



**BİM'S WORLD: RETAIL SALES
AT WHOLESALE PRICES**

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Name of the Company: BİM Birleşik Mağazalar A.Ş.
Report Period: 1 January - 31 December 2019
Trade Registry No.: 334499
Website: www.bim.com.tr
Capital: TL 607,200,000
Mersis No: 0175005184608645



As the pioneer of the discount model in Turkey, we offer consumers a distinctive retail experience via our organizational structure, effective cost management practices and “everyday low price” policy.

At BIM, customer expectations are always at the forefront. Each aspect of our steadfast approach underpins our success in growth and the fight against inflation.

Here is 2019, in the light of our steadfast and ongoing approach...



yeşili
sev.

BİM
OPEN SHOP™
REKONSTRUOLU

Doğayı Sev

WON
DER
FUL



**CUSTOMER BENEFITS
COME FIRST.**

BİM offers the highest quality products at the most affordable prices. For BİM, customer benefits are more important than short-term high profit.

Number of customer visits per year
1.8 billion



**THE CUSTOMERS ARE ALWAYS
RIGHT.**

BIM offers the highest quality products at the most affordable prices. BIM has a no-questions-asked return policy.

Product range

~750 SKUs



**NO UNNECESSARY COSTS –
RATHER, ADVANTAGES.**

BIM displays products in their original cardboard boxes to avoid unnecessary store expenses. BIM customers pay for the product itself, not for its packaging or its brand name.



Sales growth rate

24%



BİM İS A GOOD AND CLOSE NEIGHBOR.

BİM rents the most affordable stores at the locations closest to its customers. BİM stores are decorated as simply as possible.

BİM

TOPTAN FİYATINA
PERAKENDE SATIŞ



Total selling space

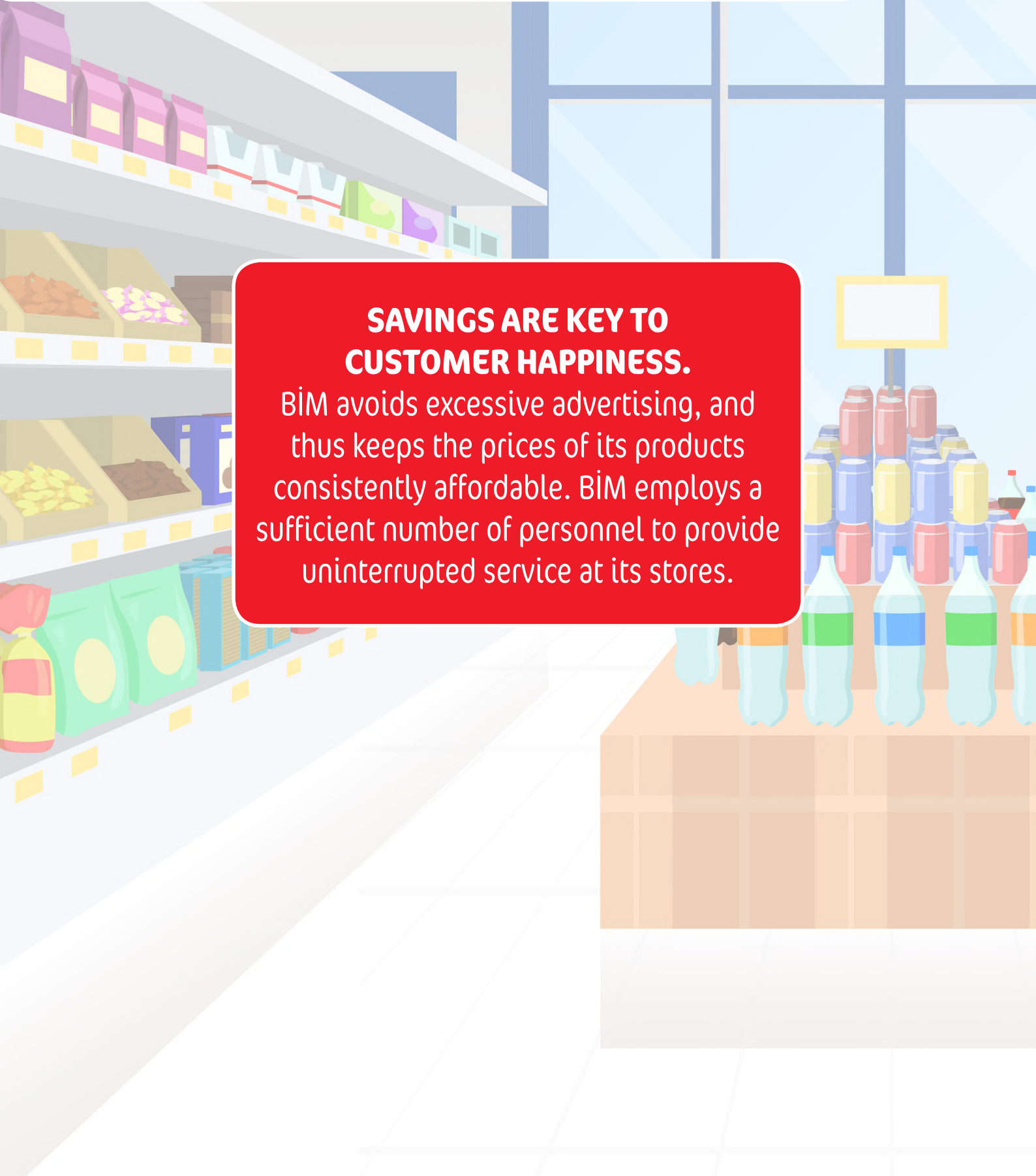
2.5 million m²



Contribution to the Turkish economy
TL 2 billion

**SAVINGS ARE KEY TO
CUSTOMER HAPPINESS.**

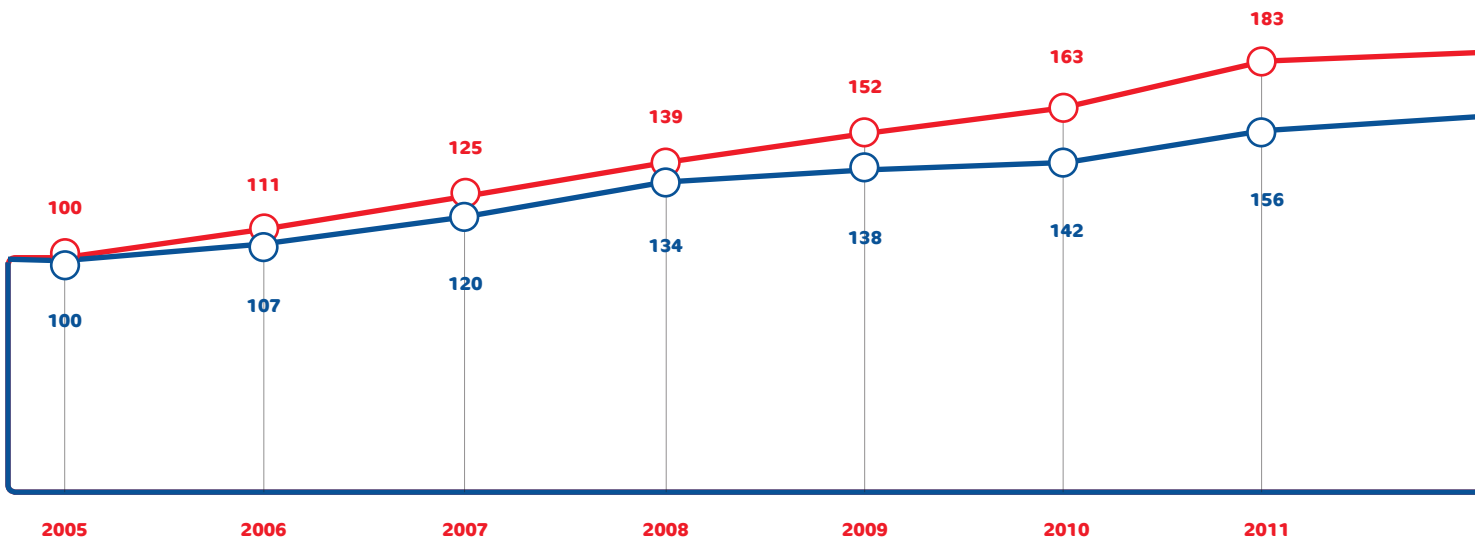
BİM avoids excessive advertising, and thus keeps the prices of its products consistently affordable. BİM employs a sufficient number of personnel to provide uninterrupted service at its stores.





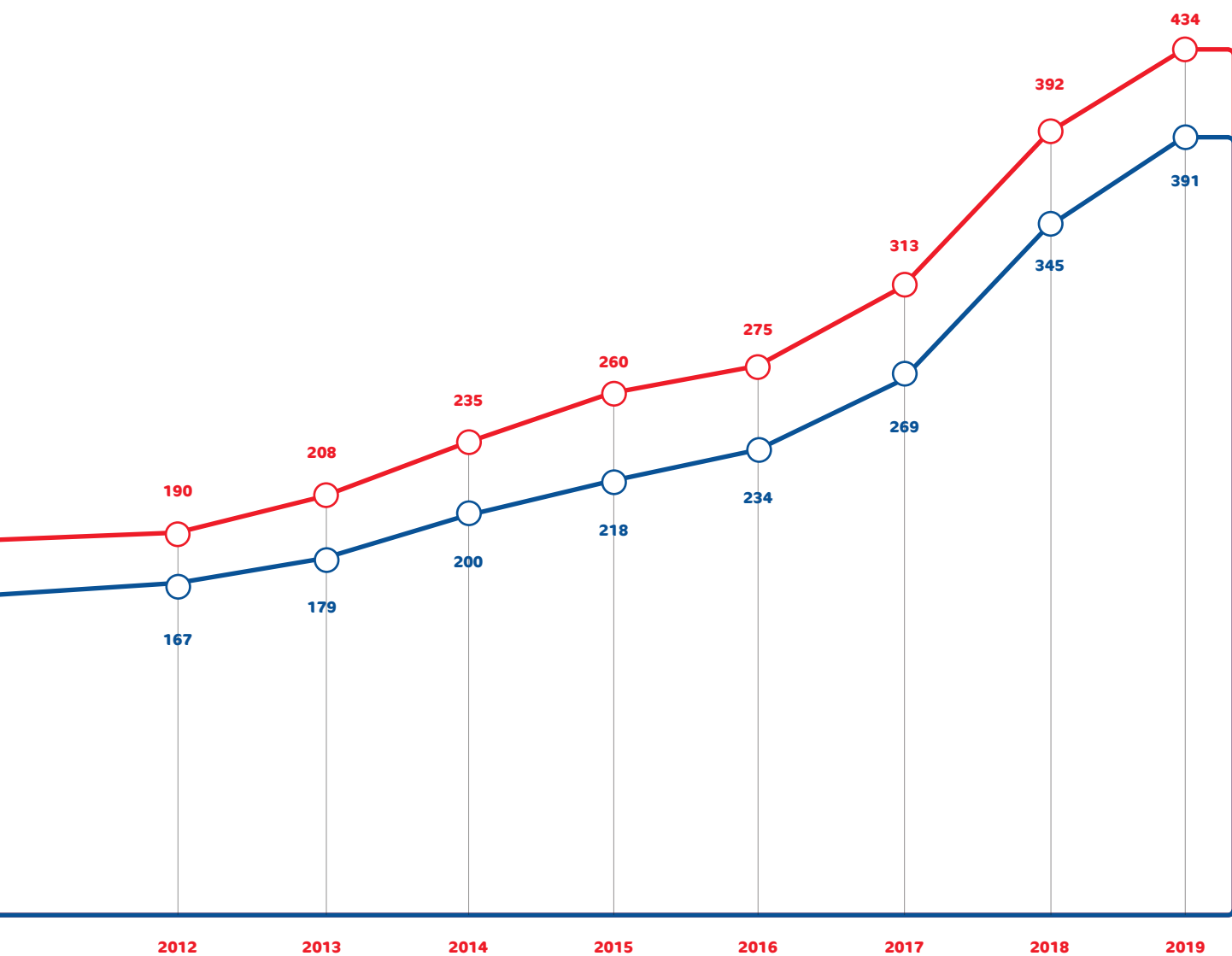
Price Index and Inflation Graph

PER ITS “EVERYDAY LOW PRICE” POLICY, BİM DOES NOT FULLY REFLECT THE COSTS ON PRODUCT PRICES, THUS, SUPPORTS TURKEY IN ITS FIGHT AGAINST INFLATION.



 INFLATION IN FOOD AND NON-ALCOHOLIC BEVERAGES

 BiM PRICE INCREASES



Key Indicators

BY THE END OF 2019, BİM SUCCESSFULLY INCREASED THE NET SALES TO TL 40 BILLION AND TOTAL ASSETS TO TL 15 BILLION.

BİM maintained a healthy growth rate in 2019. The year-end targets for financial and operational results of 2019 stayed within the forecasts; the net sales increased by 24%.

Carrying on the fight against inflation in 2019, BİM also maintained to create added value for the country and contributed to the stabilization process of the Turkish economy as per its everyday low price policy.

In a period of economic recovery, BİM made a dividend payment to its shareholders in the amount of TL 967 million. The dividend payment was successfully made despite the high investment level of 1,078 million.

Net Sales (TL Million)

2017	24,779
2018	32,323
2019	40,212

Gross Profit Margin (%)

2017	17.1
2018	17.7
2019	17.4

EBIT* (TL Million)

2017	1,039
2018	1,530
2019 (Before TFRS 16)	1,685
2019 (After TFRS 16)	2,066

EBIT Margin* (%)

2017	4.2
2018	4.7
2019 (Before TFRS 16)	4.2
2019 (After TFRS 16)	5.1

Net Profit* (TL Million)

2017	863
2018	1,251
2019 (Before TFRS 16)	1,425
2019 (After TFRS 16)	1,225

Net Profit Margin* (%)

2017	3.5
2018	3.9
2019 (Before TFRS 16)	3.5
2019 (After TFRS 16)	3.0

EBITDA* (TL Million)

2017	1,296
2018	1,879
2019 (Before TFRS 16)	2,124
2019 (After TFRS 16)	3,149

EBITDA Margin* (%)

2017	5.2
2018	5.8
2019 (Before TFRS 16)	5.3
2019 (After TFRS 16)	7.8

Number of Stores

2017	6,765
2018	7,478
2019	8,348

Average Number of Daily Customers (Visit) (Million)

2017	4.1
2018	4.5
2019	4.9

Consolidated Number of Employees at Year End

2017	41,993
2018	47,980
2019	51,765

*2017 and 2018 figures express the values before Turkish Financial Reporting Standards n. 16 (TFRS 16).



24% GROWTH

BİM'S NET SALES INCREASED BY 24% IN 2019.

4.9 MILLION

THE AVERAGE DAILY NUMBER OF CONSOLIDATED VISITORS OF BİM IS 4.9 MILLION.

8,348 STORES

BİM MAINTAINS ITS ACTIVITIES THROUGH 8,348 STORES ON A CONSOLIDATED BASIS.

7.8% EBITDA MARGIN

IN 2019, BİM MANAGED TO INCREASE EBITDA MARGIN TO 7.8% BY ACHIEVING SUCCESSFUL OPERATIONAL RESULTS.

3.0% NET PROFIT MARGIN

IN 2019, BİM REALIZED 3.0% NET PROFIT MARGIN BY SUSTAINING ITS OPERATIONAL PRODUCTIVITY.

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 has been fully consolidated. Both companies are engaged in activities in the field of food retail. GDP Sanayi ve Ticaret A.Ş., founded by 100% BİM capital, engages in the packaging and shipment of rice and legume products. The company has been consolidated via the full consolidation method in 2019.

Key Indicators

IN 2019, BİM REINFORCED ITS SOLID CAPITAL STRUCTURE BY STRENGTHENING THE SHAREHOLDERS EQUITY. THE COMPANY REALIZED TL 4.2 BILLION SHAREHOLDERS EQUITY.

Summary Consolidated Income Statement (TL Million)	2019 (After TFRS 16)	2019 (Before TFRS 16)	2018*	Change (%) (Before TFRS 16)
Sales	40,212	40,212	32,323	24
Gross Profit	6,985	6,985	5,710	22
Gross Profit Margin	17.4%	17.4%	17.7%	
EBITDA	3,149	2,124	1,879	13
EBITDA Margin	7.8%	5.3%	5.8%	
EBIT	2,066	1,685	1,530	10
EBIT Margin	5.1%	4.2%	4.7%	
Net Profit	1,225	1,425	1,251	14
Net Profit Margin	3.0%	3.5%	3.9%	

Summary Consolidated Balance Sheet (TL Million)	2019 (After TFRS 16)	2019 (Before TFRS 16)	2018*	Change (%) (Before TFRS 16)
Current Assets	6,127	6,127	4,842	27
Fixed Assets	9,046	5,031	4,106	23
Total Assets	15,173	11,158	8,948	25
Short-Term Liabilities	7,319	6,335	5,131	23
Long-Term Liabilities	3,617	385	305	26
Shareholder's Equity	4,237	4,438	3,512	26
Total Equity and Liabilities	15,173	11,158	8,948	25

*2018 values express the figures before TFRS 16.

Expectations and Achievements

BİM ACHIEVED THE INVESTMENT TARGET OF TL 1,078 MILLION FOR 2019. THE COMPANY SETS THE INVESTMENT TARGET OF ADDITIONAL TL 1.0 BILLION FOR 2020.

2019	Targets	Achievements
Consolidated New Store Openings	820	870
Increase in Sales	25% (+- 2)	24%
EBITDA Margin*	5% (+- 0.5)	5.3%
Investment	TL 1,100 million	TL 1,078 million

*The EBITDA margin target and achievement do not include the potential effects of Turkish Financial Reporting Standards n. 16 (TFRS 16)

2020	Expectations
Increase in Sales	23% (+- 2)
EBITDA Margin**	5.0% (+- 0.5)
Investment	TL 1.0 billion

**The EBITDA margin target for 2020 does not include the effects of TFRS 16. The margin target including the effects of TFRS 16 is equal to 7.5% (+-0.5).

About BİM

THE LEADING COMPANY OF THE RETAIL SECTOR IN TURKEY, BİM HAS THE MAIN POLICY TO PROVIDE ITS CUSTOMERS WITH HIGH-QUALITY PRODUCTS AT MOST AFFORDABLE PRICES. THE COMPANY DELIVERS SERVICES THROUGH A TOTAL OF 8.348 STORES IN TURKEY AND ABROAD.



157TH RANK

ACCORDING TO THE GLOBAL POWERS OF RETAILING REPORT OF DELOITTE, BİM RANKS 157TH AMONG THE FIRST 250 RETAILERS AROUND THE WORLD.

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, BİM'S primary objective has been to offer high-quality products to customers at the best and most affordable prices. The Company currently has 7,531 stores in Turkey and 817 stores abroad, in total 8.348 stores. It has doubled sales in the last three years. With a total of 51,765 employees on a consolidated basis by the end of 2019, BİM makes a significant contribution to the Turkish economy through employment support.

Sustainable Business Model

As per the business model, BİM keeps the costs at a minimum level without compromising the service quality; it reflects the consequent savings on the product prices. Keeping the profit margins at a certain level, BİM sets an example for the sector with low prices. Therefore, the Company's fight against inflation has been continuous, since the 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 set an example for the overall sector. In addition to the structural fight against inflation in 2019, the Company contributed to the stabilization of inflation by avoiding to reflect all the costs on the prices. BİM will decisively continue to fight against inflation in the upcoming period as well.



BİM maintained and strengthened its leading position in the food retail industry in 2019. The Company had a 24% increase in net sales through newly opened 870 stores (795 stores in Turkey, 75 stores abroad) in 2019. Thanks to the successful business model adopted, the Company was able to sustain its operational profitability; its EBITDA margin scored 7.8% in the year.

The most important stakeholders of BİM are local and global suppliers. Their collaborations based on the quality journey and trust has been preserved in 2019 as well. One of the favorite retailers in the sector, BİM is committed to providing the utmost support to its business partners, namely suppliers.

Modern Market in the Neighborhood: FILE

BİM launched FILE, its new retail model, in March 2015. Structured as a supermarket, FILE stores have more stock items than existing BİM stores. FILE has relatively larger spaces in terms of square meter compared to other discount stores. It allows the customers to shop in a wide and spacious store. In just three years, FILE achieved profitability in EBITDA and grew beyond expectations. In 2019, FILE maintained the second profitable year in EBITDA (before TFRS 16). With a strong, fresh, quality and varied product range, FILE has a distinguished approach to the supermarket business. As a result, the FILE concept was immediately acknowledged by customers and gained an essential place. Since the launch of the concept, FILE has maintained its business based on tremendous customer satisfaction. In 2019, FILE moved into a new Head Office, which is its own property. Including the 29 net store openings within the year, FILE had a total of 93 stores by the end of 2019. FILE conducts its activities through two warehouses in Istanbul.

Crucial Steps Towards Globalization

According to Deloitte's January 2020 edition of the 'Global Powers of Retailing' report, its annual and traditional report, BİM ranked 157th among the world's top 250 retail companies. Additionally, BİM is the 14th fastest-growing retailer worldwide. The backbone of BİM's 24-year corporate culture comprises customer satisfaction, flawless service principle, positive relations with suppliers, and qualified human resources.

BİM aims to recruit a minimum of 5,000 employees more in the upcoming year. Based on its transparent, open and honest management approach, the Company will maintain productive growth and steady profitability with the same strength in 2020 as well.

Corporate Profile

WITH ITS “EVERYDAY LOW PRICE” POLICY, BİM HAS INFLUENCED THE AFFORDABLE PRICES IN THE ENTIRE SECTOR. THE COMPANY MAINTAINS ITS OPERATIONS WITH CUSTOMER SATISFACTION ON THE FOCUS.

Launched in 1995 with 21 stores, BİM's (BİM Birleşik Mağazalar A.Ş.) main commercial activity is the sale of staple food products to consumers at the most affordable prices. With a range of 750 products, the Company has become the pioneer of the discount concept in Turkey. Revising the composition of its product portfolio each year, BİM introduces new products or removes old ones in line with changing customer expectations and requirements. In 2019, the product range of fresh food section had 94 new products in the lists.

BİM Growing With Its Customers

As of year-end 2019, BİM increased its consolidated sales volume by 24% compared to the previous year, thus, the weighted average growth of BİM in the last five years was realized as 23%. Opening 870 new stores on a consolidated basis, BİM increased the store portfolio by 12% in 2019 and has a total of 8,348 stores. Of these stores, 7,531 are in Turkey and 817 are located abroad. The Company maintained its leadership in the retail industry in 2019 as well.

Entering into the international arena through its operations in Morocco and Egypt, BİM sustains its growth in foreign activities. BİM's operations in Morocco started in 2009. The Company achieved net profitability (before TFRS 16) thanks to its total 497 stores, 55 of which were opened in 2019. The second foreign venture of the Company launched in Egypt with the first store opening in 2013. The Company opened 20 new stores in 2019 and the total number of stores was raised to 320.

Future Investments

In 2019, the Company's total investment amount on a consolidated basis was TL 1,078 million. The entirety of this sum was financed with the Company's equity capital. Continuing with the investments in 2020, the Company expects to have investments in the amount of TL 1.0 billion.

The pioneer of the private label approach in Turkey, BİM offers high-quality and affordable private label products, thus, plays a key role in the fight against inflation in Turkey. BİM expands its private label product portfolio year by year. When BİM went public in 2005, it had a turnover share of 46%. This share has increased to 66% in 2019. Moreover, Bimcell, a brand of BİM operating in the field of mobile communications, offered new Internet and mixed packages in 2019. Bimcell is a virtual operator that provides prepaid services. Bimcell increased its subscriber base by around 400,000 in 2019 and exceeded 2 million subscribers by the end of the year.

An Innovative, Special and Different Customer Experience

BİM launched FILE, its new retail model, in March 2015. Combining discount grocery shopping with the supermarket concept, FILE provides a variety of products in a modern market context, housed in larger spaces compared to discount stores. In 2019, the operational profitability (EBITDA) of the previous year was maintained, 29 new stores were opened to raise the total number of stores to 93 and the geographical area of activity expanded.

Introducing innovation as a concept to the customers, FILE stands out with its special sections, such as patisserie, meat-charcuterie, fresh food and personal care. For continuous growth in 2020 as well, FILE aims to be an alternative for the customers who want to buy high-quality and affordable products besides the staple food.

Committed to customer satisfaction, BİM will maintain its efficient cost management policy in its new stores with the aim of sustainable and productive growth in 2020. In the upcoming year, BİM will maintain its operations through the best service approach from its employees and through fostering trust-based relations with all stakeholders, mainly with the suppliers; BİM considers its suppliers as business partners and always support them.

Service Philosophy

OFFERING THE HIGHEST QUALITY PRODUCTS AT THE MOST AFFORDABLE PRICES, BiM PRIORITIZES CUSTOMER BENEFITS OVER SHORT-TERM HIGH PROFITS.



Milestones

BİM EXPANDS ITS OPERATIONAL NETWORK AND WELCOMES MORE CUSTOMERS YEAR BY YEAR. IN 2019, THE COMPANY ACHIEVED GREAT SUCCESS BY INCREASING ITS NET SALES BY 24%, RISING TO TL 40 BILLION.



1995

Commenced operations with 21 stores.



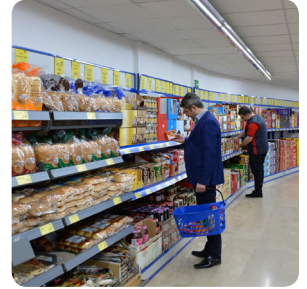
1997

Released Dost Süt, the first private-label product in Turkey. The 100th store is opened.



2002

Began accepting credit card payments.



2005

Publicly offered 44.12% of its shares.



2012

Launched Bimcell, mobile operator brand.



2013

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



2014

Number of Bimcell subscribers exceeds 1 million.



2015

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



2009

Commenced its first foreign operation by opening stores in Morocco.



2010

BiM became the leader in the sector through organic growth only.



2018

FiLE achieved operational (EBITDA) profitability.

**AS BIMCELL,
WE CONTINUE TO GROW WITH OUR
2 MILLION
SUBSCRIBERS. ENDLESS
THANKS TO ALL
BIMCELL USERS
WHO PREFER US.**



2019
THE NUMBER OF BIMCELL SUBSCRIBERS
EXCEEDED 2 MILLION.

Message from the Board of Directors

SINCE THE DAY OF OUR ESTABLISHMENT, WE HAVE BEEN AMONG THE LEADING ORGANIZATIONS CONTRIBUTING TO TURKEY’S FIGHT AGAINST INFLATION. WE UNDERTAKE AN IMPORTANT MISSION FOR OUR ECONOMY.

Trade wars between the USA and China, the USA’s protective trade policies, and the Brexit process in 2019 were the primary factors driving an increase in risk perception in terms of the global economy. Uncertainties in the global economy played a critical role in the slowdown of the world’s trade volume growth, which shrank intermittently throughout the year. Following the Fed’s three interest rate cuts in 2019, the global economy underwent another period of monetary expansion; this is expected to continue in 2020. As well, an increased liquidity injection into the global markets is anticipated.

We have full confidence that the Turkish economy will continue to grow stronger.

As of 2018, the Turkish economy was the world’s 18th and Europe’s 7th largest economy, according to current GDP ranking; 2019 was quite a challenging year for such an economy. Although the economy accelerated somewhat compared to the previous year, due to falling inflation and declining interest rates, geopolitical risks, in particular, continued to exert pressure on the Turkish economy in 2019. The Turkish economy, projected to close 2019 with positive growth, is expected to close out 2020 in a more advantageous position.

We undertake a crucial mission in the fight against inflation.

Since the day of our establishment, we have been among the leading organizations contributing to Turkey’s fight against inflation. We undertake an important mission for our economy, and our sustainable business model compels us to keep our expenses at a minimum level without impairing service quality. The consequent savings are reflected in our product prices. Our Company prefers to foster long-term customer satisfaction over short-term gains and high-profit margins. As the leader in the food retail industry, we set an example for the sector with our “everyday low price” policy and instill these low prices across the sector. We will continue to resolutely undertake one of our most important missions – the fight against inflation – in the following periods and continuously create added value for the Turkish economy.

As BİM, in 2019 we strengthened our position as the leader in the retail industry, expanded our national and international operational network through an organic growth model, grew with profitability, and achieved our targets. Our Company successfully preserved its financial and operational performance stability in 2019.

Our journey for sustainable growth continues.

After a year of operational productivity in 2019, we closed the year by fulfilling customer needs through 497 stores in Morocco, 320 stores in Egypt, and 8,348 stores in total. In 2019, we expanded our geographical area of activity and reached more customers through 870 new stores, 795 of which are located in Turkey. Our operational profitability resulting from the Morocco operations in 2018 was crowned with net profitability (before TFRS 16) in 2019. By the end of 2019, our consolidated sales volume increased by 24%, rising to TL 40 billion; and our operational profitability (EBITDA) was realized within expectations as TL 3.1 billion.

Our organizational structure played a key role in our achievements in 2019. We manage the business processes through our regional directorates, rather than utilizing a centralization model. As part of our new investments, we built five new regional directorates and logistics centers and maintained our continuous infrastructure development. Our investments supporting our organic growth model reached TL 1,078 million by the end of 2019.

We have achieved the highest dividend yield of the last decade.

In addition to maintaining strong growth, we take pride in being one of the rare companies that can pay high dividends to its investors. With the highest level of the last decade, we had a 3.7% dividend yield in 2019; the total cash dividend payment amounted to TL 967 million.

Our new retail model FILE, which started operations in March 2015, has gained popularity among our customers with special service departments such as patisserie, meat-charcuterie, fresh foods and personal care. FILE responds to customer needs, thanks to its broad range of around 4,500 products. We have introduced three new private-label products in the basic product categories in FILE stores and, following a successful year, private-label products comprise 34% of FILE's total sales. In 2019, we opened 29 new stores under the FILE concept, expanding the total number of stores to 93. Just four years after its launch, FILE achieved operational profitability (EBITDA) in 2018 and preserved its operational profitability (before TFRS 16) in 2019.

We included new internet and mixed packages in Bimcell services in 2019. It was a remarkable success for us to increase the number of subscribers by 400,000 and exceed 2 million subscribers in total. Our Bimcell brand covers 98% of the population across the country. We intend to continue expanding the customer base in 2020.

We are a big family and growing more every year.

New members join our BİM family every year. We reached a total of 51,765 personnel, including 3,785 new employees this year. As the leading retail company in Turkey, BİM will maintain its contribution to employment through new stores and regional directorates in 2020.

We, as BİM, consider our local and global suppliers as essential stakeholders. Suppliers are our business partners. In 2019, it was again our primary focus to ensure that suppliers acted in accordance with business ethics and principles. Our relationships with suppliers are based on trust. We will do our best to support them in the upcoming years as well.

We take firm steps towards the future.

We will carry on our investments in 2020, aiming for another year of steady growth with our organic business model. We plan to open five new regional directorates in the next year and, in addition, we foresee realizing a total TL 1.0 billion in investments.

Since the day of our establishment, our employees have been the main architects of our achievements. We attribute our achievements to the most important members of the BİM Family: our employees. We have full confidence that we will continue to grow together on our journey towards success in collaboration with our stakeholders, that is, our employees, suppliers, customers and shareholders.

TL 1,078 MILLION
OUR INVESTMENTS SUPPORTING
OUR ORGANIC GROWTH MODEL
REACHED TL 1,078 MILLION BY
THE END OF 2019.

Retail Industry in Turkey

JUST LIKE THE MANUFACTURERS, THE RETAIL SECTOR CREATES JOBS AND EMPLOYMENT IN VARIOUS CHANNELS, MAINLY IN STORES.

The rapid advances in technology in the last decade has impacted the retail sector as it did all other sectors. Continuing to grow in 2019, the global retail sector has evolved into a new trend of transformation due to internet usage, whereas the traditional market preserves its importance in our country. In Turkey, almost half of the retail sector comprises of the traditional market. Even though the organized retail market gained acceleration and popularity in the last two decades, the traditional market remains to have a significant share in the market.

Star of the Retail Sector: Discount Stores

Discount retailing has gained a crucial place in the retail sector and recently attained a significant growth acceleration. BİM takes the leading position in the retail sector of Turkey, of which the important players are discount stores. The Company expands not only in Turkey, but also abroad thanks to the low-profit margins, efficient cost management and its unique store format that is implemented resolutely.

The discount food retailer group, which includes BİM, continued to grow above the sector average in 2019. According to the data from the Federation of Turkish Retailers, the sales share of discount stores in the total food sales has reached 13%. In 2019, while the sales share of discount stores in the total market sales was 47%*, local markets had 33.7% and common supermarkets had 19.3% market share.



Contributing to Economy by Creating Employment

As a result of the delivery of the production to the end consumers, many channels, mainly stores are formed in the retail sector. Thus, just like the manufacturers, the retail sector turns out to create jobs and employment in various segments, such as logistics, warehousing and packaging. If every link of the supply chain is improved and the system is properly utilized, every link of the chain will separately manage to create added value. Because the retail sector contributes to the production, and hence directly to the Turkish economy, it is undeniable that the retail sector has a crucial role.

Due to the nature of its operations, the modern retail sector does not allow any informal employment, but rather fosters the Turkish economy by contributing to the increase in production, employment and drop in inflation. The spread of the discount food retail countrywide day by day leads to an increase in employment across the country.

*Based on the data from the Federation of Turkish Retailers.



13%
IN 2019, THE DISCOUNT
STORES HAD 13% SHARE IN
TOTAL FOOD SALES.

Discount stores take a 46.2% share in the employment rate of the Turkish market groups. Therefore, being the key players in the sector, discount stores provide significant support to the Turkish economy by creating employment opportunities.

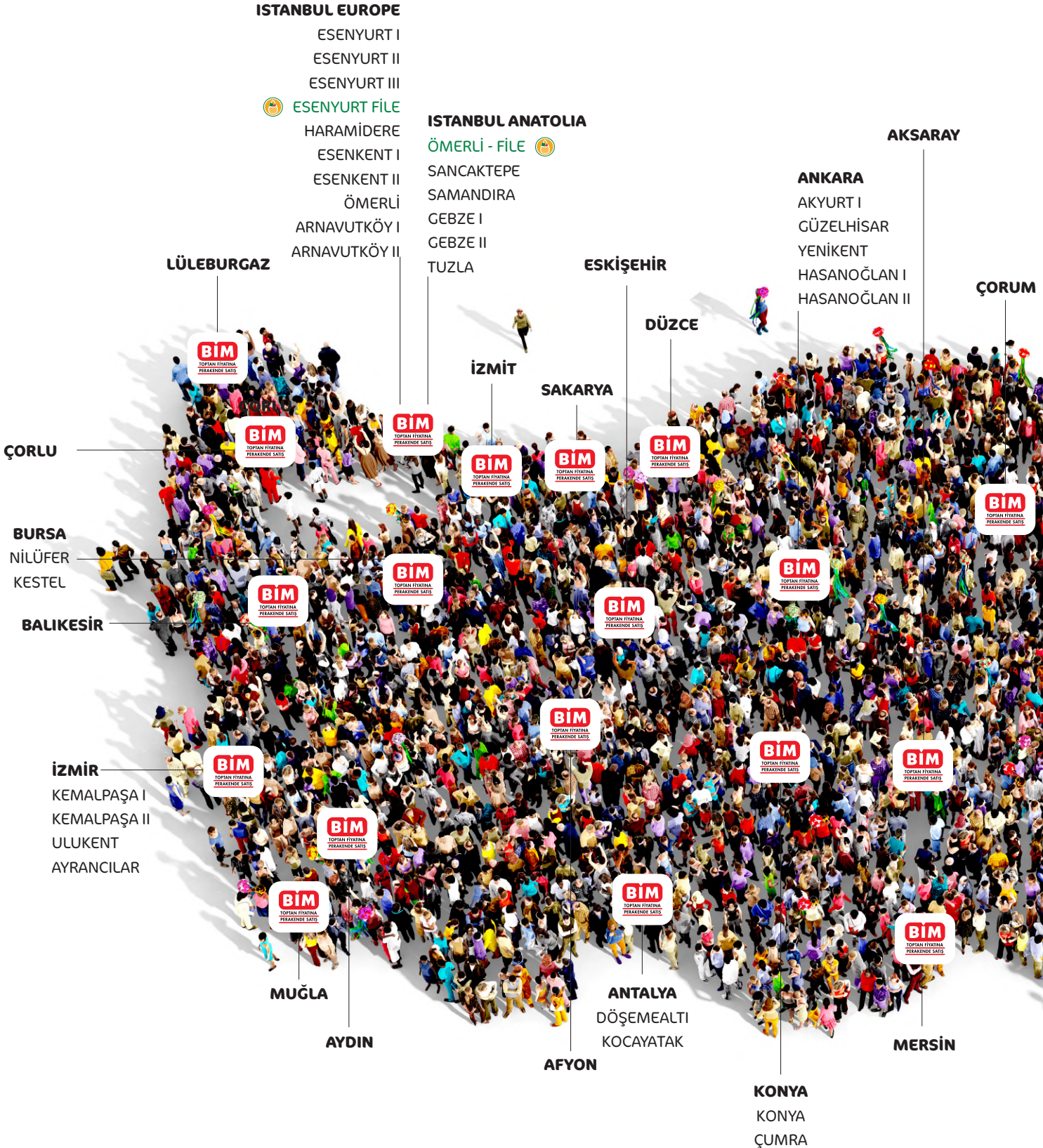
Retail sector harbor many opportunities for private-label products to fill the shelves and to spread. The pioneer of the private-label products, BİM's turnover ratio of private-label products in the local stores reached 66% in 2019. Private-label products are introduced to the public as per the slogan of "high quality, affordable price." They play an essential role in the fight against inflation in Turkey. In 2020, the Company will maintain focusing on private-label product activities both for BİM and FİLE stores.

Global Achievements

According to the January 2020 edition of Deloitte's "Global Powers of Retailing" report which is published annually, BİM holds 157th place among the top 250 retail companies in the world with reference to the data of 2018. Additionally, BİM is the 14th fastest-growing retailer worldwide.

BİM launched its new business model in the supermarket segment with the brand "FİLE" in March 2015. In just three years, the FİLE concept achieved operational profitability and grew beyond expectations. The concept offers a strong, fresh, quality and varied product range within the scope of a distinguished approach to supermarket business. As a result, the FİLE concept was immediately acknowledged by customers and gained an essential place. Under the FİLE concept, BİM has addressed to the demands of both discount and supermarket segments of the retail industry for five years now.

BİM's Domestic and Foreign Operations





7,438
STORES

93
STORES

497
STORES

320
STORES

59
LOGISTICS CENTERS

2
LOGISTICS CENTERS

3
LOGISTICS CENTERS

2
LOGISTICS CENTERS

BİM DOMESTIC STORES

2018	6,672
2019	7,438

FILE STORES

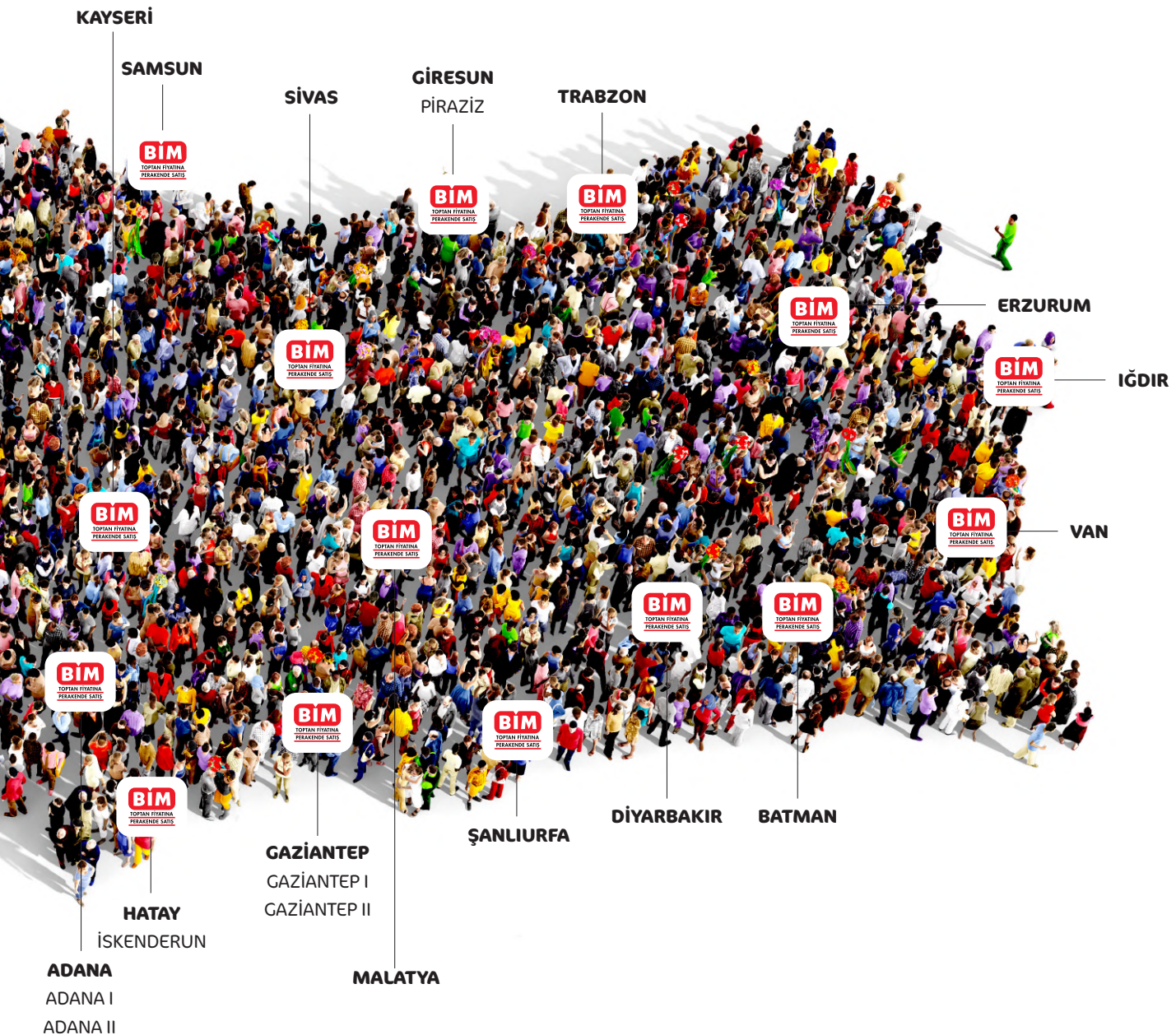
2018	64
2019	93

MOROCCO STORES

2018	442
2019	497

EGYPT STORES

2018	300
2019	320



BİM Difference in Retail

BİM KEEPS THE COSTS TO A MINIMUM LEVEL AND REFLECTS THE CONSEQUENT SAVINGS TO CUSTOMERS AS DISCOUNTS.

BİM is coordinated through regional offices with their management, staff and logistics warehouses. The fact that the management has been decentralized is the most outstanding feature of an efficient organizational structure. This feature has led to the success of BİM. BİM manages its operations via respective regional directorates. That's why its business processes are conducted in a fast and productive way. In 2019, the Company launched five regional directorates and logistics centers, including one in İzmit/Kocaeli, Batman, Iğdır respectively and two in Arnavutköy/Istanbul, thus, raising the total number of regional directorates to 66 on a consolidated basis. For 2020, BİM aims to raise the number to 71, including the one in Morocco.

Continuous Discount Concept

The main principle of the BİM business model is "Everyday low price." BİM does not make any promotions, conduct campaigns or issue loyalty cards; BİM customers do not have to follow price discount campaigns. Instead of campaigns and short-term discounts, BİM keeps the prices low everyday through its more understandable and simple business model. BİM reflects the savings from the cost deductions on the product prices. One of the most important features distinguishing BİM from its rivals in the sector is to avoid short-term discounts even when there is no sufficient consumption. This pricing 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 level and to reflect those gains as price discounts to customers. With its organizational structure, effective cost management practices and limited product range, BİM is the first representative of the discount model in Turkey. BİM's discount concept is based on three fundamental pillars:

- To accelerate the decision-making and implementation processes by establishing a dynamic logistics and information network among regional offices and stores through a decentralized organizational structure;
- To avoid any unnecessary expenses that would raise product prices; keeping the costs of management, store decoration, personnel, distribution, marketing and advertising at a minimum level;
- To keep the product portfolio around 750 SKUs, to conduct the inspections of quality standards efficiently; and to ensure that the customers reach the products at the most affordable prices.

BİM is the biggest purchaser of the majority of the products it sells in Turkey. Therefore, the Company encourages its suppliers to produce high-quality products at lower costs 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 compromising on the quality of products and services. As a consequence, BİM increases its competitive advantage within the market every year. Eliminating any unnecessary costs in operational processes, BİM's costs related to the sales and marketing of the products are at a minimum level. Thus, the customers only pay for the product itself.

BİM keeps its product range limited and makes low-cost purchases in high volumes directly from suppliers and without an intermediary. 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 leadership and strong position in the retail industry. In this context, all logistics activities are carried out in-house, without any need for outsourcing.

66

LOGISTICS CENTERS

BİM CONDUCTS ITS OPERATIONS THROUGH 66 LOGISTICS CENTERS WITH THEIR MANAGEMENT, PERSONNEL AND WAREHOUSE.



BİM adheres to the following principles of cost management:

1. In general, its stores are rented.
2. Instead of high-cost stores on main streets, BİM prefers to locate the stores in the back streets to save on rent.
3. Sufficient personnel is employed to maintain uninterrupted service.
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 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 made daily, 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, which is carried out by regional directorates, is meticulously monitored during the transfer from warehouse to store and from store to customer. Results of inventory counts carried out at stores and warehouses are controlled and compared with previous data at regular intervals and evaluated accordingly.

Food Safety

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

The Quality Assurance Unit is responsible for the following actions:

- To conduct activities to ensure the sustainable quality standards of the purchased products as per the defined strategies,
- To conduct activities for legal proceedings of the product packages,
- To follow up legal changes and problems in respective product groups,
- To inspect the quality of the products as per the procedures,
- To carry out tests when required and planned,
- To ensure the continuity of the private-label product developments.

Financing Resources

By carrying out activities with negative working capital, BİM finances itself through its cash collection. In addition to operational cash outflows, the Company distributed TL 967 million in cash dividends and made TL 1,078 million investment on a consolidated basis in 2019. BİM sets an investment target of additional TL 1.0 billion for 2020.

BİM does not utilize bank loans since it finances both domestic and foreign operations with its resources. Moreover, BİM does not have a significant amount of foreign currency deficit or surplus since most of the operations of the company are carried out in Turkish Lira. Therefore, neither interest rate changes nor exchange rate variations cause any critical risk for BİM.

2019 Activities

IN 2019, BİM NOT ONLY MAINTAINED A SUSTAINABLE AND INCREASING ORGANIC GROWTH BUT ALSO RETAINED ITS LEADERSHIP IN THE SECTOR.

Maintaining its leadership in the food retail sector in 2019, BİM has achieved a steady growth trend thanks to its successful business model and has doubled its sales volume in the last three years. As in previous years, the Company grew through its organic business model in 2019 without any acquisitions in the sector; the annual growth rate reached 24%.

As the sector leader, BİM embarked on its fight against inflation from its establishment. The Company undertakes an important mission in the fight against inflation. As per the business model, the Company keeps the costs at a minimum level without compromising the service quality; it reflects the consequent savings on the product prices. Keeping the profit margins at a certain level, BİM sets an example for the sector with low prices.

Since it was founded, BİM has implemented the “everyday low price” policy. As a result, the Company did not reflect all the costs on the prices and continued to support the fight against inflation in Turkey in 2019. The Company will carry on its duties to fight against inflation in the next period, too. It will keep creating added value for the country and people.

The no-questions-asked return policy implemented at stores keeps customer satisfaction high at all times. This policy allows the customers to return any product anytime without stating any reason. BİM cares about the prices of its products as well as their qualities. Thus, the Company puts up products for sale after the Purchasing Department checks the quality and conformity of each product. At the sales stage, product quality is also regularly controlled.

Bimcell, introduced in March 2012, is a BİM brand for the mobile communications segment. Growing rapidly in seven years, Bimcell increased its subscriber number by 400,000 and exceeded 2.0 million subscribers in 2019.

A Year Full of Achievements

In 2019, BİM preserved its sustainable organic growth, fulfilled the financial and operational expectations and maintained its leadership in the sector. The same year, the decentralized structure of the Company allowed it to increase operational productivity since each region was enabled to focus on its own region only. BİM opened 870 new stores on a consolidated basis throughout the year, thus, the total number of stores reached 8,348. Additionally, five new regional directorates and logistics centers were put into operation. To expand the sales network and to fulfill the changing customer needs and expectations, BİM implemented an efficient investment policy in 2019. The total investment in the year amounted to TL 1,078 million.

BİM uses only Turkish Lira in its transactions and finances the operational investments through its solid equity. Therefore, the fluctuations in exchange rates and interest rates do not impact the Company. As of year-end 2019, BİM had an annual consolidated sales volume of TL 40 billion, which helped the Company maintain its leadership in the Turkish retail industry.



Investment Policy and Investments in 2019

BİM's investments are mainly focused on expanding the operational network. As per the investment policy, the Company prefers to promote organic growth by establishing new stores and regional offices. BİM usually rents the stores and decorates them as plainly as possible, which requires relatively low investment costs. The added value gained from efficient cost management is reflected in the product prices.

In 2019, the Company launched five regional directorates and logistics centers, including one in İzmit/Kocaeli, Batman, Iğdır respectively and two in Arnavutköy/İstanbul, thus, raising the total number of regional directorates to 66 on a consolidated basis. In 2020, BİM aims to raise the number of regional offices to 71 through new investments.

Since BİM is managed via a decentralized organizational structure, the regional offices are very crucial for the Company. As per its investment policy, the construction of new warehouses and regional offices is conducted in accordance with the conformity criteria usually through the purchase of lands.

Since it began to be traded publicly, BİM has sustained a high level of nonstop investment. In 2019, the total amount of consolidated investments was TL 1,078 million, all of which were financed with the Company's strong equity capital.

BİM sets an investment target of total TL 1.0 billion for 2020.

2019 Activities



FILE SERVES THE CUSTOMERS THROUGH ITS THREE PRIVATE-LABEL PRODUCTS AND 34% OF ITS SALES COMPRISES OF PRIVATE-LABEL PRODUCTS.



Our Brands

Daycare

Daycare is a brand for personal care products offered in FILE stores only. The brand has been developed according to customers' needs for health, hygiene, beauty, personal care and colorful cosmetics. These products are manufactured by the leading suppliers in the segment and have at least the same quality as the leading brands in the market.

Harras

Harras is the food products brand that is offered in FILE stores only. The product development and manufacturing processes of Harras are closely monitored by FILE. These products are produced by the leading suppliers in the segment and have at least the same quality as the leading brands in the market. The products and manufacturers of the Harras brand are regularly audited by independent and approved organizations.

ACTISOFT

Actisoft, on the other hand, is FILE's private-label brand in the segment of general hygiene, paper products and supplementary products, which addresses the diverse needs of the households, such as paper towels, garbage bags, baking papers, room odors. The products and manufacturers of the Actisoft brand are regularly audited by independent and approved organizations.





FILE and Developments in 2019

In addition to the discount food retail sector, turning the growth potential in the supermarket segment into a business opportunity BİM launched a new business model in the supermarket segment under the brand FILE in March 2015.

The primary purpose of this model is to fulfill consumer needs in groceries, personal care and general hygiene with quality, healthy and fresh products produced at high standards and offered continuously at low prices. Decorated with a warm and sincere design, FILE stores stand out with a modern market image, aiming to make the customers feel comfortable as if they are shopping in their local neighborhood or market. FILE has relatively larger spaces in terms of square meters compared to other discount stores. It allows customers to have a more spacious shopping experience. Offering a wide range of products, FILE stores have a well-focused market approach. FILE-branded stores have more stock items than existing BİM stores. Approximately 4,500 SKUs are accessible in FILE stores. Following the establishment of FILE, BİM has been addressing both discount and supermarket sub-segments of the retail industry since 2015.

FILE brings innovation to customers, including special sections such as patisserie, meat-charcuterie, fresh food and personal care. Practices such as promotions and loyalty cards are not offered by the FILE model. Instead, It applies everyday low pricing like BİM stores.

Establishing a new supply chain, FILE included new private-label products to its portfolio in addition to national and international products. Three new private-label brands in basic product categories were introduced to consumers, and 34% of the products sold at FILE consist of private label products.

Despite launching its first store in 2015, FILE successfully attained EBITDA profitability in a very short time thanks to the lean presentation of the correct business model. The Company achieved its second EBITDA profitability in 2019.

Crowned with profitability sooner than expected, this success is mainly based on preserving the strong presentation particularly in fresh products and correct quality-price balance in private-label products.

Since its establishment, FILE has created a positive impression and proven that it is the right concept for Turkey. The Company maintained its growth in 2019 and opened 29 new stores to reach 93 stores in total. In November 2019, FILE's new head office building was put into service at the Anatolian Side of Istanbul. FILE aims to increase its location productivity through new logistics centers and sustain its growth.

2019 Activities

INTERNATIONAL OPERATIONS



497 STORES
INCREASING THE NUMBER OF
STORES IN MOROCCO TO 497,
BİM CONTINUES TO EXPAND ITS
FOREIGN OPERATIONAL NETWORK.



MOROCCO
AS ITS FIRST FOREIGN
VENTURE, BİM'S MOROCCO
OPERATION IS THE FIRST
DISCOUNT CHAIN IN THE
COUNTRY.

As its first foreign venture, BİM's Morocco operation is the first discount chain in the country. BİM's operations in Morocco officially began when the first store in Casablanca was opened on April 11, 2009. BİM wholly owns 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 37 million, the modern retail industry has significant potential.

BİM achieved operational profitability by the end of 2018 and net profitability (before TFRS 16) by the end of 2019. The total number of stores in Morocco has raised to 497, including 55 new stores.



EGYPT

WITH A POPULATION OF 100 MILLION, EGYPT IS THE PRODUCTION BASE OF THE REGION. BİM HAS TWO REGIONAL OFFICES IN EGYPT.

BİM's second foreign venture embarked in Egypt in 2013. By the end of 2019, the Company had 320 stores in Egypt. BİM also owns the entire capital of the resident company in Egypt.

Egypt, one of the largest countries in the Middle East, has a population of 100 million and is the production base of the region. BİM has two regional offices in Egypt.

The financial statements of the subsidiaries established in Morocco and Egypt were fully consolidated as of December 31, 2019.

2019 Activities



BİM'S MOBILE OPERATOR BRAND BİMCELL HAS A POPULATION COVERAGE OF 98% ACROSS TURKEY.

Bimcell and Developments in 2019

Bimcell, introduced in March 2012, is a BİM brand for the mobile operator segment. With its tailored communication solutions through new internet and mixed packages in 2019, Bimcell increased the number of subscribers by 400,000 and exceeded 2.0 million subscribers. With a population coverage of 98% across Turkey, Bimcell offers “charging per second” and “pay as you go” alternatives and attracts more clients day by day thanks to its economic, competitive and innovative packages. Introducing the BİM quality to the telecommunication sector, Bimcell aims to expand its customer base with new advantageous packages in 2020.

Bimcell Principles

- 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.

2 MILLION SUBSCRIBERS
INCREASING THE NUMBER OF
SUBSCRIBERS BY 400,000 IN 2019,
BİMCELL CURRENTLY EXCEEDED
2 MILLION SUBSCRIBERS.

R&D Activities

AS THE RESULT OF THE ACTIVITIES AND TESTS CONDUCTED BY BİM AND ITS SUPPLIERS, 94 NEW PRODUCTS WERE LISTED IN BİM MARKETS IN 2019.

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 legal changes, current prices, conditions and problems in product groups,
- Inspecting the product quality as per the procedures, and performing scheduled tests when necessary;
- Demonstrating maximum effort in the preparation of private-label products, ensuring their continuity, and preserving and improving their quality.

66% of BİM's products are private-label, which makes BİM the leader of the private-label products in Turkey. The quality control activities are maintained to preserve and improve the taste and packaging qualities of products.

As a result of the activities and tests conducted by BİM and its suppliers, 94 new products were listed in BİM stores in 2019. The Company continues to search for new products in line with the changes in the consumption habits of households.

Product Range

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

As per the discount concept, there are approximately 750 SKUs available in stores. Observing the changes in customer habits and behaviors, BİM launches new products every year. In 2019, new products in food and non-food categories were put on shelves in BİM stores. The private-label products, which are the main elements of BİM's discount concept, constituted the majority of newly released products in 2019.

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

Private-Label Products

Introducing the concept of private-label products to the organized retail industry with "Dost Süt," BİM takes the lead in the milk segment in Turkey. BİM stores offer only high-quality products that are produced by suppliers selected by the Company; BİM solely owns the brands and formulas of these products. The most outstanding feature of these products is that they are relatively cheaper than their counterparts of the same quality. In 2019, BİM's sales ratio of private-label products to total sales was 66%. Meticulously conducting activities in this area, BİM pays significant attention to private-label products; it aims to increase its sales ratio in the upcoming years.

~750 SKUs
BİM HAD AROUND
750 SKUs IN ITS STORES
BY THE END OF 2019.



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 visitors and hence impact the sales of standard listed products as well.

Exclusive Products

These are branded products with packages and contents specifically designed for BİM.

Branded Products

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

Sırım won the “Golden Brand Consumer Award”

The first consumer initiative in Turkey, Consumer Protection Association (TTKD) researched to assess the consumer interest for the brand in the olive oil sector. The result showed that the brand ‘Sırım Olive Oil’ was one of the most favorite and preferred brands. In the assessment, Sırım won the “Golden Brand Consumer Award” and was entitled to carry the logo “Recommended to All Consumers.”



BİM

Human Resources

BİM'S NUMBER OF EMPLOYEES INCREASED BY 8% IN 2019. BİM CURRENTLY HAS A TOTAL OF 51,765 EMPLOYEES, 47,074 OF WHICH ARE WORKING IN TURKEY.

Human Resources Profile

BİM believes that the development of employees and team spirit are essential for achievements and target realizations. Based on this notion, BİM shapes and improves its human resources policy. Most of the recruitments and promotions are carried out within the Company. The fact that BİM manages its operational network through the regional offices as per its decentralized structure offers many opportunities especially for young managers.

As the key members of the BİM family, employees convey the corporate culture to the customers to the best of their abilities. The Company offers its employees an environment and a career opportunity to develop their professional and personal skills. The decentralized organizational structure allows young managers to take initiatives and improve their managerial skills.

The Company attaches importance to training programs for the development of human resources. The Company organizes orientation training and programs for both recruits and promoted employees. The topics to be addressed during the training are standardized through internal regulations. Additionally, occupational training is offered for positions requiring expertise; occupational health and safety and hygiene training is delivered for recruits regularly.

BİM Built on Its Human Resources

Always promoting the employees to make use of their potentials and skills, BİM has not only young and dynamic human resources but also an experienced and qualified senior management. One of the priorities of the Company is to fill any strategical position from its human resources internally. 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 promoted due to their outstanding performances. It not only ensures the adoption of corporate culture but also positively impacts employee motivation. As per its human resources policy, BİM can be considered as a school where the executives are trained within its infrastructure.

BİM started its journey towards being the biggest discount market in Turkey in 1995 with 21 stores. The Company reached 8,348 stores in 2019. Behind this success is its organic growth model. The organic growth model also plays an essential role in the creation of a successful corporate culture and high loyalty within the Company.

The employee turnover rate in BİM is below the average of the sector rates, which is a critical indicator of a high loyalty level among its personnel. The main reasons for employee commitment are the conservation of the cultural structure and the vertical career policy that encourages the personnel.

BİM's number of employees increased by 8% in 2019. BİM currently has a total of 51,765 employees, 47,074 of which are working in Turkey. Through the employment opportunities, the Company does not only contribute to a single region, but rather to the entire country. BİM will continue to create added value for the Turkish economy in 2020 as well.



40%
 BY THE END OF 2019, 40%
 OF BİM'S EMPLOYEES
 WERE WOMEN.

Number of Employees at Year End

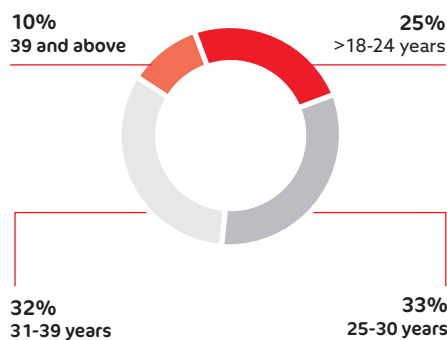
2017	41,993
2018	47,980
2019	51,765

Distribution of Employees by Domestic and Foreign Operations*

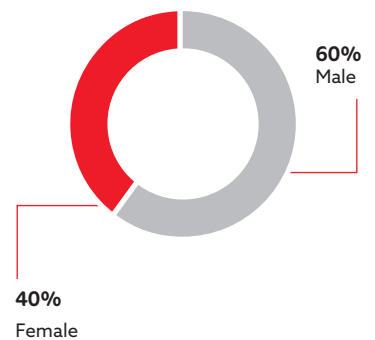
Egypt	1,782
Morocco	2,909
Turkey	47,074

*As of 31.12.2019

Distribution of Employees (Age)



Gender Distribution (%)



Extraordinary General Assembly Meeting Agenda

EXTRAORDINARY GENERAL ASSEMBLY

The Extraordinary General Assembly convened on Tuesday, November 19, 2019, at 11:00 at the Company's head office located in Abdurrahmangazi Mah. Ebubekir Cad. No.73 Sancaktepe-Istanbul to discuss and resolve the recommendation regarding the cash dividend distribution from extraordinary reserves.

The meeting has proceeded as follows:

After reading the Board's recommendation about the dividend distribution from extraordinary reserves (recommendation date 09.10.2019), the virtual and physical voting took place. As the result of the voting, the following decisions have been unanimously made: i) to distribute to the shareholders gross TL 242,880,000 in cash from extraordinary reserves which are equal to 40% of the paid-in capital; ii) to allocate TL 24,288,000 from extraordinary reserves as Secondary Reserves; iii) to calculate the cash dividend distribution as "TL 1 Nominal value = 1 item = 1 Lot"; and thereby, to pay gross = net TL 0.40 for the shareholders whose dividend income is not subject to stoppage and net TL 0.34 (gross TL 0.40) for other shareholders in terms of fully paid bearer shares of TL 1; iv) to make the cash dividend distribution from the extraordinary reserves in one installment as of 11.12.2019.

Risk Management and Internal Control 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 methods defined by the Board as per the risk appetite have become part of the Company's policies and procedures as well as its business processes.

Additionally, pursuant to the regulations of the Capital Markets Board and relevant provisions of the Turkish Commercial Code, an Early Detection of Risk Committee has been established within the Company. This Committee is responsible to ensure the early detection of risks that could endanger the existence, development, and continuity of the company, as well as to implement the necessary measures against those 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 is the probability of loss arising from miscalculations in the Company's strategy or errors in the implementation of the current strategy. The Company's strategic objective is to ensure high productivity in the discount food retailing industry, to expand into the countries in the future where this concept can be applied, and to provide services to the consumers there. 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 supervision 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. Additionally, the Company has realized a business model under File Brand that targets various customer segments to expand its market share in the retail industry.

Operational risk consists of potential damages due to inadequate and unsuccessful work processes, employees and systems, or due to external events. The Company has created appropriate policies and procedures for business processes, has made functional segregation of duties within the organization, and has set up approval and authorization mechanisms as part of these processes. Besides, procedures have been put in place for the protection and reconciliation of physical assets. Effective reporting and monitoring practices have also been established. Operational procedures and practices are regularly reviewed by the management and audit agencies. The development opportunities are assessed in terms of more efficient and productive operations, the favorable ones are put into effect. The Company's essential processes are carried out through a computer program that is widely used all over the world.

Credit risk/counterparty risk is the risk that the Company may be exposed to if the parties with whom the Company has business relationships do not fulfill their commitments. The company may be exposed to these risks due to credit card receivables, money collected from stores by contracting companies, bank deposits, financial investments made and advances that may be paid to some suppliers. The Company has defined the selection procedures of parties with which it may be involved in a business relationship and has determined the information and documents to be obtained from these parties. In this way, the responsibilities for the commitments of the other party are examined before 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 matter of course.

Exchange rate risk is the probability of loss 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.

Risk Management and Internal Control Mechanisms

Liquidity risk is the risk when the assets held cannot meet the cash demand. The maturity match between the assets and liabilities is in favor of the Company. The liquidity requirement is closely monitored, asset and liability maturity adjustments are made, 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. The amendments in relevant regulations are monitored through internal sources, consultants and sectoral associations. The potential effects are evaluated. The strategies and business procedures are revised if required.

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. Besides, all customer complaints are handled and finalized with precision. The regulations stipulated by labor legislation are complied with. The Company considers its employees as the key element for success and offers them an environment and career opportunity to improve themselves. Executive appointments are made mainly from internal human resources, which in turn enhance employee satisfaction.

Risk exposures were closely monitored through predefined indicators within the year. The Early Detection of Risk Committee convened six times in 2019. The Committee has informed the Company's Board of Directors through reports regarding the outcomes they have reached and the assessments they have made.

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

The Company has an Internal Audit Unit tasked with assessing and developing the effectiveness of risk management, internal control and corporate governance processes, to help the Company to develop these and achieve its goals. The Internal Audit Unit operates under the Audit Committee, which consists of Independent Members of the Board of Directors. This unit identifies any major potential risks or deficiencies in internal control systems and identifies measures to be taken to reduce these risks in the relevant management units. The unit then reports the actions taken and their outcomes to senior management and the Audit Committee.

All the activities of the Company are under the scope of the Internal Audit Unit. The activities are audited within the framework of annual plans prepared as a result of risk assessment. All phases of the internal audit process and the implementation procedures have been already defined. The activities of the Unit are carried out within this framework with the support of international audit software. Internal audit activities were subject to an independent quality assessment in 2019. As a result, the activities were rated as "Generally Compatible," which is the highest level in terms of International Internal Auditing Standards and Code of Ethics.

The Internal Audit Unit presented their business plans, the situation of the existing activities according to this plan, the outcomes of their tasks, substantial risks and control issues, during the six meetings of the Audit Committee held in 2019.

Convenience Translation into English of Independent Auditor's Report on the Early Detection of Risk System and Committee Originally Issued in Turkish

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

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

Board of Directors' Responsibility

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

Auditor's responsibility

3. Our responsibility is to reach a conclusion on the early risk identification system and committee based on our audit. Our audit was conducted in accordance with TCC and "Principles on Independent Auditor's Report on the Early Risk Identification System and Committee" issued by the Public Oversight Accounting and Auditing Standards Authority. Those principles require us to identify whether the Company established the early risk identification system and committee or not and if established requires us to assess whether the system and committee 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 to manage these risks.

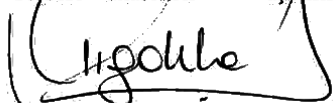
Information on the Early Risk Identification System and Committee

4. The Company established the early risk identification system and committee and it is comprised of 1 member between 1 January 2019 - 16 July 2019 and 2 members between 16 July 2019 - 31 December 2019. The Committee has submitted the relevant reports for the period 1 January- 31 December 2019 to the Board of Directors that had been prepared for early identification of risks that jeopardize the existence of the Company and its development, applying necessary measures and remedies in this regard, and managing the risks.

Conclusion

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

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



Gökhan Yüksel, SMMM
Partner

Istanbul, 4 March 2020

Share Buyback Programs

The Company did not launch any share buyback program within the year. The shares acquired from previous share buyback programs were sold on the stock exchange within the period. All 7,635,666 shares of BIMAS (the ratio to Company capital is 1.26%) were sold on September 12, 2019, for a unit price of TL 48. As a result of the transaction, the Company had no treasury shares left. The sales revenue amounting to TL 130,782,000 was shown under the shareholder's equity in the financial statements.

Shareholding Structure

BİM Birleşik Mağazalar A.Ş. Shareholding Structure

	2019	2018
Merkez Bereket Gıda Sanayi ve Ticaret A.Ş.	14.8%	14.8%
Naspak Gıda Sanayi ve Ticaret A.Ş.	10.7%	10.5%
Non-public Part (Other)	3.0%	3.2%
Free Float (Other)	71.5%	71.5%
	100%	100%

Board of Directors and Senior Management - Executive Committee

BOARD OF DIRECTORS

Mustafa Latif Topbaş

Chairman of Board and Chairman of Executive Committee

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 been serving as Chairman of the Board of Directors since 2005, and as Chairman of the Executive Committee since January 2010.

Mahmud P. Merali

Vice Chairman of Board

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 with a medium-size firm, joined one of the large firms & gained experience in large owner-managed companies & public listed group of companies. Mahmud has over 50 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 a consultant to multi-national companies in the UK, UAE and East Africa. He is a member of the BİM Board, Corporate Governance Committee, Early Detection of Risk Committee and is also giving support to the Audit Committee.

Jozef Wilhelmus Johannes Simons

Board Member and Advisor

Born in Raalte in the Netherlands in 1945, Simons graduated from the top Management Course at the University of Nijenrode. With a proven track record of over 40 years in the retail industry, he has served as General Manager at Aldi in the Netherlands for over a

decade and has managed his own consultancy company for the retail market. He was General Manager for five years at the Vendex Food Group, one of the largest food retailers in the Netherlands at the time. In 2001, he assumed the position of Chief Operating Officer at BİM, and in January 2006 became the CEO. In April 2008, he was appointed as a member of the Board of Directors. As of January 1, 2010, he has left his position as CEO and has since then continued to work for BİM as a member of the Board of Directors and as a consultant.

Ömer Hulusi Topbaş

Board Member

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

Ahmet Akça

Independent Member of Board

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 served as the Chairman of the Board of Directors at Turkcell between August 2013 – March 2020. He is also Chairman of the Board of Directors of Tedarik Lojistik company since 2018 and he is carrying out his duty as an Independent Board Member of BİM since May 2018.

Board of Directors and Senior Management - Executive Committee

Paul Micheal Foley

Independent Member of Board

Born in London, UK in 1958, Paul Foley worked in his teens in the fruit and vegetable wholesale and retail business. He continued to improve himself develop within the industry and started his career at Iceland Frozen Foods in 1974. Over the years he kept on taking more challenges and the rose within company ranks to become Sales Director at the company. In 1989 Paul Foley joined Aldi a new company entering the UK market and became its first Director of the Midlands Region. The highlight of his career at Aldi came in 1999 when he became Group Managing Director UK and 5 years later CEO for UK & Ireland. In this role, he led the business to its current position as the number 1 discount retailer in the UK and the Republic of Ireland. He retired from this position in 2012 after a career of 23 years with Aldi Süd. In 2012

he founded his own company Foley Retail Consulting GmbH located in Vienna/Austria in which he continues to support large retail businesses, private equity investors and investment banks across the globe. During the same time, his deep insight and knowledge about retail granted him the opportunity to hold positions as a Director at EKO Holdings now part of DINO group Poland, ICELAND Foods (England), as an Independent Board Member and Advisor to the Board at INVERTO AG (now part of Boston Consulting group-Germany), and AHT Cooling Systems GmbH in Austria and PJSC Magnit in Russia. Paul is currently serving as a Board Member at BelWillesden/GIPPO Hypermarkets in Belarus and VOLI Trade in Montenegro, Poslovni Sistem Mercator (Slovenia), Konzum Plus (Croatia) and Fortenova Group (Croatia) formally Agrokor in the Balkans. He is also carrying out his duty as an Independent Board Member of BİM since May 2019. He is married and has five children.

Name Surname	Independence Status	Date of Appointment and Term of Office	Duty at the Board of Directors	Duties Outside the Company
Mustafa Latif Topbaş	Not Independent	21.05.2019-1 Year	Chairman of Board	Board Memberships in Companies
Mahmud P. Merali	Not Independent	21.05.2019-1 Year	Vice Chairman of Board, Member of Corporate Governance Committee, Member of Early Detection of Risk Committee	Managing Partner and Chairman of EMEA Region at Merali's Group, Consultant at International Companies in the United Kingdom, UAE and Africa
Jozef Wilhelmus Johannes Simons	Not Independent	21.05.2019-1 Year	Board Member	No additional duty.
Ömer Hulusi Topbaş	Not Independent	21.05.2019-1 Year	Board Member	General Manager of Bahariye Mensucat A.Ş., Chairman of Turkcell Board of Directors, Chairman of Akça Lojistik Board of Directors, Chairman of the Committee of Trustees at Istanbul Bezmialem University
Ahmet Akça	Independent	21.05.2019-1 Year	Board Member, Chairman of Audit Committee	
Paul Michael Foley	Independent	21.05.2019-1 Year	Member of the Board of Directors, Chairman of the Corporate Governance Committee, Chairman of the Early Detection of Risk Committee and Member of the Audit Committee	Foley Retail Consulting, Austria, founding partner, Member of Board of Belwillesden/GIPPO Hypermarket and other Board Memberships in international companies

The Board of Directors virtually convened six times in 2019. Additionally, 22 occasions took place to make decisions with the consent of its members without holding an actual meeting as sanctioned in Article 390/4 of the Turkish Commercial Code. No counter vote was cast against the decisions taken. The attendance status of the members of the Board of Directors is listed below:

Board Member	The Attendance Percentages of Board Members
Mustafa Latif Topbaş	100%
Mahmud P. Merali	100%
Jozef Wilhelmus Johannes Simons	100%
Ömer Hulusi Topbaş	100%
Ahmet Akça	67%
Paul Michael Foley	67%

The General Assembly Meeting of 2018 was held on 21 May 2019; the election of Board Members was made. The members of the Board of Directors and Executive Committee hold first-degree signing authority, with the limits of their authority being specified by the Board of Directors and registered and announced in the Trade Registry Gazette dated July 22, 2019.

SENIOR MANAGEMENT - EXECUTIVE COMMITTEE

Mustafa Latif Topbaş

Chairman of Board and Chairman of Executive Committee

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 been serving as Chairman of the Board of Directors since 2005, and as Chairman of the Executive Committee since January 2010.

Galip Aykaç

COO

Galip Aykaç was born in 1957 in Yozgat Akdağmadeni. Having more than 18 years of professional experience in various executive positions at Gima, Turkey's first organized retail chain, Mr. Aykaç started to work for BİM in 1997 as Purchasing Director. Mr. Aykaç became the Chief Operating Officer (COO) in November 2007. He is currently the Chief Operating Officer (COO), and Member of the Executive Committee as of January 2010. Since October 2017, Mr. Aykaç is the Chairman of the Purchasing Committee. In Retail Sun Awards, the most prestigious awards of the retail sector, he received "The Most Successful Professional Manager in 2010" Award. He is also a Vice Chairman of the Turkish Retailing Council, established by The Union of Chambers and Commodity Exchanges; and the President of the Food Retailers Association and Board Member of the Federation of Shopping Centers and Retailers. According to the assessment of Fortune magazine, Mr. Aykaç was rated as the third most successful business person in

2013 and 2014, as well as the second in 2015 ranking. In research conducted by Xsights Research and Consultancy on behalf of Marketing Turkey Magazine in 2013, Mr. Aykaç ranked 7th among "The Most Prestigious Executives in Business World."

Haluk Dortluoğlu

CFO

Haluk Dortluoğlu was born in Akşehir in 1972. Upon his graduation from Boğaziçi University Business Administration Department in 1995, he worked for the international independent audit companies Arthur Andersen, and Ernst&Young for about eight years. In 2003, Mr. Dortluoğlu started working for Turkish Airlines as Accounting Director. In November 2005, he became the CFO of BİM and also assumed tasks as a member of the Operations Committee between 2006 and 2009. Completing the Advanced Management Program of Harvard Business School in 2007, Mr. Dortluoğlu was granted the "The CFO of the Year" award in 2009 by Finance in Emerging Europe, a business magazine published in Europe under the structure of Frankfurter Allgemeine Zeitung Group. According to the results of the research made by Thomson Reuters Extel in the field of investor relations, Mr. Dortluoğlu was chosen "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. Having directed the whole process of conceptualizing and establishing the FILE – that opened its first store in March 2015 – as a new retailing model in the supermarket sector, Dortluoğlu is still the Chairman of the Executive Committee of FILE.

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

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, credit, or other such benefits to the members of the Board of Directors or executives.

The total value of financial rights such as honorariums, wages, premiums, and bonuses, for a total of 147 people comprising the members of the Board of Directors and senior executives, amounted to TL 60,444,443 (TL 4,239,000 bonus, TL 369,000 honorarium, TL 55,836,443 wage) in 2019. 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
Paul Michael Foley - Member

Corporate Governance Committee

Corporate Governance Committee has three members. One of the members holds an executive position as the Reporting and Investor Relations Director at the Company. The Corporate Governance Committee also assumes the duties and responsibilities of the Nomination Committee and the Remuneration Committee.

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

Paul Michael Foley - Chairman
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 at the Company. The aim of the committee is to preemptively diagnose any risks that could endanger the existence, development, and continuity of the company, and to take necessary measures to mitigate these identified risks and manage the risks. Early Detection of Risk Committee presents reports to the Board of Directors every two months.

Paul Michael Foley - Chairman
Mahmud P. Merali - Member

In spite of not receiving any services from independent experts during the activities of the committees in 2019, the committees can make use of the independent expert opinions when necessary.

The Board of Directors thinks that the expected benefits were obtained from the activities of the committees 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/comitees.aspx>

Social Responsibility and Donations within the Year

During the period of 2019, BİM spent a total of TL 13,680,334 in donations and aids as part of its donation and aid policy, and this total is below the threshold of 0.1% (tenth) of sales that was indicated in the Aids & Donations policy.

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

Since the regulation of charging the plastic bags, BİM has been encouraging the customers to opt for reusable shopping bags. In 2019, the use of plastic bags decreased by 70% compared to the previous year after the ban on free bags. Aiming to keep the plastic bag usage at a minimum level, the Company will continue its activities towards encouraging the reduction of plastic bag usage.

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

Report on Transactions with Related Parties

In accordance with the Communiqué Serial: II-17.1, Article 10 of the Corporate Governance Communiqué by the Capital Markets Board, it is stated that in the case that the amount of prevailing and continuing transactions between the Company and its related parties in any accounting period is expected to be more than 10% of the cost of sales in accordance with the last annual financial statements announced to the public in purchasing transactions, or that the ratio of revenue to sales is expected to be more than 10% in sales transactions, 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 to examine the prevailing and continuing purchases from related institutions in 2019 in accordance with the relevant legislation, and to determine the suitability of similar transactions to be carried out in 2020, has been approved by the Board of Directors, and the aforementioned report will be presented to the shareholders at the General Assembly. The conclusion section of the report is provided below.

Conclusion Section 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 in 2019 and that there are no issues preventing BİM Birleşik Mağazalar A.Ş. from making prevailing and continuous purchases from the related parties in 2020 under similar conditions.

Investor Relations

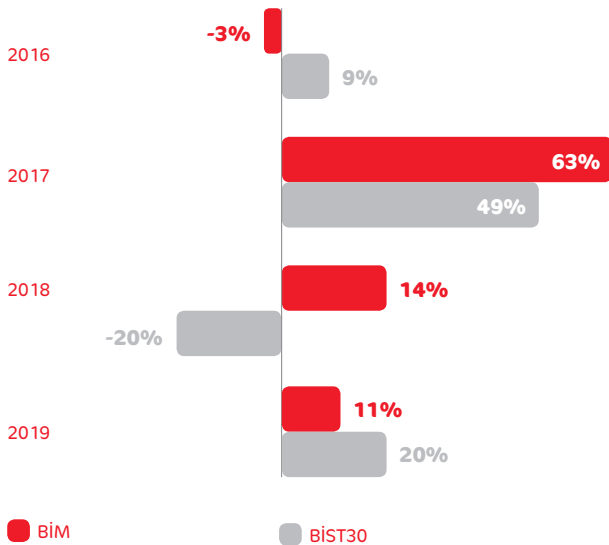
In 2005, Investor Relations Unit was established under the Finance Director in BİM. Investor Relations Unit carries out activities in accordance with the Capital Markets Board legislation to accurately and promptly provide its investors with the most correct and complete information within the Company's Information Policy. In 2019, 32 material disclosures were made by the unit. Furthermore, information was provided to investors and shareholders at five 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 Commercial Code and the Capital Markets Board regulations. On the other hand, the dividend distributions made so far have surpassed this ratio. Accordingly, 77% of 2018 profit, which is equal to TL 967 million, have been distributed in cash in 2019. The capital of the Company has been increased by 100% through bonus issues from TL 303,600,000 to TL 607,200,000 to be compensated from the profit of 2018.

On March 4, 2020, the Company's Board of Directors submitted a recommendation to the General Assembly with regard to the distribution of gross TL 1,214 million (TL 2 per share) cash dividend from 2019 profit among the shareholders.

The Comparison of BİM and BİST-30 Share Performance****

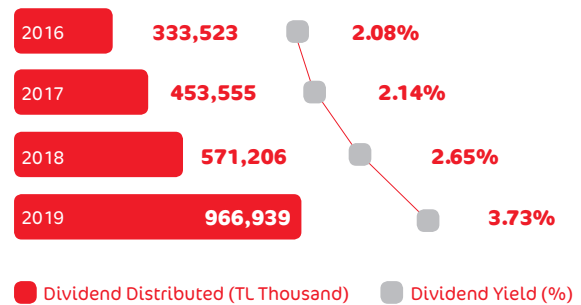


****BİM share performance variations have been calculated based on the adjusted share values.

Investor Relations Contact

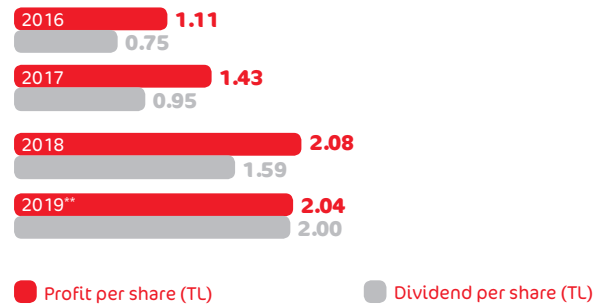
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 Address : Abdurrahmangazi Mahallesi Ebubekir Caddesi
 No: 73 34887 Sancaktepe/Istanbul

Cash Dividend Graph 1*



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

Cash Dividend Graph 2***



**The distribution of 2019 dividend is based on the Board's decision dated 4 March 2020. The dividend distribution will become valid upon the approval of the General Assembly.

***All amounts per share in the graph have been calculated based on the last year's number of shares, i.e. 607,200,000 to show the comparison. The distributed dividend amount per share expresses the amount from the relevant year's profit paid in the following year.

Ordinary General Assembly Agenda

The 2018 Ordinary General Assembly Meeting of the Company was held on Tuesday, May 21, 2019, at 14:00 at the Company's head office located in Abdurrahmangazi Mahallesi Ebubekir Caddesi No.73 Sancaktepe İstanbul under the supervision of the Ministry Representative Ms. Aysun Arasoğlu assigned by Istanbul Provincial Directorate of Trade's letter no. 90726394-431.03-E-00044540818 dated 20.05.2019. The meeting has proceeded as follows:

- 1) As per the consolidated financial statements prepared according to the Capital Markets Board's (CMB) Communiqué II-14.1, to distribute in cash gross TL 728.640.000, equivalent to 240% of the paid-in capital to the shareholders from the profit of 2018 after tax, which was finalized as TL 1,250,464,000; to distribute TL 303.600.000, equivalent to 100% of the paid-in capital, as a bonus to be added to capital; to allocate TL 71.346.000 as the secondary legal reserves;
- 2) The recommendation of the Board's amendment to the articles of association with regards to increasing the paid-in capital of the company from TL 303.600.000 to TL 607.200.000 through bonus issues from the profit of 2018. As per the Prime Ministry Capital Markets Board and Ministry of Trade's approval no. 43548192 dated 15.04.2019, to amend Article 6 entitled Capital and Transfer of Shares in the Company's Articles of Association;
- 3) To select Mustafa Latif TOPBAŞ, Mahmud Pyarali MERALLI, Ömer Hulusi TOPBAŞ, Jozef Wilhelmus Johannes SIMONS, Ahmet AKÇA (Independent) ve Paul Michael FOLEY'in (Independent) as the members of Board and to pay a net monthly honorarium of TL 9,000;
- 4) To disqualify PwC Bağımsız Denetim ve Serbest Muhasebeci Mali Müşavirlik Anonim Şirketi as the independent audit services provider in 2019 in accordance with the Board's proposal and compliance with the Turkish Commercial Code and Capital Markets Board regulations.

The amendment draft to the Articles of Association is as follows:

Articles of Association Amendment Draft

BİM BİRLEŞİK MAĞAZALAR A.Ş. ARTICLES OF ASSOCIATION AMENDMENT TEXT

OLD TEXT

CHAPTER II: CAPITAL AND SHARES CAPITAL AND TRANSFER OF SHARES

Article 6

The registered capital of the Company, which is TL 303,600,000 (three hundred three million six hundred thousand Turkish Liras) is divided into 303,600,000 (three hundred three million six hundred thousand)shares with a nominal value of TL 1 (one Turkish Lira) each. The registered capital of the Company, which is TL 303,600,000 (three hundred three million six hundred thousand Turkish Liras), has been fully paid.

The capital was increased by 100%, which is equal to TL 151,800,000 (one hundred fifty-one million eight hundred thousand Turkish Liras). Of this capital, TL 23,121,744 (twenty-three million one hundred twenty-one thousand seven hundred forty-four Turkish Liras) was met by 2012 profit and TL 128,678,256 (hundred twenty-eight million six hundred seventy-eight thousand two hundred fifty-six Turkish Liras) was met by extraordinary reserves.

All company shares are issued as bearer shares. As the internal resources have been added to the registered capital, the shares will be distributed as bonus shares among the shareholders in proportion to their shares.

It is not allowed to issue a new share unless all of the issued shares are sold and their price is collected.

The related announcements are made in compliance with the announcement article of the Articles of Association.

The shares representing the capital are recorded in a dematerialized form.

The capital of the Company can be increased or decreased as per the Turkish Commercial Code and Capital Market Legislation.

In terms of the transfer of shares, there are no restrictions within the scope of the conditions stipulated by the Capital Market Legislation. Shares are transferred and assigned in accordance with the provisions of the Turkish Commercial Code, Capital Market Legislation other related legislation.

NEW TEXT

CHAPTER II: CAPITAL AND SHARES CAPITAL AND TRANSFER OF SHARES

Article 6

The registered capital of the Company, which is TL 607,200,000 (six hundred seven million two hundred thousand Turkish Liras) is divided into 607,200,000 (six hundred seven million two hundred thousand) shares with a nominal value of TL 1 (one Turkish Lira) each. All of these shares are issued as bearer shares.

The previous capital which is TL 303,600,000 has been fully paid. The capital was increased by 100%, which is equal to TL 303,600,000 (three hundred three million six hundred thousand Turkish Liras) and it was wholly met by the net profit of 2018. The availability of this profit has been confirmed by the CPA's report no. 1964-551/947-04 dated 05.03.2019.

As the dividend has been added to the registered capital, the shares will be distributed as bonus shares among the shareholders in proportion to their shares.

It is not allowed to issue a new share unless all of the issued shares are sold and their price is collected.

The related announcements are made in compliance with the announcement article of the Articles of Association.

The shares representing the capital are recorded in a dematerialized form.

The capital of the Company can be increased or decreased as per the Turkish Commercial Code and Capital Market Legislation.

In terms of the transfer of shares, there are no restrictions within the scope of the conditions stipulated by the Capital Market Legislation. Shares are transferred and assigned in accordance with the provisions of the Turkish Commercial Code, Capital Market Legislation other related legislation.

Statement of Independence

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

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

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

b) I have not worked for those companies that carry out, in part or in full, the activities or organization of BİM 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.

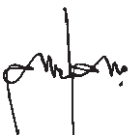
g) I shall devote enough time for the activities of BİM Birleşik Mağazalar A.Ş. to follow the operations of BİM Birleşik Mağazalar A.Ş. and to fully carry out the duties I would assume.

h) I have not been a member of the Board of Directors of BİM 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 BİM Birleşik Mağazalar A.Ş. or in more than three of the companies controlled by the shareholders who control the management of BİM 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

Statement of Independence

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

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

- a) Within the past five years, no executive employment relation that would give important duties and responsibilities has been established between myself, my spouse, my second-degree relatives by blood or by marriage and BİM Birleşik Mağazalar A.Ş. and subsidiaries of BİM Birleşik Mağazalar A.Ş., shareholders who control the management of the company or who have significant influence at the company, and juridical persons controlled by these shareholders; and that I neither possess more than 5% of any and all capital or voting rights or privileged shares nor have significant commercial relations.
- b) I have not worked for those companies that carry out, in part or in full, the activities or organization of Bim Birleşik Mağazalar A.Ş. within the framework of existing agreements, primarily those that audit, rate, or provide consulting services for BİM Birleşik Mağazalar A.Ş., or have been a member of the Board of Directors at these companies within the past five years; I have not worked as an executive manager who would have important duties and responsibilities nor have I been a member of the Board of Directors or been a shareholder (with more than 5% of shares) in the companies that BİM Birleşik Mağazalar A.Ş. purchases significant amounts of products and services from or sells significant amounts of products and services to.
- c) I have the professional education, knowledge, and experience to carry out the duties I would assume as a result of becoming an independent member of the Board of Directors.
- d) I do not work full time for any public institution or organization, except any academic membership at any university,
- e) I 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 conflicts of interest between the Company and shareholders, and to decide independently by taking the rights of the beneficiaries into consideration.
- f) I shall devote sufficient 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.
- g) 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,
- h) 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,
- i) I have not been registered and announced on behalf of the juridical person elected as a member of the Board of Directors.

Kind regards,



Paul Micheal FOLEY

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 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. 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. The participants of the General Assembly Meetings are defined in accordance with the General Assembly Internal Directive. Participation requests of others will be evaluated and responded by the Chairmanship of the meeting.

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 provision 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 at the same time the duties of the Chairman of the Executive Committee. This issue and its justification were publicly disclosed on 21.05.2019 via material disclosure. To make the company's decision-making processes more efficient, and to foster a more dynamic organizational structure, it has been preferred to have the same person holding both positions.

There are no female members in the Board of Directors and there is no policy established regarding this issue.

In accordance with the structure of the Board of Directors, some members can hold positions in more than one committee.

Pursuant to the Corporate Governance Principles, the total amount of the remuneration paid to the members of the Board of Directors and executive managers and all other granted benefits are publicly announced in the annual report. However, these announcements are not made on an individual basis.

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					

	Company Compliance Status					Explanation
	Yes	Partial	No	Exempted	Not Applicable	
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 and usually accepted. No any negativity 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	

Corporate Governance Principles Compliance Report

	Company Compliance Status					Explanation
	Yes	Partial	No	Exempted	Not Applicable	
1.5. MINORITY RIGHTS						
1.5.1 - The company pays maximum diligence to the exercise of minority rights.	X					
1.5.2 - The Articles of Association extend the use of minority rights to those who own less than one twentieth 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					

	Company Compliance Status					Explanation
	Yes	Partial	No	Exempted	Not Applicable	
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.

Corporate Governance Principles Compliance Report

	Company Compliance Status					Explanation
	Yes	Partial	No	Exempted	Not Applicable	
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					
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 BIM 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					

	Company Compliance Status					Explanation
	Yes	Partial	No	Exempted	Not Applicable	
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 adaptation 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					

Corporate Governance Principles Compliance Report

	Company Compliance Status					Explanation
	Yes	Partial	No	Exempted	Not Applicable	
3.4.2 - Customers are notified of any delays in handling their requests.	X					
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					

	Company Compliance Status					Explanation
	Yes	Partial	No	Exempted	Not Applicable	
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.						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 21st of May 2019 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			X		

Corporate Governance Principles Compliance Report

	Company Compliance Status					Explanation
	Yes	Partial	No	Exempted	Not Applicable	
4.2.8 - The company has subscribed to a Directors and Officers liability insurance covering more than 25% of the capital.	X					
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					

	Company Compliance Status					Explanation
	Yes	Partial	No	Exempted	Not Applicable	
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.

Corporate Governance Principles Compliance Report

	Company Compliance Status					Explanation
	Yes	Partial	No	Exempted	Not Applicable	
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 the 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	5
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/757975
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/745716
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/tr/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.	-
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.	-
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	Ordinary General Assembly Meeting	Extraordinary General Assembly Meeting
General Meeting Date	21.05.2019	19.11.2019
The number of information requests received by the company regarding the clarification of the agenda of the General Shareholders' Meeting	0	0
Shareholder participation rate to the General Shareholders' Meeting	83,94%	84,45%
Percentage of shares directly present at the GSM	1,27%	1,11%
Percentage of shares represented by proxy	82,67%	83,34%
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	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	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 9	No such agenda was listed in the Extraordinary General Assembly
The number of declarations by insiders received by the board of directors	0	0
The link to the related PDP general shareholder meeting notification	https://www.kap.org.tr/en/Bildirim/765087	https://www.kap.org.tr/en/Bildirim/799738

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

2. DISCLOSURE AND TRANSPARENCY

c) 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 Mechanism
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 recieved.
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. Although 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 Company considers creating a compensation policy.
The number of definitive convictions the company was subject to in relation to breach of employee rights	55
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	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 in accordance with the Company policy.
Whether the company provides an employee stock ownership programme	None
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	1

Corporate Governance Principles Compliance Report

3. STAKEHOLDERS

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.

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	12
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/765135
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 disclosed 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	Whether Executive Director Or Not	Whether Independent Director Or Not	The First Election Date To Board	Link To PDP Notification That Includes The Independency Declaration	Whether the Independent Director Considered By The Nomination Committee	Whether She/He is the Director Who Ceased to Satisfy The Independence or Not	Whether The Director Has At Least 5 Years' Experience On Audit, Accounting And/Or Finance Or Not
Mustafa Latif Topbaş	Executive	Not independent	5.06.1995		Not applicable	Not applicable	Not applicable
Mahmud P. Merali	Non-executive	Not independent	4.04.2006		Not applicable	Not applicable	Not applicable
ÖMER HULUSİ TOPBAŞ	Non-executive	Not independent	1.06.2005		Not applicable	Not applicable	Not applicable
JOZEF WILHELMUS JOHANNES SIMONS	Non-executive	Not independent	30.04.2008		Not applicable	Not applicable	Not applicable
AHMET AKÇA	Non-executive	Independent	25.04.2018	https://www.kap.org.tr/en/Bildirim/757980	Considered	No	Yes
PAUL MICHAEL FOLEY	Non-executive	Independent	21.05.2019	https://www.kap.org.tr/en/Bildirim/757980	Considered	No	No

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	89%
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/tr/Bildirim/206977 ; https://www.kap.org.tr/tr/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
Audit Committee		Paul Micheal Foley	No	Board member
Corporate Governance Committee		Paul Micheal Foley	Yes	Board member
Corporate Governance Committee		Mahmut Pyrali Merali	No	Board member
Corporate Governance Committee		Serkan Savaş	No	Not board member
Committee of Early Detection of Risk		Paul Micheal Foley	Yes	Board member
Committee of Early Detection of Risk		Mahmut Pyrali Merali	No	Board member

Corporate Governance Principles Compliance Report

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)	Future Expectations and Realizations
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		66,66%	33,33%	1	1
Committee of Early Detection of Risk		100%	50%	6	5

Statement of Responsibility of the Annual Report and Consolidated Financial Statements

RESOLUTION OF THE BOARD ON THE APPROVAL OF CONSOLIDATED FINANCIAL STATEMENTS

RESOLUTION DATE: 04/03/2020

RESOLUTION NUMBER: 838/20

STATEMENT OF RESPONSIBILITY AS PER THE 9TH ARTICLE OF THE SECOND SECTION OF THE CAPITAL MARKETS BOARD COMMUNIQUE NO.14.1 SERIES: II

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 2019, 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.

We hereby declare the above-mentioned matters.

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 2019 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 an 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 4 March 2020 on the full set consolidated financial statements for the 1 January - 31 December 2019 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:

- to prepare the annual report within the first three months following the balance sheet date and present it to the general assembly;
- 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 that the Group may encounter are indicated. The assessments of the Board of Directors in regard to these matters are also included in the report.
- 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 kind, insurance and similar guarantees paid to members of the Board of Directors and senior management.

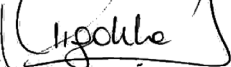
When preparing the annual report, the Board of Directors considers secondary legislation arrangements enacted by the Ministry of Trade and other relevant institutions.

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

We aim 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 an 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 an audit.

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



Gökhan Yüksel, SMMM
Partner

Istanbul, 4 March 2020

BİM BİRLEŞİK MAĞAZALAR A.Ş.

CONVENIENCE TRANSLATION INTO ENGLISH OF

CONSOLIDATED FINANCIAL STATEMENTS

FOR THE PERIOD 1 JANUARY - 31 DECEMBER 2019

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 2019 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 2019, 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.

Key audit matters

Revenue recognition (Note 18)

The Group operates in hard discount retail markets on domestic and abroad with 8.348 stores in total as of 31 December 2019.

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 40,211,942 thousand for the year ended 31 December 2019 is material to the financial statements and its audit is a key audit matter since the completeness and accuracy of revenue transactions are difficult to audit due to the high volume of transactions, due to number of stores and the high number of sales points.

How our audit addressed the key audit matter

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

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

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

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

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

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



Key audit matters

Application of TFRS 16, “Leases”, its impacts on the consolidated financial statements and notes to the consolidated financial statements (Note 2.6, 6 and 12)

TFRS 16, “Leases” (“TFRS 16”) is effective for periods beginning on or after 1 January 2019. The application of the new standard resulted in the recognition of right of use assets amounting to TRY 4.010.948 thousand and increase in financial lease liabilities amounting to TRY 4.264.567 thousand. The Group has preferred the simplified transition method in the first time adoption of TFRS 16 and has not restated comparative consolidated financial statements.

The amounts recognized as a result of the adoption of TFRS 16 are significant for the consolidated financial statements and the determination of the accounting policy requires the assessment of the Group management. In addition, the measurement of the right of use assets and financial lease liabilities are based on significant estimates and assumptions of the management. The substantial part of these estimates are interest rates used to discount cash flows and assessment of options to extend or terminate lease contracts. Nevertheless, the notes to the consolidated financial statements of the Group as of 31 December 2019 are significantly affected by the application of TFRS 16.

Therefore, the impacts of the first time adoption of TFRS 16 on the consolidated financial statements and the notes to the consolidated financial statements are determined as a key audit matter for our audit.

How our audit addressed the key audit matter

The audit procedures performed in relation to the application of TFRS 16 include a combination of validation of key controls in revenue recognition process and substantive tests.

The implementation process of TFRS 16 was understood by way of inquiries with the process owners and the design effectiveness, implementation and operating effectiveness of key controls were evaluated.

Inquiries have been performed with the Group management and advisors. Their assessment regarding the transition process to TFRS 16 is understood.

The completeness of the contract lists obtained from the Group management is evaluated. It is evaluated whether the contracts defined as lease contracts are within the scope of TFRS 16.

The right of use assets and related financial lease liabilities recognised in the consolidated financial statements are recalculated by using rates such as interest rate, rent increase rate etc. for the selected lease contracts that are in scope of TFRS 16.

The lease contracts used in the calculation of right of use assets and financial lease liabilities are selected on a sample basis and the compliance of the discount rates, term of the lease contracts and the assessment of the extension options applied if such options exist with the provision of the contract are tested.

The disclosures in the consolidated financial statements in relation to the application of TFRS 16 is tested and the adequacy of such disclosures are evaluated.

4. Other Information

The Group management is responsible for the other information. The other information comprises the information included in Appendix I, but does not include the consolidated financial statements and our auditor’s report thereon.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

5. 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.

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

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

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

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

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



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

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

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

B. Other Responsibilities Arising From Regulatory Requirements

1. No matter has come to our attention that is significant according to subparagraph 4 of Article 402 of Turkish Commercial Code ("TCC") No. 6102 and that causes us to believe that the Company's bookkeeping activities concerning the period from 1 January to 31 December 2019 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 4 March 2020.

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

A handwritten signature in black ink, appearing to read 'Gökhan Yüksel', is written over a circular stamp or seal.

Gökhan Yüksel, SMMM
Partner

Istanbul, 4 March 2020

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 2019

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

BİM BİRLEŞİK MAĞAZALAR A.Ş.**CONSOLIDATED BALANCE SHEETS FOR THE YEARS ENDED
31 DECEMBER 2019 AND 2018**

(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 2019	Audited 31 December 2018
Current assets		6.127.540	4.842.262
Cash and cash equivalents	4	1.158.847	546.919
Financial investments	5	537.591	446.650
Trade receivables		1.433.320	1.159.602
Trade receivables from third parties	7	1.433.320	1.159.602
Other receivables	8	17.348	25.321
-Other receivables from related parties		169	158
-Other receivables from third parties		17.179	25.163
Inventory	9	2.368.527	2.097.894
Prepaid expenses	14	219.210	251.033
Current income tax assets	25	321.295	271.932
Other current assets	16	71.402	42.911
Non-current assets		9.046.025	4.105.688
Financial investments	5	622.760	350.761
Other receivables		7.039	8.083
-Other receivables from third parties		7.039	8.083
Property, plant and equipment	10	4.329.172	3.698.551
Intangible assets	11	38.420	16.460
The right of use assets	12	4.010.948	-
Prepaid expenses	14	27.800	28.494
Deferred tax assets	25	9.886	3.339
Total assets		15.173.565	8.947.950

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 2019 AND 2018

(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 2019	Audited 31 December 2018
Current liabilities		7.319.404	5.131.245
Short-term liabilities	6	1.031.688	37.853
- Bank loans		47.330	37.853
- Lease liabilities		984.358	-
Trade payables		5.559.439	4.516.139
- Trade payables due to related parties	27	557.473	485.466
- Trade payables due to third parties	7	5.001.966	4.030.673
Other payables		166	97
- Other payables due to third parties		166	97
Deferred income	14	18.193	22.343
Payables related to employee benefits		57.029	47.181
Short term provisions		72.245	58.755
- Provision for employee benefits	13	24.507	18.918
- Other short term provisions	13	47.738	39.837
Current income tax liabilities	25	425.281	354.356
Other current liabilities	16	155.363	94.521
Non-current liabilities		3.616.871	304.689
Long - term liabilities	6	3.280.209	-
- Lease liabilities		3.280.209	-
Non - current provisions		180.114	128.634
- Provision for employee benefits	15	180.114	128.634
Deferred tax liabilities	25	156.548	176.055
Equity		4.237.290	3.512.016
Equity holders of the parent		4.237.290	3.512.016
Paid-in share capital	17	607.200	303.600
Treasury shares	17	-	(235.729)
Other comprehensive income/(expense) not to be reclassified to profit or loss		981.646	879.126
- Property and equipment revaluation reserve	10,17	785.683	785.683
- Revaluation gain/(loss) on defined benefit plans		(117.556)	(90.164)
- Fair value changes in available-for-sale financial assets		313.519	183.607
Other comprehensive income/(expense) to be reclassified to profit or loss		68.101	41.025
- Currency translation difference		68.101	41.025
Restricted reserves	17	431.098	571.193
Retained earnings		924.368	702.337
Net income for the period		1.224.877	1.250.464
Total liabilities		15.173.565	8.947.950

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 2019 AND 2018**

(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 2019	Audited 31 December 2018
PROFIT OR LOSS			
Revenue	18	40.211.942	32.322.987
Cost of sales (-)	18	(33.226.484)	(26.613.139)
GROSS PROFIT		6.985.458	5.709.848
Marketing expenses (-)	19	(4.278.730)	(3.663.526)
General administrative expenses (-)	19	(640.439)	(516.480)
Other operating income	21	73.808	36.371
Other operating expense (-)	21	(18.034)	(22.699)
OPERATING PROFIT		2.122.063	1.543.514
Income from investing activities	24	115.150	44.327
Expense from investing activities	24	(3.423)	-
OPERATING PROFIT BEFORE FINANCIAL EXPENSES		2.233.790	1.587.841
Financial income	22	20.623	51.567
Financial expense (-)	23	(663.539)	(12.596)
PROFIT BEFORE TAX FROM CONTINUED OPERATIONS		1.590.874	1.626.812
- Current tax expense	25	(424.831)	(359.576)
- Deferred tax expense	25	58.834	(16.772)
PROFIT FROM CONTINUED OPERATIONS		1.224.877	1.250.464
NET INCOME FOR THE PERIOD		1.224.877	1.250.464
Profit for the period attributable to			
Non-controlling interest		-	-
Equity holders of the parent		1.224.877	1.250.464
Earnings per share			
Earnings per share from continued operations (Full TRY)	26	2,035	2,078
Earnings per share from discontinued operations		-	-
Other comprehensive gain/(loss)			
Items not to be reclassified to profit/(loss)			
Losses on remeasurements of defined benefit plans, net		(27.392)	(23.967)
Gains on revaluation of property, plant and equipment, net		-	(25.186)
Gains on revaluation of available for sale financial assets, net		129.912	38.978
Items to be reclassified to profit/(loss)		27.076	59.671
Currency translation difference		27.076	59.671
Other comprehensive income/(loss)		129.596	49.496
Total comprehensive income		1.354.473	1.299.960
Total comprehensive income attributable to			
Non-controlling interest		-	-
Equity holders of the parent		1.354.473	1.299.960

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 2019 AND 2018

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

	Audited									
	Paid-in share capital	Treasury shares	Restricted reserves	Fair value changes in available-for-sale financial assets	Tangible assets fair value reserve	Revaluation loss on defined benefit plans	Other comprehensive income not to be reclassified to profit or loss	Other comprehensive income to be reclassified to profit or loss	Retained earnings	Net income for the period
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
Balance at 1 January 2019	303.600	(235.729)	571.193	183.607	785.683	(90.164)	41.025	702.337	1.250.464	3.512.016
Transfers	-	-	95.634	-	-	-	-	1.154.830	(1.250.464)	-
Increase/(decrease) of shares due to repurchase transactions	-	235.729	(235.729)	-	-	-	-	337.740	-	337.740
Dividend (Note 17)	-	-	-	-	-	-	-	(966.939)	-	(966.939)
Capital increase (Note 17)	303.600	-	-	-	-	-	-	(303.600)	-	-
Total comprehensive income	-	-	-	129.912	-	(27.392)	27.076	-	1.224.877	1.354.473
Balance at 31 December 2019	607.200	-	431.098	313.519	785.683	(117.556)	68.101	924.368	1.224.877	4.237.290

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 2019 AND 2018**

(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 2019	Audited 1 January 31 December 2018
A. CASH FLOWS FROM OPERATING ACTIVITIES			
Profit for the period		3.384.491	1.559.358
Adjustments to reconcile profit for the period		1.986.080	672.049
Depreciation and amortisation	10,11,12	1.082.616	348.708
Provisions for impairments		3.951	21.161
- Provisions for impairments of inventories	9	2.509	11.524
- Allowance for doubtful receivables	8	1.442	9.637
Adjustments related to provisions		81.477	54.210
- Adjustments related to provision for employment termination benefits		73.576	46.926
- Adjustments related to the legal provisions	13	7.316	4.259
- Adjustments related to other provisions	13	585	3.025
Adjustments related to financial income and expense		576.429	(30.193)
- Adjustments related to financial expenses		633.939	-
- Adjustments related to deferred financial expense from future purchases		(57.510)	(30.193)
Adjustments related to interest income and other financial instruments		(124.249)	(90.306)
Adjustments for tax income/(losses)	25	365.997	376.348
(Gain)/Loss on sale of property and equipment	24	3.423	(3.600)
Other adjustments related to cash flows arising from investing and financing activities	24	(2.858)	(4.279)
Adjustments related to gain/(Loss)		(706)	-
Changes in net working capital		609.082	(22.882)
Increases/decreases in inventories		(273.142)	(653.169)
Increases/decreases in trade receivables		(273.718)	(282.222)
Increases/decreases in other assets		7.575	7.753
Increases/decreases in trade payables		1.100.810	1.146.062
Increases/decreases in other payables		69	(44)
Increases/decreases other net working capital		47.488	(241.262)
Net cash generated from operating activities		3.820.039	1.899.631
Income taxes paid	25	(403.719)	(311.932)
Other cash inflows (Collections of doubtful receivables)		-	134
Employee benefits paid	15	(31.829)	(28.475)
B. CASH FLOWS FROM INVESTING ACTIVITIES			
		(1.157.871)	(1.318.596)
Cash outflows for acquisition of shares or debt instruments of other businesses or funds	5	(130.945)	-
Proceeds from sale of tangible and intangible assets	10,11,24	27.354	33.428
Cash outflows from purchases of tangible and intangible assets	10,11	(1.082.649)	(958.006)
- Purchases of tangible assets		(1.074.812)	(951.097)
- Purchases of intangible assets		(7.837)	(6.909)
Participation (profit) share and cash outflows from other financial instruments		(76.460)	(437.004)
Participation (profit) share and cash inflows from other financial instruments		97.811	36.448
Cash advances given and liabilities		4.160	2.259
Dividend income		2.858	4.279
C. CASH FLOWS FROM FINANCING ACTIVITIES			
		(1.607.948)	(657.087)
Proceeds from financial liabilities	6	9.477	37.853
Dividend paid		(966.939)	(571.206)
Cash outflows from payments of rent agreements	6	(1.024.616)	-
Participation (profit) shares and cash inflows from other financial instruments		7.618	50.884
Cash inflows related to the company's own shares and receivables based on other equity instruments		366.512	-
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)		618.672	(416.325)
D. EFFECTS OF CURRENCY TRANSLATION DIFFERENCES ON CASH AND CASH EQUIVALENTS		(11.083)	(10.462)
NET INCREASE IN CASH AND CASH EQUIVALENTS (A+B+C+D)		607.589	(426.787)
E. CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE PERIOD	4	546.919	973.706
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD(A+B+C+D+E)	4	1.154.508	546.919

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 2019**

(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 750 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 2019.

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 2019.

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

Shareholder structure of the Group is stated in Note 17. The consolidated financial statements were authorized for issue on 4 March 2020 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 2019 and 2018, the average number of employees in accordance with their categories is shown below:

	1 January - 31 December 2019	1 January - 31 December 2018
Office personnel	3.611	3.429
Warehouse personnel	4.837	4.589
Store personnel	43.317	39.962
Total	51.765	47.980

As of 31 December 2019, the Group operates in 8.438 stores (31 December 2018: 7.478).

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 2019

(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 September 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 15 April 2019.

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 2019 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 2019. 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 1 January 2019, related to its business activity.

a) The new standards, amendments and interpretations which are effective for the financial statements as of 31 December 2019:

- **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.

- **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.

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 2019**

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

- **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 far-reaching change in accounting by lessees in particular. Under TAS 17, lessees were required to make a distinction between a finance lease (on balance sheet) and an operating lease (off balance sheet). TFRS 16 now requires lessees to recognise a lease liability reflecting future lease payments and a 'right of use asset' for virtually all lease contracts. The IASB has included an optional exemption for certain short-term leases and leases of low-value assets; however, this exemption can only be applied by lessees. For lessors, the accounting stays almost the same. However, as the IASB has updated the guidance on the definition of a lease (as well as the guidance on the combination and separation of contracts), lessors will also be affected by the new standard. At the very least, the new accounting model for lessees is expected to impact negotiations between lessors and lessees. Under TFRS 16, a contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.
- **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.
- **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. The companies, whose activities are mainly related to insurance, will temporarily impose exemption from TFRS 9 until 2021. Businesses that delay the implementation of TFRS 9 will continue to apply the existing "TAS 39" Financial Instruments standard.
 - 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 remainder of the period after a plan amendment, curtailment or settlement; and
 - Recognise in profit or loss as part of past service cost, or a gain or loss on settlement, any reduction in a surplus, even if that surplus was not previously recognised because of the impact of the asset ceiling.

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 2019

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

b) Standards, amendments and interpretations that are issued but not effective as at 31 December 2019:

- **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.
- **Amendments to IFRS 9, IAS 39 and IFRS 7 – Interest rate benchmark reform;** effective from Annual periods beginning on or after 1 January 2020. These amendments provide certain reliefs in connection with interest rate benchmark reform. The reliefs relate to hedge accounting and have the effect that IBOR reform should not generally cause hedge accounting to terminate. However, any hedge ineffectiveness should continue to be recorded in the income statement. Given the pervasive nature of hedges involving IBOR-based contracts, the reliefs will affect companies in all industries.
- **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.

The Group evaluates the impact of standards on financial position and performance of the Group.

2.3. Compliance with TAS

The Group prepared its consolidated financial statements for the period ended 31 December 2019 in accordance with the framework of the Communiqué Serial: II and numbered 14.1 and its related announcements. The consolidated financial statements and its accompanying notes are presented in compliance with the format recommended by CMB, including the mandatory disclosures.

2.4. Presentation and functional currency

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

In the consolidated financial statements, MAD amounts presented in the balance sheet are translated into Turkish Lira at the TRY exchange rate for purchases of MAD at the balance sheet date, TRY 1 = MAD 1,6129 amounts in the statement of comprehensive income have been translated into TRY, at the average TRY exchange rate for purchases of MAD, is TRY 1 = MAD 1,6974. Differences that occur by the usage of closing and average exchange rates are followed under currency translation differences classified under equity.

The functional currency of the Company's other subsidiary, BIM Stores LLC is Egyptian Pound ("EGP"). In the consolidated financial statements, EGP amounts presented in the balance sheet and in the statement of comprehensive income are translated into Turkish Lira at the TRY exchange rate for purchase of EGP at the balance sheet date, TRY 1 = EGP 2,7008, at the average TRY exchange rate for purchases of EGP, is TRY 1 = EGP 2,9401. Differences that occur by the usage of closing and average exchange rates are followed under currency translation differences classified under equity.

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

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2019

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

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 2019. 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.

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, determination of the interest rates used to discount cashflows and the lease period used in the calculation of the right of use of assets and lease liabilities, 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 Group applied first time application requirements of TFRS 16 "Leases" out of the new standards, amendments and interpretations effective from 1 January 2019 in line with the requirement of transition of the related standards.

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 2019

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

The effects of this standard-related accounting policy change and the first-time implementation of the relevant standards are as follows:

TFRS 16 "Leases" Standard

Group - lessee

The Group's leases are mainly consist of retail stores and vehicles. At inception of a contract, the Group shall assess whether the contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

To assess whether a contract conveys the right to control the use of an identified asset for a period of time, the Group shall assess whether, throughout the period of use, the customer has both of the following:

- The contract includes an identified asset (identification of an asset in a clear or implicitly specified form in the contract),
- A capacity portion of an asset is an identified asset if it is physically distinct and represents substantially all of the capacity of the asset (the asset is not an identified asset if the vendor has a fundamental right to substitute the asset for the duration of its use and obtain an economic benefit from it),
- The Group has the right to obtain almost all of the economic benefits that will be derived from the use of the identified asset,
- The right to direct the use of the identified asset. The Company has the right to direct the use of an identified asset throughout the period of use only if either
 - a) The Group has the right to direct how and for what purpose the asset is used throughout the period of use
 - b) the relevant decisions about how and for what purpose the asset is used are predetermined and.

The Group recognizes right of use asset and lease liability at the start date of lease after evaluation of aforementioned criterias.

Right of use asset

At the commencement date, the Group shall measure the right-of-use asset at cost. The cost of the right-of-use asset shall comprise:

- a) the amount of the initial measurement of the lease liability,
- b) any lease payments made at or before the commencement date, less any lease incentives received r
- c) any initial direct costs incurred by the Group
- d) an estimate of costs to be incurred by the Group in dismantling and removing the underlying asset, restoring the site on which it is located or restoring the underlying asset to the condition required by the terms and conditions of the lease, unless those costs are incurred to produce inventories

To apply a cost model, the Company shall measure the right-of-use asset at cost:

- a) less any accumulated depreciation and accumulated impairment losses and
- b) adjusted for any remeasurement of the lease liability.

The Group shall apply the depreciation requirements in TAS 16 Property, Plant and Equipment in depreciating the right-of-use asset.

The Company shall apply TAS 36 Impairment of Assets to determine whether the right-of-use asset is impaired and to account for any impairment loss identified.

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

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2019

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

Lease Liability

At the commencement date, the Group shall measure the lease liability at the present value of the lease payments that are not paid at that date. The lease payments shall be discounted using the financing rate implicit in the lease, if that rate can be readily determined. If that rate cannot be readily determined, the lessee shall use the lessee's incremental borrowing rate.

At the commencement date, the lease payments included in the measurement of the lease liability comprise the following payments for the right to use the underlying asset during the lease term that are not paid at the commencement date:

- a) fixed payments, less any lease incentives receivable
- b) variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date,
- c) payments of penalties for terminating the lease, if the lease term reflects the lessee exercising an option to terminate the lease.

After the commencement date, the Group shall measure the lease liability by:

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

Extension and early termination options

Lease contracts are made for average 10 annual periods. The lease liability is determined by considering the extension and early termination options in the contracts. Most of the extension and early termination options included in the contracts are composed of the options that are applicable by the Group. The Group determines the lease term by the extension of the lease, if such extension and early termination options are at the Group's discretion and the use of the options is reasonably certain. If there is a significant change in the circumstances, the evaluation is reviewed by the Group.

Practical expedient

The Group applied a single discount rate to a rental portfolio with similar features. Initial direct costs were not included in the measurement of the right to use at the date of initial application. If the contract includes options to extend and terminate the contract, the lease term is determined and the management's evaluations are used.

Transition to TFRS 16 "Leases"

The Group applied TFRS 16, "Leases", which superseded TAS 17, "Leases", and accounted in the consolidated financial statements by using "cumulative effect method" on the transition date of 1 January 2019. In accordance with the simplified transition method defined in standard, no restatement has been required in the comparative information of the financial statement and has no impact on retained earnings.

On first time adoption of TFRS 16 "Leases", the Group recognised lease liabilities in relation to leases which had previously been classified as 'operating leases' under the principles of TAS 17 "Leases" before 1 January 2019. These liabilities were measured at the present value of the remaining lease payments, discounted using the lessee's incremental borrowing rate as of the transition date. The right to use assets are accounted for at an amount equal to the lease obligations (adjusted for the amount of prepaid or accrued lease payments) within the scope of simplified transition application in the related standard.

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 2019

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

The reconciliation of the operating lease agreements followed under TAS 17 prior to the first application date and the lease liabilities recognized under TFRS 16 in the financial statements as of 1 January 2019 is as follows:

	1 January 2019
Operating lease commitments disclosed in accordance with TAS 17	6.592.232
Lease liability recognised under TFRS 16 (not discounted)	6.592.232
Lease liability recognised under TFRS 16 (discounted)	3.564.459
- Short term lease liability	854.573
- Long term lease liability	2.709.886

In recognition of the lease payables, the Group discounted its lease payments by using the alternative borrowing rate as of 1 January 2019. The weighted average rate applied for TL, EUR, MAD and EGP is 20%, 5%, 5% and 16% respectively. The discount rate of the agreements denominated in TRY has been updated to 15% for the contracts dated after 1 October 2019.

The details of the right-of-use assets recognised by each asset type in financial statements as of 31 December 2019 and 1 January 2019 are as follows:

	31 December 2019	1 January 2019
- Buildings	3.944.970	3.498.042
- Vehicles	65.978	66.417
Total	4.010.948	3.564.459

As of 1 January 2019, the Group has presented its leased liabilities amounting to TRY 3.564.459 in "short term borrowings" and "Long Term Borrowings" in the statement of financial position.

Current period impact of TFRS 16 Leases

The Group recognized right of use assets amounting to TRY4.010.948 and lease liabilities amounting to TRY 4.264.567 as of 31 December 2019.

For the lease agreements within the scope of TFRS 16, the Group has accounted for depreciation and financing expenses instead of operating lease expenses. As of 31 December 2019, the Group has recognised depreciation expense amounting to TRY643.563, financing expense amounting to TRY633.939, foreign exchange loss amounting to TRY6.303, paid rent amounting to TRY1.024.616, other income amounting to TRY7.109 and deferred tax income TRY52.003. TRY 9.657 TL of TRY 15.328 of the rent expenses related to the variable rent agreements depend on revenue, TRY 5.671 of the rent payments are expensed for different reasons.

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2.7 Summary of significant accounting policies

Revenue recognition

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

Sales of Goods

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

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

Financial income

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

Dividend income

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

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 12 days term (31 December 2018: 11 days) as of balance sheet date are measured at original invoice amount and if they have long term maturity, the imputing interest is netted off and the provision of doubtful receivable is deducted. Trade receivables, net of unearned financial income, are measured at amortized cost, using the effective interest rate method, less the unearned financial income. Short duration receivables with no stated interest rate and credit card receivables are measured at the original invoice. Estimate is made for the doubtful provision when the collection of the trade receivable is not probable. If the amount of the impairment subsequently decreases due to an event occurring after the write-down, the release of the provision is credited to other operating income.

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

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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	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.

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Special Costs

The economic useful life for special costs is in line with the average duration of the lease contracts which is 10 years.

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.

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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.

Financial assets measured at fair value through profit or loss

Financial assets at fair value through profit or loss consist of "financial asset", which are acquired to benefit from short-term price or other fluctuations in the market or which are a part of a portfolio aiming to earn profit in the short-run, irrespective of the reason of acquisition, and kept for trading purposes. Financial assets that are measured by their fair value and associated with the profit or loss statement are initially reflected on the consolidated statement of financial position with their costs including the transaction cost. These financial assets are valued based on their fair value after they are recognised. Realised or unrealised profit and losses are recognised under "income from investing income/expense".

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.

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.

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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 55 days term (31 December 2018: 54 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.

Gift cards recognition

The gift cards that the Group sells to customers are classified under deferred income. Revenue is recognised when these gift cards are used by the customers.

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.

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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 2019	5,9402	6,6506
31 December 2018	5,2609	6,0280

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.

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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.

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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 15, the employee benefit liability is provided for in accordance with TAS 19 "Employee Benefits" and is based on an independent actuarial study.

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

b) Unused vacation

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

3.Segment reporting

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

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

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4. Cash and cash equivalents

	31 December 2019	31 December 2018
Cash on hand	211.838	200.278
Banks		
- Demand deposits	108.112	228.861
- Profit share deposits	750.649	1.614
Cash in transit	88.248	116.166
	1.158.847	546.919
Less: Accrual for profit share	(4.339)	-
Cash and cash equivalents for cash flow	1.154.508	546.919

As of 31 December 2019 and 2018 there is no restricted cash. As of 31 December 2019, total profit share deposits are in TRY (31 December 2018: EGP) and the gross rate profit share from participation banks for TRY is gross 10,89% per annum (31 December 2018:None TRY, for EGP gross 13% 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 2019 Group's short-term financial investments, consisting out of lease certificates and real estate investment funds, are detailed on the table below:

	31 December 2019	31 December 2018
Lease certificate ^(*)	478.195	167.167
Real estate investment fund	59.396	279.483
	537.591	446.650

^(*) As of 31 December 2019, lease certificates are denominated in TRY and the simple gross annual rate of return is 13.39% on average (31 December 2018: TRY, gross annual 24.70%).

b) Long-term financial assets

Financial investments amounting to TRY622.760 as of 31 December 2019 are detailed below (31 December 2018: TRY350.761).

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i) Subsidiaries:

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

Name of subsidiary	Share (%)	31 December 2019	31 December 2018
İdeal Standart İşletmecilik ve Müessesilik 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 2019, 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 2019	31 December 2018
FLO Mağazacılık ve Pazarlama A.Ş. ^(*)	11,5	455.170	338.171
Aktül Kağıt Üretim Pazarlama A.Ş. ^(**)	14	155.000	-
		610.170	338.171

^(*) As of 31 December 2019 the fair value of available-for-sale financial asset is calculated by an independent valuation company by using discounted cash flow analysis method with discount rate used as 19,51% and the final growth rate used as 9.8%

^(**) The Group, acquired 14% stake of Aktül Kağıt Üretim Pazarlama A.Ş.'nin ("Aktül") for TRY91.000 as of 14 January 2019. On 28 March 2019, the Group has made a capital increase of TRY39.945 in Aktül. As of 31 December 2019, the fair value of the related financial asset is calculated by an independent valuation company by using the average of the multiplier method (domestic and international multiplier method) and "DCF" methods by using a discount rate of 17,6%.

6. Financial liabilities**a) Loans**

As of 31 December, 2019, the Group has short-term interest-free financial debts from various banks amounting to TRY47.330 (31 December 2018: TRY37.853).

b) Lease Liabilities

Short term portion of long term liabilities	31 December 2019	31 December 2018
Lease liabilities	984.358	-
	984.358	-
Long term lease liabilities	31 December 2019	31 December 2018
Lease liabilities	3.280.209	-
	3.280.209	-
Total borrowings	4.264.567	-

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As of the report date, the maturity dates of the financial liabilities are as follows:

	31 December 2019	31 December 2018
Shorter than 3 month	255.377	-
3 - 12 month	728.981	-
More than 12 month	3.280.209	-
	4.264.567	-

Fair values are determined by using average effective annual financing rates.

The movement of lease liabilities for the periods ended 31 December 2019 and 2018 are shown in the following table:

	2019	2018
Balance at the beginning of the period - 1 January	-	-
Additions	1.009.776	-
Initial recognition of lease liabilities within the scope of TFRS 16	3.564.459	-
Changes in financial expenses accrual	633.939	-
Cash outflows from payments of lease liabilities	(1.024.616)	-
Exchange rate differences	6.303	-
Foreign currency translation differences	74.706	-
Balance at the end of the period - 31 December	4.264.567	-

7. Trade receivables and payables

a) Trade receivables from third parties

	31 December 2019	31 December 2018
Credit card receivables	1.433.320	1.159.602
	1.433.320	1.159.602

As of 31 December 2019 the average term of credit card receivables is 12 days (31 December 2018: 11 days).

b) Trade payables due to third parties

	31 December 2019	31 December 2018
Trade payables	5.053.719	4.057.641
Unincurred rediscount expense (-)	(51.753)	(26.968)
	5.001.966	4.030.673

As of 31 December 2019 the average term of trade payables is 55 days (31 December 2018: 54 days). As of 31 December 2019 letters of guarantee, cheques and notes are amounting to TRY282.614 and mortgages are amounting to TRY10.395 (31 December 2018: TRY72.260 letters of guarantee, cheques and notes TRY10.168 mortgages).

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8. Other receivables**a) Other receivables from related parties**

	31 December 2019	31 December 2018
Receivables from related parties	169	158
	169	158

b) Other receivables from third parties

	31 December 2019	31 December 2018
Other receivables	17.179	25.163
Doubtful receivables	11.370	9.928
Less: Allowance for doubtful receivables	(11.370)	(9.928)
	17.179	25.163

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

	31 December 2019	31 December 2018
Balance at the beginning of the period - 1 January	9.928	425
Allowance for doubtful receivables	1.442	9.637
Collection in current year	-	(134)
Balance at the end of the period - 31 December	11.370	9.928

9. Inventories

	31 December 2019	31 December 2018
Trade goods, net	2.356.936	2.087.653
Other	11.591	10.241
	2.368.527	2.097.894

Cost of inventories amounting to TRY33.226.484 (31 December 2018: TRY26.613.139) expensed under cost of sales.

The movement of impairment for inventories in 2019 and 2018 is as follows:

	2019	2018
Balance at the beginning of the period - 1 January	11.524	6.041
Current year reversal	(11.524)	(6.041)
Allowance for impairment	2.509	11.524
Balance at the end of the period - 31 December	2.509	11.524

As of 31 December 2019, allowance for impairment on trade goods amounting to TRY2.509 (31 December 2018: TRY11.524).

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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 2019 and 2018 are as follows:

	1 January 2019	Additions	Disposals	Transfers	Currency translation differences	31 December 2019
Cost or revalued amount						
Land	817.860	28.022	-	-	2.756	848.638
Land improvements	15.326	2.514	(13)	1.161	-	18.988
Buildings	1.200.106	93.605	(901)	194.955	3.181	1.490.946
Machinery and equipment	1.230.234	314.870	(30.281)	19.312	26.240	1.560.375
Vehicles	242.076	72.798	(16.106)	3.732	4.048	306.548
Furniture and fixtures	459.329	123.722	(15.928)	3.357	6.720	577.200
Leasehold improvements	1.055.029	255.079	(21.637)	6.784	35.741	1.330.996
Construction in progress	116.296	184.202	(4.873)	(251.760)	328	44.193
	5.136.256	1.074.812	(89.739)	(22.459)	79.014	6.177.884
Less : Accumulated depreciation						
Land improvements	(8.969)	(2.322)	8	-	-	(11.283)
Land	(59.569)	(69.497)	(41)	-	(247)	(129.354)
Machinery and equipment	(531.295)	(134.109)	22.380	-	(17.032)	(660.056)
Vehicles	(118.478)	(48.905)	13.274	-	(2.440)	(156.549)
Furniture and fixtures	(280.405)	(68.867)	15.523	-	(3.217)	(336.966)
Leasehold improvements	(438.989)	(106.961)	7.835	-	(16.389)	(554.504)
	(1.437.705)	(430.661)	58.979	-	(39.325)	(1.848.712)
Net book value	3.698.551					4.329.172

	1 January 2018	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

Depreciation expense amounting to TRY400.061 (1 January - 31 December 2018: TRY320.595) were accounted for in marketing expenses and TRY30.600 (1 January - 31 December 2018: TRY24.071) in general and administrative expenses for the period 1 January - 31 December 2019. 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.

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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 2019 and 2018 are as follows:

	31 December 2019	31 December 2018
Land	223.569	195.936
Buildings	1.153.099	856.739
	1.376.668	1.052.675

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 2019. The revaluation surplus, as of 31 December 2017 net of applicable deferred income taxes was credited to other comprehensive income and is shown in 'property and equipment revaluation reserve' in shareholders equity. The fair value of non-financial assets by valuation method is calculated by inputs observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices) (Level 2).

Valuation techniques used to derive Level 2 fair values

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

Market comparable method

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

Discounted cash flow method

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

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.

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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 revalues the amount of their lands and buildings every 3 years unless there is a change in the circumstances. The valuation of land and buildings was performed as of 31 December 2017.

The fair values of the land and buildings (administrative building, warehouses and stores) of the Group have been determined by a real estate appraisal company who has CMB license, holds a recognised and relevant professional qualification and has recent experience in the location and category of the 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 2019	1 January - 31 December 2018
Balance at the beginning of the period - 1 January	785.683	810.869
Revaluation increase	-	-
Deferred tax arising from revaluation increase	-	(25.186)
Balance at the end of the period - 31 December	785.683	785.683

Pledges and mortgages on assets

As of 31 December 2019 and 2018, there is no pledge or mortgage on property and equipment of the Group.

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11. Intangible assets

The movements of intangible assets and related accumulated amortization for the periods ended 31 December 2019 and 2018 are as follows:

	1 January 2019	Additions	Disposals	Transfers	Currency translation differences	31 December 2019
Cost						
Right	39.213	7.807	(201)	22.459	365	69.643
Other intangible assets	265	30	-	-	-	295
	39.478	7.837	(201)	22.459	365	69.938
Accumulated amortization						
Right	(22.830)	(8.331)	184	-	(292)	(31.269)
Other intangible assets	(188)	(61)	-	-	-	(249)
	(23.018)	(8.392)	184	-	(292)	(31.518)
Net book value	16.460					38.420
	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

As of 31 December 2019 amortisation expense amounting to TRY7.796 (1 January - 31 December 2018: TRY3.760) has been charged in marketing expenses and TRY596 (1 January - 31 December 2018: TRY282) in general and administrative expenses.

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

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12. Right of Use Assets

The movements of right use of assets and the related accumulated depreciation for the period ended 31 December 2019 as follows:

	1 January 2019	Additions	Disposals	Transfers	Currency translation differences	31 December 2019
Building	3.498.042	1.103.909	(130.093)	-	73.816	4.545.674
Vehicles	66.417	38.653	(2.692)	-	711	103.089
	3.564.459	1.142.562	(132.785)	-	74.527	4.648.763
Less: Accumulated amortization						
Building	-	(606.170)	11.686	-	(6.220)	(600.704)
Vehicles	-	(37.393)	620	-	(338)	(37.111)
	-	(643.563)	12.306	-	(6.558)	(637.815)
Net book value	3.564.459					4.010.948

13. Provisions, contingent assets and liabilities

a) Short term provisions for employee benefits

Unused vacation amounting to TRY24.507 is shown on the current provisions for employee benefits amounting in the Group account of short term provisions for the period ended 31 December 2019 (31 December 2018: TRY18.918).

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

	1 January - 31 December 2019	1 January - 31 December 2018
Balance at the beginning of the period - 1 January	18.918	14.395
Reversals during period	(18.918)	(14.395)
Provision of unused vacation	24.507	18.918
Balance at the end of the period - 31 December	24.507	18.918

b) Other short term provisions

	31 December 2019	31 December 2018
Legal provisions ^(*)	35.153	27.837
Other	12.585	12.000
Total	47.738	39.837

^(*) As of 31 December 2019 and 2018, the total amount of outstanding lawsuits filed against the Group, TRY58.259 and TRY45.341 (in historical terms), respectively. The Group recognized provisions amounting to TRY35.153 and TRY27.837 for the related periods, respectively.

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Current period movement of provision for lawsuits is as follows:

	1 January - 31 December 2019	1 January - 31 December 2018
Balance at the beginning of the period - 1 January	27.837	23.578
Provisions required	7.316	4.259
Balance at the end of the period - 31 December	35.153	27.837

Letter of guarantees, mortgages and pledges given by the Group

As of 31 December 2019 and 2018, breakdown of the guarantees, mortgage and pledges given by the Group is as follows:

	31 December 2019				
	Total TRY equivalent	TRY	USD	EUR	Moroccan Dirham
A.Total amount of guarantees, pledges and mortgages given in the name of	119.437	117.947	250.870	-	-
<i>Guarantee</i>	119.437	117.947	250.870	-	-
<i>Pledge</i>	-	-	-	-	-
<i>Mortgage</i>	-	-	-	-	-
B.Total amount of guarantees, pledges and mortgages provided on behalf of the parties which are included in the scope of full consolidation	-	-	-	-	-
<i>Guarantee</i>	-	-	-	-	-
<i>Pledge</i>	-	-	-	-	-
<i>Mortgage</i>	-	-	-	-	-
C.Total amount of guarantees, pledges and mortgages provided on behalf of third parties to conduct business activities	-	-	-	-	-
D.Total amount of other guarantees, pledges and mortgages	-	-	-	-	-
i. On behalf of majority Shareholder	-	-	-	-	-
ii. On behalf of other group companies which are not covered in B and C above	-	-	-	-	-
iii. On behalf of third parties which are not covered by item C	-	-	-	-	-
Total	119.437	117.947	250.870	-	-

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

Insurance coverage on assets

As of 31 December 2019 and 2018, insurance coverage on assets of the Group is TRY3.275.836 and TRY2.213.517 respectively.

14. Prepaid Expenses and Deferred Income

a) Short term prepaid expenses

	31 December 2019	31 December 2018
Order advances given to third parties	159.301	171.897
Order advances given to related parties (Note 27)	31.899	55.596
Other	28.010	23.540
	219.210	251.033

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b) Long term prepaid expenses

	31 December 2019	31 December 2018
Advances given for property, plant and equipment	23.433	27.593
Other	4.367	901
	27.800	28.494

c) Deferred Income

	31 December 2019	31 December 2018
Cift cards income	18.031	22.312
Other	162	31
	18.193	22.343

15. Employee termination benefits

	31 December 2019	31 December 2018
Provision for employee termination benefits	180.114	128.634
	180.114	128.634

The amount payable consists of one month's salary limited to a maximum of full TRY6.379,86 for each period of service as of 31 December 2019 (31 December 2018: full TRY5.434,42). The retirement pay provision ceiling is revised semiannually, and full TRY6.379,86 which is effective from 1 July 2019, is taken into consideration in the calculation of provision for employment termination benefits (effective from 1 January 2019: full TRY6.017,60). 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 2019 and 2018 the provision is calculated by estimating the present value of the future probable obligation of the Group arising from the retirement of the employees. Provisions at the balance sheet date were calculated by using real discount rate of 4,50% by assuming an annual inflation rate of 7% (31 December 2018: 10,50%) and a discount rate of 11,50% (31 December 2018: 16,74%). 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 2019	1 January - 31 December 2018
Current service cost (Note 20)	30.535	18.488
Financial expense of employee termination benefit (Not 23)	18.534	9.520
Total	49.069	28.008

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

	1 January - 31 December 2019	1 January - 31 December 2018
Balance at the beginning of the period - 1 January	128.634	99.142
Financial expense of employee termination benefit	18.534	9.520
Current service cost	30.535	18.488
Benefits paid	(31.829)	(28.475)
Actuarial gain/(loss)	34.240	29.959
Balance at the end of the period - 31 December	180.114	128.634

16. Other assets and liabilities

a) Other current assets

	31 December 2019	31 December 2018
VAT receivable	48.755	31.306
Other	22.647	11.605
	71.402	42.911

b) Other current liabilities

	31 December 2019	31 December 2018
Taxes and funds payables	151.807	93.889
Other	3.556	632
	155.363	94.521

17. Equity

a) Share capital and capital reserves

As of 31 December 2019 and 2018, the breakdown of shareholders and their ownership percentages in the Company are summarized as follows.

	31 December 2019		31 December 2018	
	Historical cost	(%)	Historical cost	(%)
Merkez Bereket Gıda Sanayi ve Ticaret A.Ş.	89.754	14,78	44.877	14,78
Naspak Gıda Sanayi ve Ticaret A.Ş.	64.792	10,67	31.896	10,51
Other	18.348	3,02	9.674	3,18
Publicly traded	434.306	71,53	217.153	71,53
	607.200	100,00	303.600	100,00

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The Company's share capital is fully paid and consists of 607.200.000 (31 December 2018: 303.600.000) shares of full TRY 1 nominal value each. In accordance with the decision taken at the Ordinary General Assembly Meeting held on May 21, 2019, the Company increased its paid-in capital by TRY303.600 from 2018 year profit to TRY607.200. The capital increase was registered on 12 July 2019.

Revaluation surplus

As of 31 December 2019 the Group has revaluation surplus amounting TRY785.683 (31 December 2018: TRY785.683) 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.

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 2019 and 2018 legal reserves, prior year profits and net income for the period in statutory accounts of the Company are as follows:

	31 December 2019	31 December 2018
Legal reserves	431.098	571.193
Extraordinary reserves	964.918	840.094
Net profit for the period	1.475.432	1.255.662
	2.871.448	2.666.949

As of 31 December 2019, net profit for the Company's statutory books is TRY1.475.432 (31 December 2018: TRY1.255.662) and net profit per consolidated financial statements in accordance with CMB accounting standards is TRY1.224.877 (31 December 2018: TRY1.250.464).

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d) Treasury Shares

As a result of share repurchase programs, all 7.635.666 shares were sold at a price of TRY48.00 (full TRY). As a result of the related transaction, all treasury shares of the Company have been sold and the gain on sale amounting to TRY 130.782 (excluding commission) is recognised in retained earnings of the equity in the financial statements.

e) Dividend paid

At the Ordinary General Assembly Meeting held on 21 May 2019, it was decided to distribute TRY728.640 from the profit of the year 2018 to the shareholders and to make the payment in two installments on 12 June 2019 and 18 November 2019. TRY4.581 of the Group's dividend distribution consists of the Group's dividend payment corresponding to its own shares provided under "Equity - Retained Earnings". In addition, based on the decision taken at the Extraordinary General Assembly Meeting dated 19 November 2019, gross dividend amounting to gross TRY242.880 was distributed as of 13 December 2019.

18. Sales and cost of sales**a) Net Sales**

The Group's net sales for the periods ended 31 December 2019 and 2018 are as follows:

	1 January - 31 December 2019	1 January - 31 December 2018
Sales	40.406.038	32.453.831
Sales returns (-)	(194.096)	(130.844)
	40.211.942	32.322.987

b) Cost of sales

	1 January - 31 December 2019	1 January - 31 December 2018
Beginning inventory	2.087.653	1.442.833
Purchases	33.495.767	27.257.959
Ending inventory (-)	(2.356.936)	(2.087.653)
	33.226.484	26.613.139

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19. Operational expenses**a) Marketing expenses**

	1 January - 31 December 2019	1 January - 31 December 2018
Personnel expenses	2.306.791	1.709.125
Depreciation and amortization expenses	1.005.690	324.355
Electricity, water and communication expenses	320.216	212.038
Advertising expenses	107.844	83.165
Trucks fuel expense	100.507	90.424
Maintenance and repair expenses	100.427	80.975
Taxes and duty expenses	49.354	30.512
Packaging expenses	43.979	193.783
Fixtures expensed	33.442	6.247
IT expenses	27.053	19.971
Provision for employee termination benefit	26.260	15.715
Stationery expenses	26.194	23.600
Insurance expenses	14.753	11.672
Rent expenses	13.921	783.432
Other	102.299	78.512
	4.278.730	3.663.526

b) General and administrative expenses

	1 January - 31 December 2019	1 January - 31 December 2018
Personnel expenses	405.790	322.481
Depreciation and amortization expenses	76.926	24.353
Legal and consultancy expenses	27.291	22.784
Money collection expenses	20.237	14.131
Motor vehicle expenses	15.775	15.668
Taxes and duty expenses	5.520	20.462
Provision for employee termination benefit	4.275	2.773
Office supplies	3.189	2.356
Communication expenses	2.865	2.786
Vehicle rent expenses	1.407	33.235
Other	77.164	55.451
	640.439	516.480

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20. Expenses by nature

a) Depreciation and amortisation expenses

	1 January - 31 December 2019	1 January - 31 December 2018
Marketing and selling expenses	1.005.690	324.355
General and administrative expenses	76.926	24.353
	1.082.616	348.708

b) Personnel expenses

	1 January - 31 December 2019	1 January - 31 December 2018
Wages and salaries	2.407.910	1.805.752
Social security premiums - employer contribution	304.671	225.854
Provision for employee termination benefits (Note 15)	30.535	18.488
	2.743.116	2.050.094

21. Other operating income and expense

a) Other operating income

	1 January - 31 December 2019	1 January - 31 December 2018
Gain on sale of scraps	7.213	8.209
Other income from operations	66.595	28.162
	73.808	36.371

b) Other operating expense

	1 January - 31 December 2019	1 January - 31 December 2018
Provision expenses	10.708	15.261
Other	7.326	7.438
	18.034	22.699

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22. Financial income

	1 January - 31 December 2019	1 January - 31 December 2018
Participation account income	11.957	44.212
Foreign currency gains	8.666	7.355
	20.623	51.567

23. Financial expenses

	1 January - 31 December 2019	1 January - 31 December 2018
Financial expenses arises from lease liabilities	633.939	-
Finance charge on employee termination benefit including actuarial losses (Note 15)	18.534	9.520
Foreign exchange losses	7.648	1.571
Other financial expenses	3.418	1.505
	663.539	12.596

24. Income and expense from investing activities**a) Income from investing activities**

	1 January - 31 December 2019	1 January - 31 December 2018
Incomes from financial investments (*)	112.292	36.448
Dividend income	2.858	4.279
Gain on sale of property, plant and equipment	-	3.600
	115.150	44.327

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

b) Expense from investing activities

As of 31 December 2019, the loss on sale of fixed assets of the Group is amounting to TRY3.423 (31 December 2018: None).

25. Tax assets and liabilities

As of 31 December 2019 and 2018, provision for taxes of the Group is as follows :

	31 December 2019	31 December 2018
Current income tax liabilities	425.281	354.356
Current tax assets (Prepaid taxes)	(321.295)	(271.932)
Corporate tax payable	103.986	82.424

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In Turkey, as of 31 December 2019, corporate tax rate is 22% (31 December 2018: 22%). 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 2019 the corporate tax rate is 30% (31 December 2018: 30%) where the consolidated subsidiary of the Company, BIM Stores SARL operates. In Egypt, as of 31 December 2019 the corporate tax rate is 22.5% (31 December 2018: 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 2018: None). Corporate tax losses can be carried forward for a maximum period of 5 years following the year in which the losses were incurred. The tax authorities can inspect tax returns and the related accounting records for a retrospective maximum period of five years

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

In accordance with the regulation numbered 7061, published in Official Gazette on 5 December 2017, "Law on the Amendment of Certain Tax Laws and Some Other Laws", corporate tax rate for the years 2018, 2019 and 2020 has increased from 20% to 22%. Therefore, deferred tax assets and liabilities as of 31 December 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 2019 and 2018, 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 2019	31 December 2018	1 January - 31 December 2019	1 January - 31 December 2018
<i>Deferred tax liability</i>				
Tangible and intangible assets, except the effect of revaluation effect	103.769	79.082	24.687	22.747
The effect of the revaluation of land and buildings	132.843	132.843	-	25.186
The effect of the revaluation of financial asset	20.806	9.664	11.142	2.052
Other adjustments	11.949	5.952	5.997	819
<i>Deferred tax asset</i>				
Provision for employee termination benefit	(36.023)	(25.727)	(10.296)	(5.899)
Lease liabilities	(52.403)	-	(52.403)	-
Other adjustments	(34.279)	(29.098)	(5.181)	(7.177)
Deferred tax effect of sale of treasury shares	-	-	(28.772)	-
Currency translation difference	-	-	286	290
Deferred tax	146.662	172.716	(54.540)	38.018

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Deferred tax is presented in financial statements as follows:

	31 December 2019	31 December 2018
Deferred tax assets	9.886	3.339
Deferred tax liabilities	(156.548)	(176.055)
Net deferred tax liability	(146.662)	(172.716)

Movement of net deferred tax liability for the periods ended 31 December 2019 and 2018 are as follows:

	1 January - 31 December 2019	1 January - 31 December 2018
Balance at the beginning of the period - 1 January	172.716	134.988
Deferred tax expense recognized in statement of profit or loss, net	(58.834)	16.772
Deferred tax expense/(income) recognized in statement of comprehensive income	4.294	21.246
- Revaluation of financial assets available for sale	11.142	2.052
- Revaluation of property, plant and equipment	-	25.186
- Remeasurement losses of defined benefit plans	(6.848)	(5.992)
Deferred tax effect recognized in retained earnings (*)	28.772	-
Foreign currency translation differences	(286)	(290)
Balance at the end of the period - 31 December	146.662	172.716

(*) The amount represents the tax effect of the classification made between the profit or loss statement and retained earnings in relation to the sale of treasury shares of the Company in the current period.

Tax reconciliation

	1 January - 31 December 2019	1 January - 31 December 2018
Profit before tax	1.590.874	1.626.812
Corporate tax provision calculated at effective tax rate of 22%	(349.992)	(357.899)
Disallowable charges	(2.445)	(1.236)
Effect of tax rate differences of the consolidated subsidiary	(1.865)	(2.713)
Other	(11.695)	(14.500)
	(365.997)	(376.348)
- Current	(424.831)	(359.576)
- Deferred	58.834	(16.772)

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26. 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 2019 and 2018 is as follows. All shares of the Company are in same status.

Earnings per share	1 January - 31 December 2019	1 January - 31 December 2018
Average number of shares at the beginning of the period (Thousand) ^(*)	601.864	601.864
Net profit of the year	1.224.877	1.250.464
Earnings per share	2,035	2,078

^(*) Calculating earnings per share, bonus share issuance is counted as issued shares. The weighted average number of shares used in the calculation of earnings per share has been obtained by retrospectively considering the issued bonus shares.

27. Related party disclosures

a) Prepaid expenses to related parties

	31 December 2019	31 December 2018
Reka Bitkisel Yağlar Sanayi ve Ticaret A.Ş. (Reka) ⁽¹⁾	31.899	40.090
Aytaç Gıda Yatırım San. ve Ticaret A.Ş. (Aytaç) ⁽¹⁾	-	15.506
	31.899	55.596

b) Payables related to goods and services received

Due to related parties balances as of 31 December 2019 and 31 December 2018 are as follows:

Payables related to goods and services received:

Related parties

	31 December 2019	31 December 2018
Başak Gıda Dağıtım ve Pazarlama A.Ş. (Başak) ⁽¹⁾	139.005	158.314
Turkuvaz Plastik ve Tem. Ürün. Tic. A.Ş. (Turkuvaz) ⁽¹⁾	128.622	159.811
Hedef Tüketim Ürünleri San. ve Dış Tic. A.Ş. (Hedef) ⁽¹⁾	96.521	76.826
Sena Muhtelif Ürün Paketleme Gıda Sanayi ve Tic. Ltd. Şti. (Sena) ⁽³⁾	51.622	42.285
Aytaç Gıda Yatırım San. ve Ticaret A.Ş. (Aytaç) ⁽¹⁾	38.993	-
Apak Pazarlama ve Gıda Sanayi Tic. Ltd. Şti. (Apak) ⁽¹⁾	15.157	18.867
Turkcell İletişim Hizmetleri A.Ş. ⁽³⁾	2.350	-
Avansas Ofis Malzemeleri Ticaret A.Ş. (Avansas) ⁽¹⁾	919	711
Bahariye Tekstil San.ve Tic. A.Ş. (Bahariye Tekstil) ⁽¹⁾	405	-
Bahariye Mensucat San. ve Tic. A.Ş. (Bahariye Mensucat) ⁽¹⁾	6	-
Proline Bilişim Sistemleri ve Ticaret A.Ş. (Proline) ⁽¹⁾	-	11
Natura Gıda Sanayi ve Ticaret A.Ş. (Natura) ^{(1) (*)}	-	293
Golf Gıda Paz. Dağ. Ltd. Şti. (Golf) ^(*)	-	82
	473.600	457.200

^(*) As of 4 January 2019 excluded from related parties.

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Affiliates and Subsidiaries

	31 December 2019	31 December 2018
Aktül Kağıt Üretim Pazarlama A.Ş. (Aktül) ⁽¹⁾	79.794	24.288
İdeal Standart İşletmecilik ve Mümessillik San. ve Tic. A.Ş. (İdeal Standart) ⁽²⁾	4.079	3.978
	83.873	28.266
Trade payables due to related parties	557.473	485.466

⁽¹⁾ Companies owned by shareholders of the Company.⁽²⁾ Non consolidated subsidiaries of the Group.⁽³⁾ Other related party.**c) Related party transactions**

i) Purchases from related parties during the periods ended 31 December 2019 and 2018 are as follows:

Related parties

	1 January - 31 December 2019	1 January - 31 December 2018
Başak ⁽¹⁾	1.155.464	998.813
Reka ⁽¹⁾	813.443	553.463
Turkuvaz ⁽¹⁾	689.183	594.839
Hedef ⁽¹⁾	445.073	441.658
Sena ⁽³⁾	212.703	154.755
Aytaç ⁽¹⁾	199.087	203.128
Apak ⁽¹⁾	194.664	128.155
Turkcell ⁽³⁾	18.636	-
Avansas ⁽¹⁾	8.871	2.768
Bahariye Mensucat ⁽¹⁾	5.660	2.306
Proline ⁽¹⁾	2.963	6.393
Bahariye Tekstil ⁽¹⁾	381	-
Natura ⁽¹⁾	-	191.590
GolF ⁽¹⁾	-	10.040
	3.746.128	3.287.908

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Affiliates and Subsidiaries

	1 January - 31 December 2019	1 January - 31 December 2018
Aktül ⁽¹⁾	364.646	312.164
İdeal Standart ⁽²⁾	16.020	16.468
	380.666	328.632
Related party transactions	4.126.794	3.616.540

⁽¹⁾ Companies owned by shareholders of the Company.

⁽²⁾ Non consolidated subsidiaries of the Group.

⁽³⁾ Other related party.

ii) For the periods ended 31 December 2019 and 2018 salaries, bonuses and compensations provided to board of directors and key management comprising of 147 and 143 personnel, respectively, are as follows:

	1 January - 31 December 2019	1 January - 31 December 2018
Short-term benefits to employees	89.416	81.742
Total benefits	89.416	81.742

28. 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.

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Profit share rate position table

According to IFRS 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	1.288.240	448.264
	Participation account	750.649	1.614
	Lease certificate & Investment fund	537.591	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.

Credit risk table (Current period - 31 December 2019)

	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)	-	1.433.320	169	24.218	-	858.761	622.760	537.591
- Maximum risk secured by guarantees etc.	-	-	-	-	-	-	-	-
A. Net book value of financial assets neither overdue nor impaired	-	1.433.320	169	24.218	-	858.761	622.760	537.591
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)	-	-	-	11.370	-	-	-	-
- Impairment	-	-	-	(11.370)	-	-	-	-
- 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 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	33.246	-	230.475	350.761	446.650
- Maximum risk secured by guarantees etc.	-	-	-	-	-	-	-	-
A. Net book value of financial assets neither overdue nor impaired								
B. Net book value of financial assets that are renegotiated, if not that will be accepted as past due or impaired	-	1.159.602	158	33.246	-	230.475	350.761	446.650
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)	-	-	-	-	-	-	-	-
- Impairment	-	-	-	9.928	-	-	-	-
- The part of net value under guarantee with collateral etc.	-	-	-	(9.928)	-	-	-	-
- Not past due (gross carrying amount)	-	-	-	-	-	-	-	-
- Impairment	-	-	-	-	-	-	-	-
E. Off-balance sheet items with credit risk	-	-	-	-	-	-	-	-
Maximum credit risk exposures as of report date (A+B+C+D+E)	-	-	-	-	-	-	-	-

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

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Foreign currency position

As of 31 December 2019 and 2018, the Group's foreign currency position is as follows:

	31 December 2019			31 December 2018				
	TRY Equivalent	USD	EUR	GBP	TRY Equivalent	USD	EUR	GBP
1. Trade receivables	-	-	-	-	-	-	-	-
2a. Monetary financial assets (including cash, banks accounts)	13.003	1.175.049	900.583	4.372	12.058	2.273.633	9.007	6.372
2b. Non-monetary financial assets	-	-	-	-	-	-	-	-
3. Other	-	-	-	-	-	-	-	-
4. Current assets (1+2+3)	13.003	1.175.049	900.583	4.372	12.058	2.273.633	9.007	6.372
5. Trade receivables	-	-	-	-	-	-	-	-
6a. Monetary financial assets	84	14.100	-	-	143	25.700	1.278	-
6b. Non-monetary financial assets	-	-	-	-	-	-	-	-
7. Other	-	-	-	-	-	-	-	-
8. Current assets (5+6+7)	84	14.100	-	-	143	25.700	1.278	-
9. Total assets (4+8)	13.087	1.189.149	900.583	4.372	12.201	2.299.333	10.285	6.372
10. Trade payables	-	-	-	-	-	-	-	-
11. Financial liabilities	30.786	-	4.629.001	-	-	-	-	-
12a. Monetary other liabilities	-	-	-	-	-	-	-	-
12b. Non-monetary other liabilities	-	-	-	-	-	-	-	-
13. Current liabilities (10+11+12)	30.786	-	4.629.001	-	-	-	-	-
14. Trade payables	-	-	-	-	-	-	-	-
15. Financial liabilities	30.404	-	4.571.672	-	-	-	-	-
16a. Monetary other liabilities	-	-	-	-	-	-	-	-
16b. Non-monetary other liabilities	-	-	-	-	-	-	-	-
17. Non-current liabilities (14+15+16)	30.404	-	4.571.672	-	-	-	-	-
18. Total liabilities (13+17)	61.190	-	9.200.673	-	-	-	-	-
19. Net asset/(liability) position of off-balance sheet derivative instruments (19a-19b)	-	-	-	-	-	-	-	-
19a. Hedged total assets amount	-	-	-	-	-	-	-	-
19b. Hedged total liabilities amount	(48.103)	1.189.149	(8.300.090)	4.372	12.201	2.299.333	10.285	6.372
20. Net foreign currency asset/(liability) position (9-18+19)	(48.103)	1.189.149	(8.300.090)	4.372	12.201	2.299.333	10.285	6.372
21. Net foreign currency asset/(liability) position of monetary items (TFRS 7 b23) (=1+2a+5+6a-10-11-12a-14-15-16a)	(48.103)	1.189.149	(8.300.090)	4.372	12.201	2.299.333	10.285	6.372
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 2019 and 2018:

31 December 2019

Exchange rate sensitivity analysis				
	Current Period		Equity	
	Profit/(Loss)			
	Foreign currency appreciation	Foreign currency depreciation	Foreign currency appreciation	Foreign currency depreciation
<i>Change of USD against TRY by 10%:</i>				
1- USD net asset/(liability)	706	(706)	-	-
2- Protected part from USD risk(-)	-	-	-	-
3- USD net effect (1+2)	706	(706)	-	-
<i>Change of EUR against TRY by 10%:</i>				
4- EUR net asset/(liability)	(5.520)	5.520	-	-
5- Protected part from EUR risk(-)	-	-	-	-
6- EUR net effect (4+5)	(5.520)	5.520	-	-
<i>Change of GBP against TRY by 10%:</i>				
7- GBP net asset/(liability)	3	(3)	-	-
8- Protected part from GBP risk(-)	-	-	-	-
9- GBP net effect (7+8)	3	(3)	-	-
Total (3+6+9)	(4.811)	4.811	-	-

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31 December 2018

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

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 2019 and 2018, maturities of undiscounted trade payables and financial liabilities of the Group are as follows:

31 December 2019

Contractual maturities	Book value	Total cash outflow	Less than 3 months	3 -12 months	More than 1 year
Non derivative financial liabilities	4.311.897	7.990.829	328.818	830.550	6.831.461
Trade payables	5.001.966	5.053.719	5.053.719	-	-
Due to related parties	557.473	563.230	563.230	-	-

31 December 2018

Contractual maturities	Book value	Total cash outflow	Less than 3 months	3 -12 months	More than 1 year
Non derivative financial liabilities	37.853	37.853	37.853	-	-
Trade payables	4.030.673	4.057.641	4.057.641	-	-
Due to related parties	485.466	488.691	488.691	-	-

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 2019 and 2018 are as follows:

	31 December 2019	31 December 2018
Total liabilities	10.936.275	5.435.934
Less: Cash and cash equivalents	(1.158.847)	(546.919)
Net debt	9.777.428	4.889.015
Total equity	4.237.290	3.512.016
Total equity+net debt	14.014.718	8.401.031
Net debt/(Total equity+net debt) (%)	70	58

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29. 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 2019 and 2018. See note 10 for disclosures of the land and buildings that are measured at fair value (Note 10).

31 December 2019	Level 1	Level 2	Level 3	Total
Financial assets measured at fair value through other comprehensive income				
Retail industry	-	455.170	-	455.170
Production of cleaning papers	-	155.000	-	155.000
Financial assets measured at fair value through profit or loss				
Real estate investment fund	59.396	-	-	59.396
Total assets	59.396	610.170	-	669.566
31 December 2018				
Financial assets measured at fair value through other comprehensive income				
Retail industry	-	338.171	-	338.171
Financial assets measured at fair value through profit or loss				
Real estate investment fund	279.483	-	-	279.483
Total assets	279.483	338.171	-	617.654

There were no transfers between levels during in year.

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(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 2019 and 2018, 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.

30. Events after balance sheet date

14% of all of the shares in Aktül Kağıt Üretim Pazarlama A.Ş., which was classified as a financial asset available for sale in line with the decision taken by the Board of Directors on 20 February 2020, was sold for TRY 155,000. The related transfer took place on 21 February 2020.

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APPENDIX I – OTHER INFORMATION**Effects of TFRS 16**

The effects of TFRS 16 “Leases” on Group’s financial statements are shown in the following table:

	31 December 2019	Effect of TFRS 16	31 December 2019 without TFRS 16
Current assets	6.127.540	-	6.127.540
Cash and cash equivalents	1.158.847	-	1.158.847
Financial investments	537.591	-	537.591
Trade receivables	1.433.320	-	1.433.320
- Trade receivables from third parties	1.433.320	-	1.433.320
Other receivables	17.348	-	17.348
- Other receivables from related parties	169	-	169
- Other receivables from third parties	17.179	-	17.179
Inventory	2.368.527	-	2.368.527
Prepaid expenses	219.210	-	219.210
Current income tax assets	321.295	-	321.295
Other current assets	71.402	-	71.402
Non-current assets	9.046.025	4.015.220	5.030.805
Financial investments	622.760	-	622.760
Other receivables	7.039	-	7.039
- Other receivables from third parties	7.039	-	7.039
Property, plant and equipment	4.329.172	-	4.329.172
Intangible assets	38.420	-	38.420
The right of use assets	4.010.948	4.010.948	-
Prepaid expenses	27.800	-	27.800
Deferred tax assets	9.886	4.272	5.614
Total assets	15.173.565	4.015.220	11.158.345

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

	31 December 2019	Effect of TFRS	31 December 2019 without TFRS 16
Current liabilities	7.319.404	984.358	6.335.046
Short-term liabilities	1.031.688	984.358	47.330
- Banka loans	47.330	-	47.330
- Lease liabilities	984.358	984.358	-
Trade payables	5.559.439	-	5.559.439
- Trade payables due to related parties	557.473	-	557.473
- Trade payables due to third parties	5.001.966	-	5.001.966
Other payables	166	-	166
- Other payables due to third parties	166	-	166
Deferred income	18.193	-	18.193
Payables related to employee benefits	57.029	-	57.029
Short term provisions	72.245	-	72.245
Provision for employee benefits	24.507	-	24.507
- Other short term provisions	47.738	-	47.738
Current income tax liabilities	425.281	-	425.281
Other current liabilities	155.363	-	155.363
Non-current liabilities	3.616.871	3.232.078	384.793
Long - term liabilities	3.280.209	3.280.209	-
- Lease liabilities	3.280.209	3.280.209	-
Non-current provisions	180.114	-	180.114
Provision for employee benefits	180.114	-	180.114
Deferred tax liabilities	156.548	(48.131)	204.679
Equity	4.237.290	(201.216)	4.438.506
Equity holders of the parent	4.237.290	(201.216)	4.438.506
Paid-in share capital	607.200	-	607.200
Treasury shares	-	-	-
Other comprehensive income/(expense) not to be reclassified to profit or loss	981.646	-	981.646
- Property and equipment revaluation reserve	785.683	-	785.683
Revaluation gain/(loss) on defined benefit plans	(117.556)	-	(117.556)
- Fair value changes in available-for-sale financial assets	313.519	-	313.519
Other comprehensive income/(expense) to be reclassified to profit or loss	68.101	(1.141)	69.242
- Currency translation difference	68.101	(1.141)	69.242
Restricted reserves	431.098	-	431.098
Retained earnings	924.368	-	924.368
Net income for the period	1.224.877	(200.075)	1.424.952
Total liabilities	15.173.565	4.015.220	11.158.345

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	1 January - 31 December 2019	Effect of TFRS 16	1 January - 31 December 2019 without TFRS 16
PROFIT OR LOSS			
Revenue	40.211.942	-	40.211.942
Cost of sales (-)	(33.226.484)	-	(33.226.484)
GROSS PROFIT	6.985.458	-	6.985.458
Marketing expenses (-)	(4.278.730)	374.871	(4.653.601)
General administrative expenses (-)	(640.439)	6.183	(646.622)
Other operating income	73.808	7.110	66.698
Other operating expense (-)	(18.034)	-	(18.034)
OPERATING PROFIT	2.122.063	388.164	1.733.899
Income from investing activities	115.150	-	115.150
Expense from investing activities	(3.423)	-	(3.423)
OPERATING PROFIT BEFORE FINANCIAL EXPENSES	2.233.790	388.164	1.845.626
Financial income	20.623	-	20.623
Financial expense (-)	(663.539)	(640.242)	(23.297)
PROFIT BEFORE TAX FROM CONTINUED OPERATIONS	1.590.874	(252.078)	1.842.952
- Current tax expense	(424.831)	-	(424.831)
- Deferred tax expense	58.834	52.003	6.831
PROFIT FROM CONTINUED OPERATIONS	1.224.877	(200.075)	1.424.952
NET INCOME FOR THE PERIOD	1.224.877	(200.075)	1.424.952

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