sections in the Annual Report that demonstrate the information on significant lawsuits filed against the corporation and the possible results thereof	There are no significant lawsuits filed against the Company.
e) The page numbers and/or name of the sections in the Annual Report that demonstrate the information on the conflicts of interest of the corporation among the institutions that it purchases services on matters such as investment consulting and rating and the measures taken by the corporation in order to avoid from these conflicts of interest	Such services are not received.
f) The page numbers and/or name of the sections in the Annual Report that demonstrate the information on the cross ownership subsidiaries that the direct contribution to the capital exceeds 5%	There are no mutual subsidiaries in which direct participation in capital exceeds 5%.
g) The page numbers and/or name of the sections in the Annual Report that demonstrate the information on social rights and professional training of the employees and activities of corporate social responsibility in respect of the corporate activities that arises social and environmental results	Human Resources, Social Responsibility and Donations During the Year

3. STAKEHOLDERS	
3.1. Corporation's Policy on Stakeholders	
The name of the section on the corporate website that demonstrates the employee remedy or severance policy	The Company carries out the compensation related matters within the scope of the relevant provisions of the Labor Law. A compensation policy has not been established in particular due to the consideration of the matters specific to the Company in accordance with the relevant law.
The number of definitive convictions the company was subject to in relation to breach of employee rights	45
The position of the person responsible for the alert mechanism (i.e. whistleblowing mechanism)	Related managers of the Company
The contact detail of the company alert mechanism	iletisim@bim.com.tr, call center (0 850 254 44 44) and HQ Phones (0 216 564 03 03)
3.2. Supporting the Participation of the Stakeholders in the Corporation's Management	
Name of the section on the corporate website that demonstrates the internal regulation addressing the participation of employees on management bodies	Due to internal regulations, it was preferred not to publish on the website.
Corporate bodies where employees are actually represented	Audit Committee and Corporate Governance Committee
3.3. Human Resources Policy	
The role of the board on developing and ensuring that the company has a succession plan for the key management positions	There is no succession plan.
The name of the section on the corporate website that demonstrates the human resource policy covering equal opportunities and hiring principles. Also provide a summary of relevant parts of the human resource policy.	There is no written human resources policy. In-house regulations including personnel recruitment criteria are not published on the website.
Whether the company provides an employee stock ownership programme	There isn't an employee stock ownership programme
The name of the section on the corporate website that demonstrates the human resource policy covering discrimination and mistreatments and the measures to prevent them. Also provide a summary of relevant parts of the human resource policy.	None
The number of definitive convictions the company is subject to in relation to health and safety measures	0
3.5. Ethical Rules and Social Responsibility	
The name of the section on the corporate website that demonstrates the code of ethics	The Company's Code of Ethics and other internal regulations are not published on the website.
The name of the section on the company website that demonstrates the corporate social responsibility report. If such a report does not exist, provide the information about any measures taken on environmental, social and corporate governance issues.	There is no corporate social responsibility report. Environmental and corporate governance issues are included in the Corporate Governance/Social Responsibility and Donations Within the Year section of the Company's Annual Report.
Any measures combating any kind of corruption including embezzlement and bribery	Internal policies and procedures, management oversight, control practices and effective functioning of the internal audit mechanism are among the measures taken.

CORPORATE GOVERNANCE PRINCIPLES COMPLIANCE REPORT

4. BOARD OF DIRECTORS-I	
4.2. Activity of the Board of Directors	
Date of the last board evaluation conducted	Evaluated from time to time
Whether the board evaluation was externally facilitated	No
Whether all board members released from their duties at the GSM	Yes
Name(s) of the board member(s) with specific delegated duties and authorities, and descriptions of such duties	Mustafa Latif Topbaş was authorized as Chairman, and P.K. Merali as Vice Chairman.
Number of reports presented by internal auditors to the audit committee or any relevant committee to the board	10
Specify the name of the section or page number of the annual report that provides the summary of the review of the effectiveness of internal controls	Risk Management an Internal Control Mechanism
Name of the Chairman	Mustafa Latif Topbaş
Name of the CEO	Mustafa Latif Topbaş - Chairman of Executive Committee
If the CEO and Chair functions are combined: provide the link to the relevant PDP announcement providing the rationale for such combined roles	https://www.kap.org.tr/en/Bildirim/678817
Link to the PDP notification stating that any damage that may be caused by the members of the board of directors during the discharge of their duties is insured for an amount exceeding 25% of the company's capital	Although board members are insured, its not stated publicly, since its not mandatory to make such a statement.
The name of the section on the corporate website that demonstrates current diversity policy targeting women directors	None
The number and ratio of female directors within the Board of Directors	0

Composition of Board of Directors

Name, Surname of Board Member	Mustafa Latif Topbaş	Mahmud P. Merali	Ömer Hulusi Topbaş	Jozef Wilhelmus Johannes Simons	Ahmet Akça
Whether Executive Director Or Not	Executive	Non-executive	Non-executive	Non-executive	Non-executive
Whether Independent Director Or Not	Not independent director	Not independent director	Not independent director	Not independent director	Independent director
The First Election Date To Board	05.06.1995	04.04.2006	01.06.2005	30.04.2008	25.04.2018
Link To PDP Notification That Includes The Independency Declaration					https://www.kap.org.tr/en/Bildirim/669928
Whether the Independent Director Considered By The Nomination Committee					Considered
Whether She/He is the Director Who Ceased to Satisfy The Independence or Not	No	No	No	No	No
Whether The Director Has At Least 5 Years' Experience On Audit, Accounting And/Or Finance Or Not					Yes

4. BOARD OF DIRECTORS-II	
4.4. Meeting Procedures of the Board of Directors	
Number of physical board meetings in the reporting period (meetings in person)	6
Director average attendance rate at board meetings	100%
Whether the board uses an electronic portal to support its work or not	No
Number of minimum days ahead of the board meeting to provide information to directors, as per the board charter	7 days
The name of the section on the corporate website that demonstrates information about the board charter	Investor relations/Corporate Governance/ Articles of Association
Number of maximum external commitments for board members as per the policy covering the number of external duties held by directors	There is none such policy.
4.5. Board Committees	
Page numbers or section names of the annual report where information about the board committees are presented	Committees established within the Board of Directors
Link(s) to the PDP announcement(s) with the board committee charters	https://www.kap.org.tr/en/Bildirim/206977 ; https://www.kap.org.tr/en/Bildirim/353650

Composition of Board Committees-I

Names Of The Board Committees	Name of Committees Defined as "Other" in the First Column	Name-Surname of Committee Members	Whether Committee Chair or Not	Whether Board Member or Not
Audit Committee		Ahmet Akça	Yes	Board Member
Corporate Governance Committee		Mahmud P. Merali	No	Board Member
Corporate Governance Committee		Serkan Savaş	No	Not Board Member
Committee of Early Detection of Risk		Mahmud P. Merali	No	Board Member

4. BOARD OF DIRECTORS-III	
4.5. Board Committees-II	
Specify where the activities of the audit committee are presented in your annual report or website (Page number or section name in the annual report/website).	Annual Report - Committees Established Within the Board of Directors, Website - Investor Relations/Corporate Governance/Board Committees
Specify where the activities of the corporate governance committee are presented in your annual report or website (Page number or section name in the annual report/website).	Annual Report - Committees Established Within the Board of Directors, Website - Investor Relations/Corporate Governance/Board Committees
Specify where the activities of the nomination committee are presented in your annual report or website (Page number or section name in the annual report/website).	The Corporate Governance Committee fulfills the duties of the nominating committee.
Specify where the activities of the early detection of risk committee are presented in your annual report or website (Page number or section name in the annual report/website).	Annual Report - Committees Established Within the Board of Directors, Website - Investor Relations/Corporate Governance/Board Committees
Specify where the activities of the remuneration committee are presented in your annual report or website (Page number or section name in the annual report/website).	The Corporate Governance Committee fulfills the duties of the Remuneration Committee.
4.6. Financial Rights	
Specify where the operational and financial targets and their achievement are presented in your annual report (Page number or section name in the annual report).	Expectations and Achievements
Specify the section of website where remuneration policy for executive and non-executive directors are presented.	Investor Relations/Corporate Governance/Policies/ Remuneration Policy
Specify where the individual remuneration for board members and senior executives are presented in your annual report (Page number or section name in the annual report).	Board of Directors and Executive Management

Composition of Board Committees-II

Names of the Board Committees	Name of Committees Defined as "Other" in the First Column	The Percentage of Non-executive Directors	The Percentage of Independent Directors in the Committee	The Number of Meetings Held in Person	The Number of Reports on its Activities Submitted to the Board
Audit Committee	-	100%	100%	6	4
Corporate Governance Committee	-	50%	0%	1	1
Committee of Early Detection of Risk	-	100%	0%	6	5

STATEMENT OF RESPONSIBILITY OF THE ANNUAL REPORT AND CONSOLIDATED FINANCIAL STATEMENTS

Resolution of the Board of Directors on the Approval of Consolidated Financial Statements and Annual Report

Dated March 6, 2019

We hereby declare that,

In accordance with Article 9 in Section 2 of the Communiqué Serial: II-14.1:

Our consolidated financial statements and related footnotes, and the consolidated annual report issued for the accounting period between the 1st of January and the 31st of December 2018, as per the Capital Markets Board's (CMB) "Communiqué II-14.1. (Communiqué) on the principles of financial reporting in capital markets"

- Were reviewed by us;

- 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

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

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 2018 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 6 March 2019 on the full set consolidated financial statements for the 1 January - 31 December 2018 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 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.

Gökhan Yüksel, SMMM
Partner

Istanbul, 6 March 2019

BİM BİRLEŞİK MAĞAZALAR A.Ş.

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

(ORIGINALLY ISSUED IN TURKISH)

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

INDEPENDENT AUDITOR'S REPORT

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

A. Audit of the Consolidated Financial Statements

1. Opinion

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

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

2. Basis for Opinion

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

3. Key Audit Matters

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

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

Key audit matters	How our audit addressed the key audit matter
Revenue recognition	
The Group operates in hard discount retail markets on domestic and abroad with 7.438 stores in total as of 31 December 2018. 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 32,322,987 for the year ended 31 December 2018 is material to the financial statements and its audit is a key audit matter since the completeness and accruacy 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.	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.

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

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

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

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

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

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

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

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

- Identify and assess the risks of material misstatement in the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Assess the internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our independent auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion.

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

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

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

B. Other Responsibilities Arising From Regulatory Requirements

1. No matter has come to our attention that is significant according to subparagraph 4 of Article 402 of Turkish Commercial Code ("TCC") No. 6102 and that causes us to believe that the Company's bookkeeping activities concerning the period from 1 January to 31 December 2018 period are not in compliance with the TCC and provisions of the Company's articles of association related to financial reporting.

2. In accordance with subparagraph 4 of Article 402 of the TCC, the Board of Directors submitted the necessary explanations to us and provided the documents required within the context of our audit.

3. In accordance with subparagraph 4 of Article 398 of the TCC, the auditor's report on the early risk identification system and committee was submitted to the Company's Board of Directors on 6 March 2019.

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

Gökhan Yüksel, SMMM
Partner

Istanbul, 6 March 2019

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

BİM BİRLEŞİK MAĞAZALAR A.Ş.

Consolidated Financial Statements for the Period 1 January - 31 December 2018

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BİM BİRLEŞİK MAĞAZALAR A.Ş.

Consolidated Balance Sheets for the Years Ended 31 December 2018 and 2017

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

ASSETS

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

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

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

BİM BİRLEŞİK MAĞAZALAR A.Ş.

Consolidated Balance Sheets for the Years Ended 31 December 2018 and 2017

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

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

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

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

BİM BİRLEŞİK MAĞAZALAR A.Ş.

Statements of Profit or Loss and Other Comprehensive Income for the Years Ended 31 December 2018 and 2017

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

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

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

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

BİM BİRLEŞİK MAĞAZALAR A.Ş.

Consolidated Statements of Changes in Equity for the Years Ended 31 December 2018 and 2017

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

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

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

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

BİM BİRLEŞİK MAĞAZALAR A.Ş.

Consolidated Statements of Cash Flow for the Years Ended 31 December 2018 and 2017

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

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

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

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

BİM BİRLEŞİK MAĞAZALAR A.Ş.

Notes to the Consolidated Financial Statements for the Year Ended 31 December 2018

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

1. Organization and nature of operations of the Group

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

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

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

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

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

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

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

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

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

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

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

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BİM BİRLEŞİK MAĞAZALAR A.Ş.

Notes to the Consolidated Financial Statements for the Year Ended 31 December 2018

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

2. Basis of preparation of financial statements

2.1 Basis of presentation

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

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

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

Going concern assumption

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

2.2 New and amended International Financial Reporting Standards

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

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

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

- TFRS 9, 'Financial instruments'; effective from annual periods beginning on or after 1 January 2018. This standard replaces the guidance in TAS 39. It includes requirements on the classification and measurement of financial assets and liabilities; it also includes an expected credit losses model that replaces the current incurred loss impairment model.

- TFRS 15, 'Revenue from contracts with customers'; effective from annual periods beginning on or after 1 January 2018. TFRS 15, 'Revenue from contracts with customers' is a converged standard from the IASB and FASB on revenue recognition. The standard will improve the financial reporting of revenue and improve comparability of the top line in financial statements globally.

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BİM BİRLEŞİK MAĞAZALAR A.Ş.

Notes to the Consolidated Financial Statements for the Year Ended 31 December 2018

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

- Amendment to TFRS 15, 'Revenue from contracts with customers', effective from annual periods beginning on or after 1 January 2018. These amendments comprise clarifications of the guidance on identifying performance obligations, accounting for licences of intellectual property and the principal versus agent assessment (gross versus net revenue presentation). New and amended illustrative examples have been added for each of those areas of guidance. The IASB has also included additional practical expedients related to transition to the new revenue standard.

- Amendments to TFRS 4, 'Insurance contracts' regarding the implementation of TFRS 4, 'Financial Instruments'; effective from annual periods beginning on or after 1 January 2018. These amendments introduce two approaches: an overlay approach and a deferral approach. The amended standard will:

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

- Amendment to TAS 40, 'Investment property' relating to transfers of investment property; effective from annual periods beginning on or after 1 January 2018. These amendments clarify that to transfer to, or from, investment properties there must be a change in use. To conclude if a property has changed use there should be an assessment of whether the property meets the definition. This change must be supported by evidence.

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

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

- TFRS 1, 'First time adoption of TFRS'; regarding the deletion of short-term exemptions for first-time adopters regarding TFRS 7, TAS 19 and TFRS 10,
- TAS 28, 'Investments in associates and joint venture' regarding measuring an associate or joint venture at fair value.

- IFRIC 22, 'Foreign currency transactions and advance consideration'; effective from annual periods beginning on or after 1 January 2018. This IFRIC addresses foreign currency transactions or parts of transactions where there is consideration that is denominated or priced in a foreign currency. The interpretation provides guidance for when a single payment/receipt is made as well as for situations where multiple payments/receipts are made. The guidance aims to reduce diversity in practice.

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

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

- Amendment to TFRS 9, 'Financial instruments'; effective from annual periods beginning on or after 1 January 2019. This amendment confirm that when a financial liability measured at amortised cost is modified without this resulting in de-recognition, a gain or loss should be recognised immediately in profit or loss. The gain or loss is calculated as the difference between the original contractual cash flows and the modified cash flows discounted at the original effective interest rate. This means that the difference cannot be spread over the remaining life of the instrument which may be a change in practice from TAS 39. Although the studies on the impact of the amendment on the financial position and performence of the Group continues, no signficant impact is expected.

- Amendment to TAS 28, 'Investments in associates and joint venture'; effective from annual periods beginning on or after 1 January 2019. These amendments clarify that companies account for long-term interests in associate or joint venture to which the equity method is not applied using TFRS 9.

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

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

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

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

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

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

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

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

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

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

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

Standards issued but not yet effective and not early adopted

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

TFRS 16 Leases

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

2.3. Compliance with TAS

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

2.4. Presentation and functional currency

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

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

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

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

Basis of consolidation

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

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

2.5 Comparatives and restatement of prior periods' financial statements

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

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

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

- Advances given to related parties amounting to TRY24.844 thousand was classified as other receivables from related parties as of 1 January- 31 December 2017 have been reclassified as prepaid expenses in consolidated balance sheets to conform to changes in presentation in the current period consolidated financial statements as of 31 December 2018.

Offsetting

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

Accounting estimates

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

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

2.6 Changes in accounting policies

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

TFRS 15 "Revenue From Contracts with Customers"

Revenue recognition

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

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

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

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

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

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

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

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

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

TFRS 9 "Financial Instruments"

Classification and measurement

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

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

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

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

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

Financial liabilities	**Classification in accordance with TMS 39**	**New classification in accordance with TFRS 9**
Borrowings	Amortised cost	Amortised cost
Trade payables	Amortised cost	Amortised cost

Impairment

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

Trade receivables

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

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

First time adoption of TFRS 9 "Financial assets"

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

2.7 Summary of significant accounting policies

Revenue recognition

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

<u>Sales of Goods</u>

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

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

<u>Financial income</u>

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.

Cash and cash equivalents

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

Trade receivables

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

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

Inventories

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

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

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

Property, plant and equipment

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

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.

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

Financial assets

Classification

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

Financial assets measured at amortized cost

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

Financial assets measured at fair value through other comprehensive income

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

Recognition and measurement

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

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

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Offsetting financial instruments

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

Recognition and derecognition of financial assets and liabilities

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

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

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

Impairment of financial assets

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

Financial assets measured at amortized cost

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

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

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

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

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

Trade payables

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

Borrowing costs

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

Foreign currency transactions

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

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

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

Earnings per share

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

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

Events after balance sheet date

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

Provisions, contingent assets and contingent liabilities

i) Provisions

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

ii) Contingent assets and liabilities

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

Leases

Operating leases

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

Related parties

a) A person or a close member of that person's family is related to a reporting entity if that person:

   i) Has control or joint control over the reporting entity,
   ii) Has significant influence over the reporting entity, or,,
   iii) Is a member of the key management personnel of the reporting entity or of a parent of the reporting entity.

b) An entity is related to a reporting entity if any of the following conditions applies:

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

Income taxes

Current Income Taxes and Deferred Tax

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

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

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

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

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

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

Statement of Cash Flows

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

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

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

Employee Benefits

a) Defined benefit plans:

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

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

b) Unused vacation

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

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3. Segment reporting

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

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

4. Cash and cash equivalents

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

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

5. Financial assets

a) Short-term financial assets

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

	31 December 2018	31 December 2017
Lease certificate	167.167	-
Real estate investment fund	279.483	-
	446.650	**-**

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b) Long term financial assets

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

g) Subsidiaries:

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

Name of subsidiary	Share (%)	31 December 2018	31 December 2017
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 2018, the total assets and liabilities of the current year are not more than 1% of the total assets and ceiling of the Group in the current year. Cost value of the financial investment reflects its fair value.

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

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

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

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

6. Financial liabilities

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

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7. Trade receivables and payables

a) Trade receivables from third parties

	31 December 2018	31 December 2017
Credit card receivables	1.159.602	877.380
	1.159.602	**877.380**

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

b) Trade payables due to third parties

	31 December 2018	31 December 2017
Trade payables	4.057.641	3.066.626
Unincurred rediscount expense (-)	(26.968)	(22.493)
	4.030.673	**3.044.133**

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

8. Other receivables

a) Other receivables from related parties

	31 December 2018	31 December 2017
Receivables from related parties	158	225
	158	**225**

b) Other receivables from third parties

	31 December 2018	31 December 2017
Other receivables	25.163	21.396
Doubtful receivables	9.928	425
Less: Allowance for doubtful receivables	(9.928)	(425)
	25.163	**21.396**

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

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

9. Inventories

	31 December 2018	31 December 2017
Trade goods, net	2.087.653	1.442.833
Other	10.241	13.416
	2.097.894	**1.456.249**

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

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

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

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

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10. Property, plant and equipment

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

	1 January2018	Additions	Disposals	Transfers	Currency translation differences	31 December 2018
Cost or revalued amount						
Land	**809.864**	11.361	(8.005)	-	4.640	817.860
Land improvements	**13.126**	2.047	(29)	182	-	15.326
Buildings	**939.124**	111.614	(1.889)	147.820	3.437	1.200.106
Machinery and equipment	**957.870**	253.699	(27.323)	8.255	37.733	1.230.234
Vehicles	**180.581**	65.886	(16.852)	6.567	5.894	242.076
Furniture and fixtures	**366.021**	92.825	(10.109)	1.608	8.984	459.329
Leasehold improvements	**810.553**	199.955	(16.072)	4.049	56.544	1.055.029
Construction in progress	**72.828**	213.710	(1.955)	(168.862)	575	116.296
	4.149.967	**951.097**	**(82.234)**	**(381)**	**117.807**	**5.136.256**
Less : Accumulated depreciation						
Land improvements	**(7.065)**	(1.904)	-	-	-	(8.969)
Land	**-**	(59.619)	104	-	(54)	(59.569)
Machinery and equipment	**(424.076)**	(106.235)	21.242	-	(22.226)	(531.295)
Vehicles	**(91.211)**	(37.452)	13.506	-	(3.321)	(118.478)
Furniture and fixtures	**(233.342)**	(52.552)	9.765	-	(4.276)	(280.405)
Leasehold improvements	**(336.548)**	(86.904)	7.826	-	(23.363)	(438.989)
	(1.092.242)	**(344.666)**	**52.443**		**(53.240)**	**(1.437.705)**
Net book value	**3.057.725**					**3.698.551**

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	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
Leasehold improvements	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**

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

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

	1 January - 31 December 2018	1 January - 31 December 2017
Land	195.936	220.684
Buildings	856.739	606.960
	1.052.675	**827.644**

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Fair values of land and buildings

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

Valuation techniques used to derive level 2 fair values

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

Market comparable method

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

Discounted cash flow method

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

Cost approach

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

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

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

Valuation processes of the group

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

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

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

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

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

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

Pledges and mortgages on assets

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

11. Intangible assets

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

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

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	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**

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

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

12. Provisions, contingent assets and liabilities

a) Short term provisions for employee benefits

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

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

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

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b) Other short term provisions

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

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

Current period movement of provision for lawsuits is as follows:

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

Letter of guarantees, mortgages and pledges given by the Group

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

	31 December 2018				
	Total TRY equivalent	TRY	USD	EUR	Moroccan Dirham
A. Total amount of guarantees, pledges and mortgages given in the name of	***127.085***	***125.765***	***250.870***	-	-
Guarantee	*127.085*	*125.765*	*250.870*	-	-
Pledge	-	-	-	-	-
Mortgage	-	-	-	-	-
B. Total amount of guarantees, pledges and mortgages provided on behalf of the parties which are included in the scope of full consolidation	-	-	-	-	-
Guarantee	-	-	-	-	-
Pledge	-	-	-	-	-
Mortgage	-	-	-	-	-
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	**127.085**	**125.765**	**250.870**	**-**	**-**

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	31 December 2017				
	Total TRY equivalent	TRY	USD	EUR	Moroccan Dirham
A. Total amount of guarantees, pledges and mortgages given in the name of	***94.086***	***93.139***	***250.870***	-	-
Guarantee	*94.086*	*93.139*	*250.870*	-	-
Pledge	-	-	-	-	-
Mortgage	-	-	-	-	-
B. Total amount of guarantees, pledges and mortgages provided on behalf of the parties which are included in the scope of full consolidation	-	-	-	-	-
Guarantee	-	-	-	-	-
Pledge	-	-	-	-	-
Mortgage	-	-	-	-	-
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**	-	-

Insurance coverage on assets

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

13. Prepaid expenses

a) Short term prepaid expenses

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

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

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b) Short term prepaid expenses

	31 December 2018	31 December 2017
Advances given for property, plant and equipment	27.593	29.852
Other	901	5.377
	28.494	**35.229**

14. Employee termination benefits

	31 December 2018	31 December 2017
Provision for employee termination benefits	128.634	99.142
	128.634	**99.142**

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

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

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

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

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

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

15. Other assets and liabilities

a) Other current assets

	31 December 2018	31 December 2017
VAT receivable	31.306	15.919
Other	11.605	9.073
	42.911	**24.992**

b) Other current liabilities

	31 December 2018	31 December 2017
Taxes and funds payables	93.889	67.516
Other	632	1.867
	94.521	**69.383**

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

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16. Equity

a) Share capital and capital reserves

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

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

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

Revaluation surplus

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

b) Restricted reserves and retained earnings

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

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

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

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

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.

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

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

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

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

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

c) Treasury shares

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

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

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

d) Dividend paid

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

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17. Sales and cost of sales

a) Net Sales

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

	1 January - 31 December 2018	1 January - 31 December 2017
Sales	32.453.831	24.867.089
Sales returns (-)	(130.844)	(87.681)
	32.322.987	**24.779.408**

b) Cost of sales

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

18. Operational expenses

a) Marketing expenses

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

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b) General and administrative expenses

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

19. Expenses by nature

a) Depreciation and amortisation expenses

	1 January - 31 December 2018	1 January - 31 December 2017
Marketing and selling expenses	324.355	237.324
General and administrative expenses	24.353	19.223
	348.708	**256.547**

b) Personnel expenses

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

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20. Other operating income and expense

a) Other operating income

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

b) Other operating expense

	1 January - 31 December 2018	1 January - 31 December 2017
Provision expenses	15.261	8.290
Other	7.438	2.617
	22.699	**10.907**

21. Financial income

	1 January - 31 December 2018	1 January - 31 December 2017
Participation account income	44.212	39.396
Foreign currency gains	7.355	5.807
	51.567	**45.203**

22. Financial expenses

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

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23. Income and expense from investing activities

a) Income from investing activities

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

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

b) Expense from investing activities

None (31 December 2017: TRY1.575).

24. Tax assets and liabilities

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

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

In Turkey, as of 31 December 2018, corporate tax rate is 22% (31 December 2017: 20%). Corporate tax returns are required to be filed by the twenty-fifth day of the fourth month following the balance sheet date and taxes must be paid in one instalment by the end of the fourth month. The tax legislation provides for a temporary tax of 22% to be calculated and paid based on earnings generated for each quarter. The amounts thus calculated and paid are offset against the final corporate tax liability for the year.

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

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

Corporate tax losses can be carried forward for a maximum period of 5 years following the year in which the losses were incurred. The tax authorities can inspect tax returns and the related accounting records for a retrospective maximum period of five years.

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

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

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

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

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

Deferred tax is presented in financial statements as follows:

	31 December 2018	31 December 2017
Deferred tax assets	3.339	2.851
Deferred tax liabilities	(176.055)	(137.839)
Net deferred tax liability	**(172.716)**	**(134.988)**

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

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

Tax reconciliation

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

25. Earnings per share

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

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

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26. Related party disclosures

a) Prepaid expenses to related parties

	31 December 2018	31 December 2017
Reka Bitkisel Yağlar Sanayi ve Ticaret A.Ş. (Reka)[1]	40.090	-
Aytaç Gıda Yatırım San. ve Ticaret A.Ş. (Aytaç) [1]	15.506	-
Golf Gıda Paz. Dağ. Ltd. Şti. [3]	-	24.844
	55.596	**24.844**

b) Payables related to goods and services received

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

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

[1] Companies owned by shareholders of the Company.
[2] Non consolidated subsidiaries of the Group.
[3] Other related party.

c) Other payables to related parties

None (31 December 2017: None).

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d) Related party transactions

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

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

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

[1] Companies owned by shareholders of the Company.
[2] Non consolidated subsidiaries of the Group.
[3] Other related party.

[*] Has entered into the status of the related company as of 20 September 2017.

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

	1 January - 31 December 2018	1 January - 31 December 2017
Short-term benefits to employees	86.082	72.294
Total benefits	**86.082**	**72.294**

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27. Financial instruments and financial risk management

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

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

Price risk

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

Profit share rate risk

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

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

Profit share rate position table

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

Profit share position table		Current period	Previous period
Financial assets	Fixed profit share bearing financial instruments	**448.264**	**510.758**
	Participation account	1.614	510.758
	Lease certificate & Investment fund	446.650	-
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.

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Credit risk table (Current period – 31 December 2018)

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

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Credit risk table (Previous period – 31 December 2017)

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

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

Foreign currency position

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

	31 December 2018				31 December 2017			
	TRY equivalent	USD	Euro	GBP	TRY equivalent	USD	Euro	GBP
1. Trade receivables	-	-	-	-	-	-	-	-
2a. Monetary financial assets (including cash, banks accounts) 9.102	12.058	2.273.633	9.007	6.372	12.423	3.145.291	113.557	9,102
2b. Non-monetary financial assets	-	-	-	-	-	-	-	-
3. Other	-	-	-	-	-	-	-	-
4. Current assets (1+2+3)	12.058	2.273.633	9.007	6.372	12.423	3.145.291	113.557	9.102
5. Trade receivables	-	-	-	-	-	-	-	-
6a. Monetary financial assets	143	25.700	1.278	-	106	26.600	1.278	-
6b. Non-monetary financial assets	-	-	-	-	-	-	-	-
7. Other	-	-	-		-	-	-	-
8. Current assets (5+6+7)	143	25.700	1.278	-	106	26.600	1.278	-
9. Total assets (4+8)	**12.201**	**2.299.333**	**10.285**	**6.372**	**12.529**	**3.171.891**	**114.835**	**9.102**
10. Trade payables					317	84.078	-	-
11. Financial liabilities	-	-	-	-	-	-	-	-
12a. Monetary other liabilities	-	-	-	-	-	-	-	-
12b. Non-monetary other liabilities	-	-	-	-	-	-	-	-
13. Current liabilities (10+11+12)	-	-	-	-	317	84.078	-	-
14. Trade payables	-	-	-	-	-	-	-	-
15. Financial liabilities	-	-	-	-	-	-	-	-
16a. Monetary other liabilities	-	-	-	-	-	-	-	-
16b. Non-monetary other liabilities	-	-	-	-	-	-	-	-
17. Non-current liabilities (14+15+16)	-	-	-	-	-	-	-	-
18. Total liabilities (13+17)	**-**	**-**	**-**	**-**	**317**	**84.078**	**-**	**-**
19. Net asset/(liability) position of off-balance sheet derivative instruments (19a-19b)	-	-	-	-	-	-	-	-
19a. Hedged total assets amount	-	-	-	-	-	-	-	-
19b. Hedged total liabilities amount	-	-	-	-	-	-	-	-
20. Net foreign currency asset/(liability) position (9-18+19)	12.201	2.299.333	10.285	6.372	12.212	3.087.813	114.835	9.102
21. Net foreign currency asset/(liability) position of monetary items (TFRS 7.b23) (=1+2a+5+6a-10-11-12a-14-15-16a)	12.201	2.299.333	10.285	6.372	12.212	3.087.813	114.835	9.102
22. Total fair value of financial instruments used for foreign currency hedging	-	-	-	-	-	-	-	-
23. Export	-	-	-	-	-	-	-	-
24. Import	-	-	-	-	-	-	-	-

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Exchange rate risk

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

31 December 2018

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

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31 December 2017

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

Liquidity risk

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

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

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

31 December 2018

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	4.030.673	4.057.641	4.057.641	-	-	-
Due to related parties	485.466	488.691	488.691	-	-	-

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	3.044.133	3.042.960	3.042.960	-	-	-
Due to related parties	356.137	358.727	358.727	-	-	-

Capital risk management

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

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

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

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

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

Fair value estimation

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

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

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

31 December 2018	Level 1	Level 2	Level 3	Total
Financial assets measured at fair value through other comprehensive income				
Retail industry	-	338.171	-	338.171
Total assets	**-**	**338.171**	**-**	**338.171**

31 December 2017	Level 1	Level 2	Level 3	Total
Financial assets measured at fair value through other comprehensive income				
Retail industry	-	297.141	-	297.141
Total assets	**-**	**297.141**	**-**	**297.141**

There were no transfers between levels during in year.

(a) Financial instruments in level 2

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

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

Specific valuation techniques used to value financial instruments include:

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

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

Financial liabilities

Financial liabilities of which fair values approximate their carrying values:

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

29. Events after balance sheet date

None.

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