

BİM BİRLEŐİK MAĐAZALAR A.Ő.

**CONVENIENCE TRANSLATION INTO ENGLISH OF
CONSOLIDATED FINANCIAL STATEMENTS
FOR THE PERIOD 1 JANUARY - 31 MARCH 2020**

(ORIGINALLY ISSUED IN TURKISH)

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

BİM BİRLEŞİK MAĞAZALAR A.Ş.

**CONSOLIDATED INTERIM FINANCIAL STATEMENTS FOR THE PERIOD
1 JANUARY - 31 MARCH 2020**

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BİM BİRLEŞİK MAĞAZALAR A.Ş.

**CONSOLIDATED BALANCE SHEETS
AT 31 MARCH 2020 AND 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.)

ASSETS

	Notes	Not Reviewed 31 March 2020	Audited 31 December 2019
Current assets		9.105.053	6.127.540
Cash and cash equivalents	4	2.613.300	1.158.847
Financial investments	5	399.044	537.591
Trade receivables		2.233.047	1.433.320
- Trade receivables from third parties	7	2.233.047	1.433.320
Other receivables	8	19.615	17.348
- Other receivables from related parties		179	169
- Other receivables from third parties		19.436	17.179
Inventory	9	3.386.737	2.368.527
Prepaid expenses	14	352.627	219.210
Current income tax assets	25	3.279	321.295
Other current assets	16	97.404	71.402
Non-current assets		9.471.723	9.046.025
Financial investments	5	467.760	622.760
Other receivables		7.461	7.039
- Other receivables from third parties		7.461	7.039
Property, plant and equipment	10	4.481.321	4.329.172
Intangible assets	11	40.658	38.420
The right of use assets	12	4.433.157	4.010.948
Prepaid expenses	14	29.480	27.800
Deferred tax assets	25	11.886	9.886
Total assets		18.576.776	15.173.565

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

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BİM BİRLEŞİK MAĞAZALAR A.Ş.

**CONSOLIDATED BALANCE SHEETS
AT 31 MARCH 2020 AND 31 DECEMBER 2020**

(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	Not Reviewed 31 March 2020	Audited 31 December 2019
Current liabilities		9.872.720	7.319.404
Short-term liabilities	6	1.100.040	1.031.688
- Bank loans		59.922	47.330
- Lease liabilities		1.040.118	984.358
Trade payables		8.174.058	5.559.439
- Trade payables due to related parties	27	837.464	557.473
- Trade payables due to third parties	7	7.336.594	5.001.966
Other payables		165	166
- Other payables due to third parties		165	166
Deferred income	14	39.621	18.193
Payables related to employee benefits		66.961	57.029
Short term provisions		84.601	72.245
- Provision for employee benefits	13	39.890	24.507
- Other short term provisions	13	44.711	47.738
Current income tax liabilities	25	159.017	425.281
Other current liabilities	16	248.257	155.363
Non-current liabilities		4.025.377	3.616.871
Long - term liabilities	6	3.716.614	3.280.209
- Lease liabilities		3.716.614	3.280.209
Non - current provisions		185.315	180.114
- Provision for employee benefits	15	185.315	180.114
Deferred tax liabilities	25	123.448	156.548
Equity		4.678.679	4.237.290
Equity holders of the parent		4.678.679	4.237.290
Paid-in share capital	17	607.200	607.200
Other comprehensive income/(expense) not to be reclassified to profit or loss		962.883	981.646
- Property and equipment revaluation reserve	10,17	785.683	785.683
- Revaluation gain/(loss) on defined benefit plans		(117.556)	(117.556)
- Fair value changes in available-for-sale financial assets		294.756	313.519
Other comprehensive income/(expense) to be reclassified to profit or loss		79.079	68.101
- Currency translation difference		79.079	68.101
Restricted reserves	17	431.098	431.098
Retained earnings		2.168.008	924.368
Net income for the period		430.411	1.224.877
Total liabilities		18.576.776	15.173.565

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

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

BİM BİRLEŞİK MAĞAZALAR A.Ş.

STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE PERIODS ENDED 31 MARCH 2020 AND 2019

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

	Notes	Not Reviewed 1 January 2020 – 31 March 2020	Not Reviewed 1 January 2019 – 31 March 2019
PROFIT OR LOSS			
Revenue	18	12.597.616	9.025.282
Cost of sales (-)	18	(10.429.978)	(7.488.411)
GROSS PROFIT		2.167.638	1.536.871
Marketing expenses (-)	19	(1.293.486)	(977.311)
General administrative expenses (-)	19	(208.609)	(157.070)
Other operating income	21	18.707	12.818
Other operating expense (-)	21	(3.144)	(3.743)
OPERATING PROFIT		681.106	411.565
Income from investing activities	24	12.947	20.272
Expense from investing activities	24	(1.215)	(99)
OPERATING PROFIT BEFORE FINANCIAL EXPENSES		692.838	431.738
Financial income	22	39.680	1.864
Financial expense (-)	23	(178.301)	(154.144)
PROFIT BEFORE TAX FROM CONTINUED OPERATIONS		554.217	279.458
- Current tax expense	25	(158.455)	(78.711)
- Deferred tax expense	25	34.649	14.637
PROFIT FROM CONTINUED OPERATIONS		430.411	215.384
NET INCOME FOR THE PERIOD		430.411	215.384
Profit for the period attributable to			
Non-controlling interest		-	-
Equity holders of the parent		430.411	215.384
Earnings per share			
Earnings per share from continued operations (Full TRY)	26	0,709	0,359
Earnings per share from discontinued operations		-	-
Other comprehensive gain/(loss)			
Items not to be reclassified to profit /(loss)		(18.763)	-
Gains on revaluation of available for sale financial assets, net		(18.763)	-
Items to be reclassified to profit /(loss)		10.978	13.328
Currency translation difference		10.978	13.328
Other comprehensive income/(loss)		(7.785)	13.328
Total comprehensive income		422.626	228.712
Total comprehensive income attributable to			
Non-controlling interest		-	-
Equity holders of the parent		422.626	228.712

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

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**CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
FOR THE PERIODS ENDED 01 JANUARY – 31 MARCH 2020 AND 2019**

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

	Not Reviewed									Total Equity
				Other comprehensive income not to be reclassified to profit or loss		Other comprehensive income to be reclassified to profit or loss				
	Paid-in share capital	Treasury shares	Restricted reserves	Fair value changes in available-for-sale financial assets	Tangible assets fair value reserve	Revaluation loss on defined benefit plans	Currency translation differences	Retained earnings	Net income for the period	
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	-	-	-	-	-	-	-	1.250.464	(1.250.464)	-
Total comprehensive income	-	-	-	-	-	-	13.328	-	215.384	228.712
Balance at 31 March 2019	303.600	(235.729)	571.193	183.607	785.683	(90.164)	54.353	1.952.801	215.384	3.740.728
Balance at 1 January 2020	607.200	-	431.098	313.519	785.683	(117.556)	68.101	924.368	1.224.877	4.237.290
Transfers	-	-	-	-	-	-	-	1.243.640	(1.224.877)	18.763
Total comprehensive income	-	-	-	(18.763)	-	-	10.978	-	430.411	422.626
Balance at 31 March 2020	607.200	-	431.098	294.756	785.683	(117.556)	79.079	2.168.008	430.411	4.678.679

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BİM BİRLEŞİK MAĞAZALAR A.Ş.

**CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE PERIODS ENDED 31 MARCH 2020 AND 2019**

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

	Notes	Not Reviewed 1 January - 31 March 2020	Not Reviewed 1 January - 31 March 2019
A. CASH FLOWS FROM OPERATING ACTIVITIES			
Profit for the period		430.411	215.384
Adjustments to reconcile profit for the period		564.875	467.656
Depreciation and amortisation	10,11,12	319.321	251.664
Provisions for impairments		15.567	1.809
- Provisions for impairments of inventories	9	15.447	1.786
- Allowance for doubtful receivables	8	120	23
Adjustments related to provisions		51.079	92.735
- Adjustments related to provision for employment termination benefits		54.106	88.991
- Adjustments related to the legal provisions	13	948	2.105
- Adjustments related to other provisions	13	(3.975)	1.639
Adjustments related to financial income and expense		92.462	82.834
- Adjustments related to financial expenses		172.159	145.334
- Adjustments related to deferred financial expense from future purchases		(79.697)	(62.500)
Adjustments related to interest income and other financial instruments		(33.694)	(28.816)
Adjustments for tax income/(losses)	25	123.806	64.074
(Gain)/Loss on sale of property and equipment	24	1.215	99
Adjustments related to gain/(loss)		(4.881)	3.257
Changes in net working capital		799.889	(23.748)
Increases/decreases in inventories		(1.033.657)	(181.619)
Increases/decreases in trade receivables		(799.727)	(27.526)
Increases/decreases in other assets		(2.817)	2.569
Increases/decreases in trade payables		2.694.316	250.441
Increases/decreases in other payables		(1)	58
Increases/decreases other net working capital		(58.225)	(67.671)
Net cash generated from operating activities		1.795.175	659.292
Income taxes paid	25	(107.265)	(85.149)
Other cash inflows (Collections of doubtful receivables)		8	-
Employee benefits paid	15	(9.015)	(6.050)
B. CASH FLOWS FROM INVESTING ACTIVITIES		30.813	(235.177)
Cash inflows from sale of shares or debt instruments of other businesses or funds	5	155.000	-
Cash outflows for acquisition of shares or debt instruments of other businesses or funds		-	(130.945)
Proceeds from sale of tangible and intangible assets	10,11,24	3.989	8.902
Cash outflows from purchases of tangible and intangible assets	10,11	(269.122)	(276.738)
- Purchases of tangible assets		(268.093)	(276.054)
- Purchases of intangible assets		(1.029)	(684)
Participation (profit) share and cash inflows from other financial instruments		144.073	154.922
Cash advances given and liabilities		(3.127)	8.682
C. CASH FLOWS FROM FINANCING ACTIVITIES		(260.501)	(271.951)
Cash outflows from financial liabilities		-	(37.853)
Proceeds from financial liabilities	6	12.592	-
Cash outflows from payments of rent agreements		(290.597)	(234.472)
Participation (profit) shares and cash inflows from other financial instruments		17.504	374
NET DECREASE IN CASH AND CASH EQUIVALENTS BEFORE CURRENCY TRANSLATION DIFFERENCES (A+B+C)		1.449.215	60.965
D. EFFECTS OF CURRENCY TRANSLATION DIFFERENCES ON CASH AND CASH EQUIVALENTS		(5.425)	(6.599)
NET INCREASE IN CASH AND CASH EQUIVALENTS (A+B+C+D)		1.443.790	54.366
E. CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE PERIOD	4	1.154.508	546.919
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD(A+B+C+D+E)	4	2.598.298	601.285

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE INTERIM PERIOD 1 JANUARY - 31 MARCH 2020

(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 March 2020.

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 March 2020.

Dost Global Danışmanlık A.Ş. (“Dost Global”), which is a 100% subsidiary to reach a more efficient organizational structure within the scope of the foreign investments of the Company was founded 8 January 2020. Dost Global financial statements are consolidated by using the full consolidation method as of 31 March 2020.

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 14 May 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 March 2020 and 2019, the period-end number of employees in accordance with their categories is shown below:

	31 March 2020	31 March 2019
Office personnel	3.207	3.016
Warehouse personnel	5.591	4.988
Store personnel	45.001	40.045
Total	53.799	48.049

As of 31 March 2020, the Group operates in 8.640 stores (31 December 2019: 8.438).

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE INTERIM PERIOD 1 JANUARY - 31 MARCH 2020

(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 March 2020 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.

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE INTERIM PERIOD 1 JANUARY - 31 MARCH 2020

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

2. Basis of preparation of financial statements (Continued)

2.2 New and amended International Financial Reporting Standards (Continued)

a) *The new standards, amendments and interpretations which are effective for the financial statements as of 31 March 2020:*

- **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.
- **TFRS 16, ‘Leases’;** effective from annual periods beginning on or after 1 January 2019, with earlier application permitted if TFRS 15 ‘Revenue from Contracts with Customers’ is also applied. This standard replaces the current guidance in TAS 17 and is a farreaching change in accounting by lessees in particular. Under TAS 17, lessees were required to make a distinction between a finance lease (on balance sheet) and an operating lease (off balance sheet). TFRS 16 now requires lessees to recognise a lease liability reflecting future lease payments and a ‘right of use asset’ for virtually all lease contracts. The IASB has included an optional exemption for certain short-term leases and leases of low-value assets; however, this exemption can only be applied by lessees. For lessors, the accounting stays almost the same. However, as the IASB has updated the guidance on the definition of a lease (as well as the guidance on the combination and separation of contracts), lessors will also be affected by the new standard. At the very least, the new accounting model for lessees is expected to impact negotiations between lessors and lessees. Under TFRS 16, a contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.
- **IFRIC 23, ‘‘Uncertainty over income tax treatments’’;** effective from annual periods beginning on or after 1 January 2019. This IFRIC clarifies how the recognition and measurement requirements of TAS 12 ‘Income taxes’, are applied where there is uncertainty over income tax treatments. The IFRS IC had clarified previously that TAS 12, not TAS 37, ‘Provisions, contingent liabilities and contingent assets’, applies to accounting for uncertain income tax treatments. IFRIC 23 explains how to recognise and measure deferred and current income tax assets and liabilities where there is uncertainty over a tax treatment. An uncertain tax treatment is any tax treatment applied by an entity where there is uncertainty over whether that treatment will be accepted by the tax authority. For example, a decision to claim a deduction for a specific expense or not to include a specific item of income in a tax return is an uncertain tax treatment if its acceptability is uncertain under tax law. IFRIC 23 applies to all aspects of income tax accounting where there is an uncertainty regarding the treatment of an item, including taxable profit or loss, the tax bases of assets and liabilities, tax losses and credits and tax rates.

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

2. Basis of preparation of financial statements (Continued)

2.2 New and amended International Financial Reporting Standards (Continued)

- **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.
- **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.

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE INTERIM PERIOD 1 JANUARY - 31 MARCH 2020

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

2. Basis of preparation of financial statements (Continued)

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

b) Standards, amendments and interpretations that are issued but not effective as at 31 March 2020:

- **IFRS 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.
- **Amendments to IAS 1, Presentation of financial statements’ on classification of liabilities**; effective from 1 January 2022. These narrow-scope amendments to IAS 1, ‘Presentation of financial statements’, clarify that liabilities are classified as either current or non-current, depending on the rights that exist at the end of the reporting period. Classification is unaffected by the expectations of the entity or events after the reporting date (for example, the receipt of a waiver or a breach of covenant). The amendment also clarifies what IAS 1 means when it refers to the ‘settlement’ of a liability.

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 March 2020 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 1,5437 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 1,5660. 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 2,4149, at the average TRY exchange rate for purchases of EGP, is TRY 1 = EGP 2,5283. Differences that occur by the usage of closing and average exchange rates are followed under currency translation differences classified under equity.

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

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2. Basis of preparation of financial statements (Continued)

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 March 2020. 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.

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2. Basis of preparation of financial statements (Continued)

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 13 days term (31 December 2019: 12 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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2 Basis of preparation of financial statements (Continued)

2.7 Summary of significant accounting policies (Continued)

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.

Right-of-Use Assets and Lease Liabilities

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,

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2 Basis of preparation of financial statements (Continued)

2.7 Summary of significant accounting policies (Continued)

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.

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.

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2 Basis of preparation of financial statements (Continued)

2.7 Summary of significant accounting policies (Continued)

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

Special Costs

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

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2 Basis of preparation of financial statements (Continued)

2.7 Summary of significant accounting policies (Continued)

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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2. Basis of preparation of financial statements (Continued)

2.7 Summary of significant accounting policies (Continued)

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.

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2. Basis of preparation of financial statements (Continued)

2.7 Summary of significant accounting policies (Continued)

Recognition and derecognition of financial assets and liabilities

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

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

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

Impairment of financial assets

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

Financial assets measured at amortized cost

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

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

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

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

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

Trade payables

Trade payables which generally have an average of 59 days term (31 December 2019: 55 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.

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2. Basis of preparation of financial statements (Continued)

2.7 Summary of significant accounting policies (Continued)

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.

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 March 2020	6,5160	7,2150
31 December 2019	5,9402	6,6506

Earnings per share

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

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

Events after balance sheet date

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

Provisions, contingent assets and contingent liabilities

i) Provisions

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

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2. Basis of preparation of financial statements (Continued)

2.7 Summary of significant accounting policies (Continued)

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.

Related parties

- a) A person or a close member of that person's family is related to a reporting entity if that person:
- Has control or joint control over the reporting entity,
 - Has significant influence over the reporting entity, or,
 - 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:
- The entity and the reporting entity are members of the same group,
 - 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),
 - Both entities are joint ventures of the same third party,
 - One entity is a joint venture of a third entity and the other entity is an associate of the third entity,
 - 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,
 - The entity is controlled or jointly controlled by a person identified in (a),
 - 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.

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2. Basis of preparation of financial statements (Continued)

2.7 Summary of significant accounting policies (Continued)

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

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

Statement of Cash Flows

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

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

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

Employee Benefits

a) Defined benefit plans:

In accordance with existing social legislation in Turkey, the Company is required to make lump-sum termination indemnity payments to each employee who has completed over one year of service with the Company and whose employment is terminated due to retirement or for reasons other than resignation or misconduct. As detailed in Note 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 March 2020	31 December 2019
Cash on hand	222.684	211.838
Banks		
- Demand deposits	242.681	108.112
- Profit share deposits	2.056.647	750.649
Cash in transit	91.288	88.248
	2.613.300	1.158.847
Less: Accrual for profit share	(15.002)	(4.339)
Cash and cash equivalents for cash flow	2.598.298	1.154.508

As of 31 March 2020 and 31 December 2019 there is no restricted cash. As of 31 March 2020, total profit share deposits are in TRY (31 December 2019: TL) and the gross rate profit share from participation banks for TRY is gross 9,61% per annum (31 December 2019: for TRY gross 10,89% 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 March 2020 and 31 December 2019 Group’s short-term financial investments, consisting out of lease certificates and real estate investment funds which are less than one year maturity are detailed in the table below with their amortized cost value.

	31 March 2020	31 December 2019
Lease certificate (*)	238.469	478.195
Real estate investment fund	160.575	59.396
	399.044	537.591

(*) As of 31 March 2020, lease certificates are denominated in TRY and the simple gross annual rate of return is 10.40% on average (31 December 2019: TRY, gross annual 13.39%).

b) Long-term financial assets

Financial investments amounting to TRY467.760 as of 31 March 2020 are detailed below (31 December 2019: TRY622.760) .

i) Subsidiaries:

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

Name of subsidiary	Share (%)	31 March 2020	31 December 2019
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 March 2020, 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.

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5. Financial assets (Continued)

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 March 2020	31 December 2019
FLO Mağazacılık ve Pazarlama A.Ş. (*)	11,5	455.170	455.170
Aktül Kağıt Üretim Pazarlama A.Ş. (**)	14	-	155.000
		455.170	610.170

(*) 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%

(**) 14% of the shares of Aktül Kağıt Üretim Pazarlama A.Ş. (“Aktül”), which is the related company of the Group, were sold for TRY155,000 in line with the decision of the Board of Directors on 20 February 2020. The related transfer took place on February 21, 2020.

6. Financial liabilities

a) Loans

The Group has short-term interest-free financial debts from various banks amounting to TRY59.922 to pay SGK liabilities as of 31 March 2020. (31 December 2019: TRY47.330). Such borrowings have been closed on 1 April 2020.

b) Lease Liabilities

Short term portion of long term liabilities	31 March 2020	31 December 2019
Lease liabilities	1.040.118	984.358
	1.040.118	984.358
Long term lease liabilities	31 March 2020	31 December 2019
Lease liabilities	3.716.614	3.280.209
	3.716.614	3.280.209
Total borrowings	4.756.732	4.264.567

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

	31 March 2020	31 December 2019
Shorter than 3 month	277.303	255.377
3 - 12 month	762.815	728.981
More than 12 month	3.716.614	3.280.209
	4.756.732	4.264.567

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

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7. Trade receivables and payables

a) Trade receivables from third parties

	31 March 2020	31 December 2019
Credit card receivables	2.233.047	1.433.320
	2.233.047	1.433.320

As of 31 March 2020 the average term of credit card receivables is 13 days (31 December 2019: 12 days).

b) Trade payables due to third parties

	31 March 2020	31 December 2019
Trade payables	7.408.097	5.053.719
Unincurred rediscount expense (-)	(71.503)	(51.753)
	7.336.594	5.001.966

As of 31 March 2020 the average term of trade payables is 59 days (31 December 2019: 55 days). As of 31 March 2020 letters of guarantee, cheques and notes are amounting to TRY255.134 and mortgages are amounting to TRY12.103 (31 December 2019: TRY282.614 letters of guarantee, cheques and notes TRY10.395 mortgages).

8. Other receivables

a) Other receivables from related parties

	31 March 2020	31 December 2019
Receivables from related parties	179	169
	179	169

b) Other receivables from third parties

	31 March 2020	31 December 2019
Other receivables	19.436	17.179
Doubtful receivables	11.482	11.370
Less: Allowance for doubtful receivables	(11.482)	(11.370)
	19.436	17.179

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

	31 March 2020	31 December 2019
Balance at the beginning of the period - 1 January	11.370	9.928
Allowance for doubtful receivables	120	23
Collection in current year	(8)	-
Balance at the end of the period – 31 March	11.482	9.951

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9. Inventories

	31 March 2020	31 December 2019
Trade goods, net	3.367.837	2.356.936
Other	18.900	11.591
	3.386.737	2.368.527

Cost of inventories amounting to TRY10.680.972 (31 March 2019: TRY7.840.114) expensed under cost of sales.

The movement of impairment for inventories in 2020 and 2019 is as follows:

	2020	2019
Balance at the beginning of the period - 1 January	2.509	11.524
Current year reversal	(2.509)	(11.524)
Allowance for impairment	15.447	1.786
Balance at the end of the period - 31 March	15.447	1.786

As of 31 March 2020, allowance for impairment on trade goods amounting to TRY15.447 (31 December 2019: TRY2.509).

10. Property, plant and equipment

The movements of property and equipment and the related accumulated depreciation for the periods ended 31 March 2020 and 2019 are as follows:

	1 January 2020	Additions	Disposals	Transfers	Currency translation differences	31 March 2020
Cost or revalued amount						
Land	848.638	2.264	-	-	1.289	852.191
Land improvements	18.988	206	(2)	-	-	19.192
Buildings	1.490.946	8.512	(2)	1.501	1.837	1.502.794
Machinery and equipment	1.560.375	105.144	(6.208)	1.268	13.425	1.674.004
Vehicles	306.548	18.084	(1.869)	498	1.845	325.106
Furniture and fixtures	577.200	38.162	(4.203)	567	3.645	615.371
Leasehold improvements	1.330.996	65.930	(4.241)	3.831	17.100	1.413.616
Construction in progress	44.193	29.791	(1.432)	(11.452)	136	61.236
	6.177.884	268.093	(17.957)	(3.787)	39.277	6.463.510
Less : Accumulated depreciation						
Land improvements	(11.283)	(651)	3	-	-	(11.931)
Land	(129.354)	(20.966)	-	-	(215)	(150.535)
Machinery and equipment	(660.056)	(38.930)	5.036	-	(9.280)	(703.230)
Vehicles	(156.549)	(13.250)	1.357	-	(1.212)	(169.654)
Furniture and fixtures	(336.966)	(20.632)	4.052	-	(1.741)	(355.287)
Leasehold improvements	(554.504)	(31.065)	2.311	-	(8.294)	(591.552)
	(1.848.712)	(125.494)	12.759		(20.742)	(1.982.189)
Net book value	4.329.172					4.481.321

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10. Property, plant and equipment (Continued)

	1 January 2019	Additions	Disposals	Transfers	Currency translation differences	31 March 2019
Cost or revalued amount						
Land	817.860	2.805	-	-	1.243	821.908
Land improvements	15.326	388	(7)	20	-	15.727
Buildings	1.200.106	17.646	(9)	57.297	1.288	1.276.328
Machinery and equipment	1.230.234	83.780	(8.474)	2.953	11.339	1.319.832
Vehicles	242.076	34.464	(5.628)	1.012	1.859	273.783
Furniture and fixtures	459.329	27.894	(5.112)	900	2.837	485.848
Leasehold improvements	1.055.029	49.729	(3.075)	3.990	15.928	1.121.601
Construction in progress	116.296	59.348	(3.991)	(88.615)	177	83.215
	5.136.256	276.054	(26.296)	(22.443)	34.671	5.398.242
Less : Accumulated depreciation						
Land improvements	(8.969)	(524)	-	-	-	(9.493)
Land	(59.569)	(17.332)	-	-	(81)	(76.982)
Machinery and equipment	(531.295)	(30.466)	6.125	-	(7.240)	(562.876)
Vehicles	(118.478)	(11.260)	4.682	-	(1.060)	(126.116)
Furniture and fixtures	(280.405)	(15.570)	5.013	-	(1.363)	(292.325)
Leasehold improvements	(438.989)	(24.653)	1.481	-	(7.126)	(469.287)
	(1.437.705)	(99.805)	17.301	-	(16.870)	(1.537.079)
Net book value	3.698.551					3.861.163

As of 31 March 2020, depreciation expense amounting to TRY116.602 (1 January - 31 March 2019: TRY93.282) were accounted for in marketing expenses and TRY8.892 (1 January - 31 March 2019: TRY6.523) in general and administrative expenses for the period 1 January - 31 March 2020. The land and buildings were revalued and reflected to financial statements with their fair value. The book values of such assets were adjusted to the revalued amounts and the resulting surplus net of deferred income tax was credited to revaluation surplus in the equity. The revaluation surplus is not available for distribution to shareholders.

If the Group does not adopt the revaluation model in accordance with TAS 16, the net book values of the items of property and equipment as of 31 March 2020 and 31 December 2019 are as follows:

	31 March 2020	31 December 2019
Land	227.123	223.569
Buildings	1.164.503	1.153.099
	1.391.626	1.376.668

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 March 2020. 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).

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10. Property, plant and equipment (Continued)

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.

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

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

Valuation processes of the group

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

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

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

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10. Property, plant and equipment (Continued)

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

	1 January - 31 March 2020	1 January - 31 March 2019
Balance at the beginning of the period - 1 January	785.683	785.683
Revaluation increase	-	-
Deferred tax arising from revaluation increase	-	-
Balance at the end of the period - 31 March	785.683	785.683

Pledges and mortgages on assets

As of 31 March 2020 and 2019, there is no pledge or mortgage on property and equipment of the Group.

11. Intangible assets

The movements of intangible assets and related accumulated amortization for the periods ended 31 March 2020 and 2019 are as follows:

	1 January 2020	Additions	Disposals	Transfers	Currency translation differences	31 March 2020
Cost						
Right	69.643	1.029	(44)	3.787	155	74.570
Other intangible assets	295	-	-	-	-	295
	69.938	1.029	(44)	3.787	155	74.865
Accumulated amortization						
Right	(31.269)	(2.584)	38	-	(133)	(33.948)
Other intangible assets	(249)	(10)	-	-	-	(259)
	(31.518)	(2.594)	38	-	(133)	(34.207)
Net book value	38.420					40.658
	1 January 2019	Additions	Disposals	Transfers	Currency translation differences	31 December 2019
Cost						
Right	39.213	684	(109)	22.443	166	62.397
Other intangible assets	265	-	-	-	-	265
	39.478	684	(109)	22.443	166	62.662
Accumulated amortization						
Right	(22.830)	(1.101)	104	-	(119)	(23.946)
Other intangible assets	(188)	(11)	-	-	-	(199)
	(23.018)	(1.112)	104	-	(119)	(24.145)
Net book value	16.460					38.517

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11. Intangible assets (Continued)

As of 31 March 2020 amortisation expense amounting to TRY2.410 (1 January - 31 March 2019: TRY1.039) has been charged in marketing expenses and TRY184 (1 January - 31 March 2019: TRY73) in general and administrative expenses.

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

12. Right of Use Assets

The movements of right use of assets and the related accumulated depreciation for the period ended 31 March 2020 and 2019 as follows:

	1 January 2020	Additions	Disposals	Transfers	Currency translation differences	31 March 2020
Building	4.545.674	626.743	(53.471)	-	39.595	5.158.541
Vehicles	103.089	3.765	(3.218)	-	1.015	104.651
	4.648.763	630.508	(56.689)	-	40.610	5.263.192
Less: Accumulated amortization						
Building	(600.704)	(180.479)	6.059	-	(7.667)	(782.791)
Vehicles	(37.111)	(10.754)	1.390	-	(769)	(47.244)
	(637.815)	(191.233)	7.449	-	(8.436)	(830.035)
Net book value	4.010.948					4.433.157

	1 January 2019	Additions	Disposals	Transfers	Currency translation differences	31 March 2019
Building	3.498.042	129.672	(729)	-	33.757	3.660.742
Vehicles	66.417	13.304	(12)	-	326	80.035
	3.564.459	142.976	(741)	-	34.083	3.740.777
Less: Accumulated amortization						
Building	-	(142.174)	-	-	(941)	(143.115)
Vehicles	-	(8.573)	-	-	(33)	(8.606)
	-	(150.747)	-	-	(974)	(151.721)
Net book value	3.564.459					3.589.056

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13. Provisions, contingent assets and liabilities

a) Short term provisions for employee benefits

Unused vacation amounting to TRY39.890 is shown on the current provisions for employee benefits amounting in the Group account of short term provisions for the period ended 31 March 2020 (31 December 2019: TRY24.507).

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

	1 January - 31 March 2020	1 January - 31 March 2019
Balance at the beginning of the period - 1 January	24.507	18.918
Reversals during period	(24.507)	(18.918)
Provision of unused vacation	39.890	26.489
Balance at the end of the period – 31 December	39.890	26.489

b) Other short term provisions

	31 March 2020	31 December 2019
Legal provisions (*)	36.101	35.153
Other	8.610	12.585
Total	44.711	47.738

(*) As of 31 March 2020 and 31 December 2019, the total amount of outstanding lawsuits filed against the Group, TRY60.150 and TRY58.259 (in historical terms), respectively. The Group recognized provisions amounting to TRY36.101 and TRY35.153 for the related periods, respectively.

Current period movement of provision for lawsuits is as follows:

	1 January - 31 March 2020	1 January - 31 March 2019
Balance at the beginning of the period - 1 January	35.153	27.837
Provisions required	948	2.105
Balance at the end of the period - 31 March	36.101	29.942

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13. Provisions, contingent assets and liabilities (Continued)

Letter of guarantees, mortgages and pledges given by the Group

As of 31 March 2020 and 31 December 2019, breakdown of the guarantees, mortgage and pledges given by the Group is as follows:

	31 March 2020				
	Total TRY equivalent	TRY	USD	EUR	Moroccan Dirham
A. Total amount of guarantees, pledges and mortgages given in the name of					
<i>Guarantee</i>	<i>118.559</i>	<i>116.924</i>	<i>250.870</i>	-	-
<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	118.559	116.924	250.870	-	-

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13. Provisions, contingent assets and liabilities (Continued)

	31 December 2019				
	Total TRY equivalent	TRY	USD	EUR	Moroccan Dirham
A. Total amount of guarantees, pledges and mortgages given in the name of					
<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	-	-

Insurance coverage on assets

As of 31 March 2020 and 31 December 2019, insurance coverage on assets of the Group is TRY3.811.168 and TRY3.275.836 respectively.

14. Prepaid Expenses and Deferred Income

a) Short term prepaid expenses

	31 March 2020	31 December 2019
Order advances given to third parties	306.578	159.301
Order advances given to related parties (Note 27)	-	31.899
Other	46.049	28.010
	352.627	219.210

b) Long term prepaid expenses

	31 March 2020	31 December 2019
Advances given for property, plant and equipment	26.560	23.433
Other	2.920	4.367
	29.480	27.800

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14. Prepaid Expenses and Deferred Income (Continued)

c) Deferred Income

	31 March 2020	31 December 2019
Gift cards income	39.621	18.031
Other	-	162
	39.621	18.193

15. Employee termination benefits

	31 March 2020	31 December 2019
Provision for employee termination benefits	185.315	180.114
	185.315	180.114

The amount payable consists of one month’s salary limited to a maximum of full TRY6.730,15 for each period of service as of 31 March 2020 (31 December 2019: full TRY6.379,86). The retirement pay provision ceiling is revised semiannually, and full TRY6.730,15 which is effective from 1 January 2020, 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 March 2020 and 31 December 2019 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 2019: 7%) and a discount rate of 11,50% (31 December 2019: 11,50%). 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 March 2020	1 January - 31 March 2019
Current service cost (Note 20)	9.595	7.418
Financial expense of employee termination benefit (Not 23)	4.621	4.634
Total	14.216	12.052

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15. Employee termination benefits (Continued)

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

	1 January - 31 March 2020	1 January - 31 March 2019
Balance at the beginning of the period - 1 January	180.114	128.634
Financial expense of employee termination benefit	4.621	4.634
Current service cost	9.595	7.418
Benefits paid	(9.015)	(6.050)
Balance at the end of the period - 31 March	185.315	134.636

16. Other assets and liabilities

a) Other current assets

	31 March 2020	31 December 2019
VAT receivable	71.070	48.755
Other	26.334	22.647
	97.404	71.402

b) Other current liabilities

	31 March 2020	31 December 2019
Taxes and funds payables	238.496	151.807
Other	9.761	3.556
	248.257	155.363

17. Equity

a) Share capital and capital reserves

As of 31 March 2020 and 31 December 2019, the breakdown of shareholders and their ownership percentages in the Company are summarized as follows.

	31 March 2020		31 December 2019	
	Historical cost	(%)	Historical cost	(%)
Merkez Bereket Gıda Sanayi ve Ticaret A.Ş.	89.754	14,78	89.754	14,78
Naspak Gıda Sanayi ve Ticaret A.Ş.	64.792	10,67	64.792	10,67
Other	18.348	3,02	18.348	3,02
Publicly traded	434.306	71,53	434.306	71,53
	607.200	100,00	607.200	100,00

The Company’s share capital is fully paid and consists of 607.200.000 (31 December 2019: 607.200.000) shares of full TRY 1 nominal value each.

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17. Equity (Continued)

Revaluation surplus

As of 31 March 2020 the Group has revaluation surplus amounting TRY785.683 (31 December 2019: 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 March 2020 and 31 December 2019 legal reserves, prior year profits and net income for the period in statutory accounts of the Company are as follows:

	31 March 2020	31 December 2019
Legal reserves	431.098	431.098
Extraordinary reserves	964.918	964.918
Net profit for the period	548.476	1.475.432
	1.944.492	2.871.448

As of 31 March 2020, net profit for the Company's statutory books is TRY548.476 (31 December 2019: TRY1.475.432) and net profit per consolidated financial statements in accordance with CMB accounting standards is TRY430.411 (31 December 2019: TRY1.224.877).

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18. Sales and cost of sales

a) Net Sales

The Group’s net sales for the periods ended 31 March 2020 and 2019 are as follows:

	1 January - 31 March 2020	1 January - 31 March 2019
Sales	12.653.900	9.061.603
Sales returns (-)	(56.284)	(36.321)
	12.597.616	9.025.282

b) Cost of sales

	1 January - 31 March 2020	1 January - 31 March 2019
Beginning inventory	2.356.936	2.087.653
Purchases	11.440.879	7.668.154
Ending inventory (-)	(3.367.837)	(2.267.396)
	10.429.978	7.488.411

19. Operational expenses

a) Marketing expenses

	1 January - 31 March 2020	1 January - 31 March 2019
Personnel expenses	714.043	544.176
Depreciation and amortization expenses	296.695	235.215
Utility and communication expenses	92.455	67.668
Advertising expenses	30.907	21.638
Trucks fuel expense	27.149	22.508
Maintenance and repair expenses	26.862	21.035
Packaging expenses	16.744	9.592
Taxes and duty expenses	14.096	9.612
Fixtures expensed	10.606	2.108
Provision for employee termination benefit	8.252	6.305
Stationery expenses	7.043	6.646
IT expenses	6.433	5.838
Rent expenses	4.335	3.044
Insurance expenses	3.604	3.116
Other	34.262	18.810
	1.293.486	977.311

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19. Operational expenses (Continued)

b) General and administrative expenses

	1 January - 31 March 2020	1 January - 31 March 2019
Personnel expenses	123.559	100.222
Donation expenses	23.038	832
Depreciation and amortization expenses	22.626	16.449
Legal and consultancy expenses	7.553	5.890
Money collection expenses	5.946	4.439
Motor vehicle expenses	2.941	4.335
IT expenses	2.765	2.336
Utility and communication expenses	2.589	2.102
Provision for employee termination benefit	1.343	1.113
Office supplies	980	710
Vehicle rent expenses	899	447
Taxes and duty expenses	822	3.811
Other	13.548	14.384
	208.609	157.070

20. Expenses by nature

a) Depreciation and amortisation expenses

	1 January - 31 March 2020	1 January - 31 March 2019
Marketing and selling expenses	296.695	235.215
General and administrative expenses	22.626	16.449
	319.321	251.664

b) Personnel expenses

	1 January - 31 March 2020	1 January - 31 March 2019
Wages and salaries	747.930	573.864
Social security premiums - employer contribution	89.672	70.534
Provision for employee termination benefits (Note 15)	9.595	7.418
	847.197	651.816

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21. Other operating income and expense

a) Other operating income

	1 January - 31 March 2020	1 January - 31 March 2019
Gain on sale of scraps	2.150	1.798
Other income from operations	16.557	11.020
	18.707	12.818

b) Other operating expense

	1 January - 31 March 2020	1 January - 31 March 2019
Provision expenses	1.130	2.932
Other	2.014	811
	3.144	3.743

22. Financial income

	1 January - 31 March 2020	1 January - 31 March 2019
Participation account income	32.506	374
Foreign currency gains	7.174	1.490
	39.680	1.864

23. Financial expenses

	1 January - 31 March 2020	1 January - 31 March 2019
Financial expenses arises from lease liabilities	171.746	145.334
Finance charge on employee termination benefit including actuarial losses (Note 15)	4.621	4.634
Foreign exchange losses	1.136	3.562
Other financial expenses	798	614
	178.301	154.144

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24. Income and expense from investing activities

a) Income from investing activities

	1 January - 31 March 2020	1 January - 31 March 2019
Incomes from financial investments (*)	12.947	20.272
Gain on sale of property, plant and equipment	-	-
	12.947	20.272

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

b) Expense from investing activities

As of 31 March 2020, the loss on sale of fixed assets of the Group is amounting to TRY1.215 (31 March 2019: TRY99).

25. Tax assets and liabilities

As of 31 March 2020 and 31 December 2019, provision for taxes of the Group is as follows :

	31 March 2020	31 December 2019
Current income tax liabilities	159.017	425.281
Current tax assets (Prepaid taxes)	(3.279)	(321.295)
Corporate tax payable	155.738	103.986

In Turkey, as of 31 March 2020, corporate tax rate is 22% (31 December 2019: 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 March 2020 the corporate tax rate is 30% (31 December 2019: 30%) where the consolidated subsidiary of the Company, BIM Stores SARL operates. In Egypt, as of 31 March 2020 the corporate tax rate is 22.5% (31 December 2019: 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 2019: 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

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25. Tax assets and liabilities (Continued)

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 2019 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 March 2020 and 31 December 2019, 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 March 2020	31 December 2019	1 January - 31 March 2020	1 January - 31 March 2019
<i>Deferred tax liability</i>				
Tangible and intangible assets, except the effect of revaluation effect	98.930	103.769	(4.839)	(1.145)
The effect of the revaluation of land and buildings	132.843	132.843	-	-
The effect of the revaluation of financial asset	15.514	20.806	(5.292)	-
Other adjustments	16.242	11.949	4.293	6.944
<i>Deferred tax asset</i>				
Provision for employee termination benefit	(37.063)	(36.023)	(1.040)	(1.200)
Lease liabilities	(64.777)	(52.403)	(12.374)	(14.366)
Other adjustments	(50.127)	(34.279)	(15.848)	(4.966)
Currency translation difference	-	-	451	96
Deferred tax	111.562	146.662	(34.649)	(14.637)

Deferred tax is presented in financial statements as follows:

	31 March 2020	31 December 2019
Deferred tax assets	11.886	9.886
Deferred tax liabilities	(123.448)	(156.548)
Net deferred tax liability	(111.562)	(146.662)

Movement of net deferred tax liability for the periods ended 31 March 2020 and 2019 are as follows:

	1 January - 31 March 2020	1 January - 31 March 2019
Balance at the beginning of the period - 1 January	146.662	172.716
Deferred tax expense recognized in statement of profit or loss, net	(34.649)	(14.637)
Foreign currency translation differences	(451)	(96)
Balance at the end of the period - 31 December	111.562	157.983

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25. Tax assets and liabilities (Continued)

Tax reconciliation

	1 January - 31 March 2020	1 January - 31 March 2019
Profit before tax	554.217	279.458
Corporate tax provision calculated at effective tax rate of 22%	(121.928)	(61.481)
Disallowable charges	(557)	(970)
Effect of tax rate differences of the consolidated subsidiary	1.145	(808)
Other	(2.466)	(815)
	(123.806)	(64.074)
- Current	(158.455)	(78.711)
- Deferred	34.649	14.637

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 March 2020 and 2019 is as follows. All shares of the Company are in same status.

Earnings per share	1 January - 31 March 2020	1 January - 31 March 2019
Average number of shares at the beginning of the period (Thousand) (*)	607.200	599.564
Net profit of the year	430.411	215.384
Earnings per share	0,709	0,359

(*) 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.

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27. Related party disclosures

a) Prepaid expenses to related parties

None. (31 December 2019: TRY31.899)

b) Payables related to goods and services received

Due to related parties balances as of 31 March 2020 and 31 December 2019 are as follows:

Payables related to goods and services received:

Related parties

	31 March 2020	31 December 2019
Başak Gıda Dağıtım ve Pazarlama A.Ş. (Başak) ⁽¹⁾	190.937	139.005
Turkuvaz Plastik ve Tem. Ürün. Tic. A.Ş. (Turkuvaz) ⁽¹⁾	182.542	128.622
Hedef Tüketim Ürünleri San. ve Dış Tic. A.Ş. (Hedef) ⁽¹⁾	124.439	96.521
Aktül Kağıt Üretim Pazarlama A.Ş. (Aktül) ^{(1)(*)}	119.445	79.794
Reka Bitkisel Yağlar Sanayi ve Ticaret A.Ş. (Reka) ⁽¹⁾	72.255	-
Sena Muhtelif Ürün Paketleme Gıda Sanayi ve Tic. Ltd. Şti. (Sena) ⁽³⁾	63.084	51.622
Aytaç Gıda Yatırım San. ve Ticaret A.Ş. (Aytaç) ⁽¹⁾	45.994	38.993
Apak Pazarlama ve Gıda Sanayi Tic. Ltd. Şti. (Apak) ⁽¹⁾	27.724	15.157
Turkcell İletişim Hizmetleri A.Ş. ^{(3)(**)}	2.651	2.350
Bahariye Tekstil San.ve Tic. A.Ş. (Bahariye Tekstil) ⁽¹⁾	1.885	6
Avansas Ofis Malzemeleri Ticaret A.Ş. (Avansas) ⁽¹⁾	855	919
Bahariye Mensucat San. ve Tic. A.Ş (Bahariye Mensucat) ⁽¹⁾	-	405
	831.811	553.394

Affiliates and Subsidiaries

	31 March 2020	31 December 2019
İdeal Standart İşletmecilik ve Mümessillik San. ve Tic. A.Ş. (İdeal Standart) ⁽²⁾	5.653	4.079
	5.653	4.079
Trade payables due to related parties	837.464	557.473

⁽¹⁾ Companies owned by shareholders of the Company.

⁽²⁾ Non consolidated subsidiaries of the Group.

⁽³⁾ Other related party.

^(*) As of 21 February 2020 excluded from subsidiary and became the only related party. (Note 5)

^(**) As of 5 March 2020 excluded from related party.

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27. Related party disclosures (Continued)

c) Related party transactions

i) Purchases from related parties during the periods ended 31 March 2020 and 2019 are as follows:

Related parties

	1 January - 31 March 2020	1 January - 31 March 2019
Başak ⁽¹⁾	358.162	288.023
Reka ⁽¹⁾	267.425	168.509
Turkuvaz ⁽¹⁾	206.925	173.186
Hedef ⁽¹⁾	157.463	96.607
Aktül	115.896	97.586
Sena ⁽³⁾	71.528	59.244
Apak ⁽¹⁾	62.229	39.315
Aytaç ⁽¹⁾	62.152	48.112
Turkcell ^{(3)(*)}	5.540	261
Bahariye Mensucat ⁽¹⁾	1.763	-
Avansas ⁽¹⁾	1.028	971
Proline ⁽¹⁾	-	2.840
	1.310.111	974.654

(*) Purchases until 5 March 2020.

Affiliates and Subsidiaries

	1 January - 31 March 2020	1 January - 31 March 2019
İdeal Standart ⁽²⁾	5.116	3.536
	5.116	3.536
Related party transactions	1.315.227	978.190

(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 March 2020 and 2019 salaries, bonuses and compensations provided to board of directors and key management comprising of 150 and 144 personnel, respectively, are as follows:

	1 January - 31 March 2020	1 January - 31 March 2019
Short-term benefits to employees	24.583	21.211
Total benefits	24.583	21.211

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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.

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	2.455.690	1.288.240
	Participation account	2.056.647	750.649
	Lease certificate & Investment fund	399.043	537.591
Financial liabilities		-	-
Financial assets	Variable profit share bearing financial instruments	-	-
Financial liabilities		-	-

Credit risk

Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss. Since the Group is engaged in the retail sector and transactions are mainly on a cash basis or has 1 month maturity credit card collections, the exposure to credit and price risk is minimal.

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28. Financial instruments and financial risk management (Continued)

Credit risk table (Current period - 31 March 2020)

	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)	-	2.233.047	179	26.897	-	2.299.328	467.760	399.044
- Maximum risk secured by guarantees etc.	-	-	-	-	-	-	-	-
A. Net book value of financial assets neither overdue nor impaired	-	2.233.047	179	26.897	-	2.299.328	467.760	399.044
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)	-	-	-	11.482	-	-	-	-
- Impairment	-	-	-	(11.482)	-	-	-	-
- 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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28. Financial instruments and financial risk management (Continued)

Credit risk table (Previous 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								
B. Net book value of financial assets that are renegotiated, if not that will be accepted as past due or impaired	-	1.433.320	169	24.218	-	858.761	622.760	537.591
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	-	-	-	-	-	-	-	-
Maximum credit risk exposures as of report date (A+B+C+D+E)	-	-	-	-	-	-	-	-

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28. Financial instruments and financial risk management (Continued)

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

Foreign currency position

As of 31 March 2020 and 31 December 2019, the Group’s foreign currency position is as follows:

	31 March 2020				31 December 2019			
	TRY Equivalent	USD	EUR	GBP	TRY Equivalent	USD	EUR	GBP
1. Trade receivables	-	-	-	-	-	-	-	-
2a. Monetary financial assets (including cash, banks accounts)	14.081	2.119.377	33.641	3.531	13.003	1.175.049	900.583	4.372
2b. Non-monetary financial assets	-	-	-	-	-	-	-	-
3. Other	-	-	-	-	-	-	-	-
4. Current assets (1+2+3)	14.081	2.119.377	33.641	3.531	13.003	1.175.049	900.583	4.372
5. Trade receivables	-	-	-	-	-	-	-	-
6a. Monetary financial assets	92	14.100	-	-	84	14.100	-	-
6b. Non-monetary financial assets	-	-	-	-	-	-	-	-
7. Other	-	-	-	-	-	-	-	-
8. Current assets (5+6+7)	92	14.100	-	-	84	14.100	-	-
9. Total assets (4+8)	14.173	2.133.477	33.641	3.531	13.087	1.189.149	900.583	4.372
10. Trade payables	-	-	-	-	-	-	-	-
11. Financial liabilities	29.972	-	4.154.177	-	30.786	-	4.629.001	-
12a. Monetary other liabilities	-	-	-	-	-	-	-	-
12b. Non-monetary other liabilities	-	-	-	-	-	-	-	-
13. Current liabilities (10+11+12)	29.972	-	4.154.177	-	30.786	-	4.629.001	-
14. Trade payables	-	-	-	-	-	-	-	-
15. Financial liabilities	28.775	-	3.988.233	-	30.404	-	4.571.672	-
16a. Monetary other liabilities	-	-	-	-	-	-	-	-
16b. Non-monetary other liabilities	-	-	-	-	-	-	-	-
17. Non-current liabilities (14+15+16)	28.775	-	3.988.233	-	30.404	-	4.571.672	-
18. Total liabilities (13+17)	58.747	-	8.142.410	-	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	-	-	-	-	-	-	-	-
20. Net foreign currency asset/(liability) position (9-18+19)	(44.574)	2.133.477	(8.108.769)	3.531	(48.103)	1.189.149	(8.300.090)	4.372
21. Net foreign currency asset/(liability) position of monetary items (TFRS 7.b23) (=1+2a+5+6a-10-11-12a-14-15-16a)	(44.574)	2.133.477	(8.108.769)	3.531	(48.103)	1.189.149	(8.300.090)	4.372
22. Total fair value of financial instruments used for foreign currency hedging	-	-	-	-	-	-	-	-
23. Export	-	-	-	-	-	-	-	-
24. Import	-	-	-	-	-	-	-	-

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28. Financial instruments and financial risk management (Continued)

Exchange rate risk

The following table demonstrates the sensitivity to a possible change in the U.S Dollar and Euro exchange rates, with all other variables held constant, of the Group’s profit before tax as of 31 March 2020 and 31 December 2019:

31 March 2020

	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)	1.390	(1.390)	-	-
2- Protected part from USD risk(-)	-	-	-	-
3- USD net effect (1+2)	1.390	(1.390)	-	-
<i>Change of EUR against TRY by 10%:</i>				
4- EUR net asset/(liability)	(5.850)	5.850	-	-
5- Protected part from EUR risk(-)	-	-	-	-
6- EUR net effect (4+5)	(5.850)	5.850	-	-
<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)	(4.457)	4.457	-	-

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28. Financial instruments and financial risk management (Continued)

31 December 2019

	Exchange rate sensitivity analysis			
	Prior 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	-	-

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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28. Financial instruments and financial risk management (Continued)

As of 31 March 2020 and 31 December 2019, maturities of undiscounted trade payables and financial liabilities of the Group are as follows:

31 March 2020

Contractual maturities	Book value	Total cash outflow	Less than 3 months	3 -12 months	More than 1 year
Non derivative financial liabilities	4.756.732	8.758.859	363.238	897.696	7.497.925
Trade payables	7.336.594	7.408.096	7.408.096	-	-
Due to related parties	837.464	845.659	845.659	-	-

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	-	-

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 March 2020 and 31 December 2019 are as follows:

	31 March 2020	31 December 2019
Total liabilities	13.898.097	10.936.275
Less: Cash and cash equivalents	(2.613.300)	(1.158.847)
Net debt	11.284.797	9.777.428
Total equity	4.678.679	4.237.290
Total equity+net debt	15.963.476	14.014.718
Net debt/(Total equity+net debt) (%)	71	70

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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 March 2020 and 31 December 2019. See note 10 for disclosures of the land and buildings that are measured at fair value (Note 10).

31 March 2020	Level 1	Level 2	Level 3	Total
Financial assets measured at fair value through other comprehensive income				
Retail industry	-	455.170	-	455.170
Financial assets measured at fair value through profit or loss				
Real estate investment fund	160.575	-	-	160.575
Total assets	160.575	455.170	-	615.745

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

There were no transfers between levels during in year.

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

(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 March 2020 and 31 December 2019, 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

None.