

BİM BİRLEŞİK MAĞAZALAR A.Ş.

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

(ORIGINALLY ISSUED IN TURKISH)



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

INDEPENDENT AUDITOR'S REPORT

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

Report on the Consolidated Financial Statements

1. We have audited the accompanying consolidated financial statements of BİM Birleşik Mağazalar A.Ş. (the "Company") and its Subsidiaries (collectively referred to as the "Group"), which comprise the consolidated statement of financial position as at 31 December 2016 and the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the period then ended and a summary of significant accounting policies and other explanatory notes.

Management's Responsibility for the Consolidated Financial Statements

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

Independent Auditor's Responsibility

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

An independent audit involves performing procedures to obtain evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on independent auditor's professional judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to error or fraud. In making those risk assessments, the independent auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An independent audit includes also evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

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



Opinion

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

Other Responsibilities Arising From Regulatory Requirements

5. In accordance with subparagraph 4 of Article 398 of the Turkish Commercial Code (“TCC”) No: 6102; Auditor’s Report on the Early Risk Identification System and Committee has been submitted to the Company’s Board of Directors on 6 March 2017.
6. In accordance with subparagraph 4 of Article 402 of the TCC; no significant matter has come to our attention that causes us to believe that the Company’s bookkeeping activities for the period 1 January - 31 December 2016 is not in compliance with the code and provisions of the Company’s articles of association in relation to financial reporting.
7. In accordance with subparagraph 4 of Article 402 of the TCC; the Board of Directors made the necessary explanations and provided the required documents within the context of our audit.

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

Adnan Akan, SMMM
Partner

Istanbul, 6 March 2017

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

BİM BİRLEŞİK MAĞAZALAR A.Ş.

**CONSOLIDATED FINANCIAL STATEMENTS
FOR THE PERIOD 1 JANUARY - 31 DECEMBER 2016**

CONTENTS	PAGE
CONSOLIDATED BALANCE SHEETS.....	1-2
CONSOLIDATED STATEMENTS OF PROFIT OR LOSS AND COMPREHENSIVE INCOME	3
CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY	4
CONSOLIDATED STATEMENTS OF CASH FLOWS.....	5
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS	6-52
NOTE 1 GROUP'S ORGANIZATION AND NATURE OF OPERATIONS	6
NOTE 2 BASIS OF PREPARATION OF FINANCIAL STATEMENTS	7-20
NOTE 3 SEGMENT REPORTING.....	20
NOTE 4 CASH AND CASH EQUIVALENTS.....	20
NOTE 5 FINANCIAL ASSETS	21
NOTE 6 FINANCIAL LIABILITIES.....	21
NOTE 7 TRADE RECEIVABLES AND PAYABLES	21-22
NOTE 8 OTHER RECEIVABLES AND PAYABLES	22
NOTE 9 INVENTORIES	23
NOTE 10 PROPERTY, PLANT AND EQUIPMENT	23-26
NOTE 11 INTANGIBLE ASSETS	26
NOTE 12 PROVISIONS, CONTINGENT ASSETS AND LIABILITIES.....	27-29
NOTE 13 PREPAID EXPENSES.....	29
NOTE 14 EMPLOYEE TERMINATION BENEFITS.....	29-30
NOTE 15 OTHER ASSETS AND LIABILITIES	31
NOTE 16 EQUITY	31-33
NOTE 17 REVENUE AND COST OF SALES	33
NOTE 18 OPERATIONAL EXPENSES	34
NOTE 19 EXPENSE BY NATURE.....	35
NOTE 20 OTHER OPERATING INCOME AND EXPENSE.....	35
NOTE 21 FINANCIAL INCOME.....	36
NOTE 22 FINANCIAL EXPENSE.....	36
NOTE 23 INCOME AND EXPENSE FROM INVESTING ACTIVITIES	36
NOTE 24 TAX ASSETS AND LIABILITIES	36-38
NOTE 25 EARNINGS PER SHARE	39
NOTE 26 RELATED PARTY DISCLOSURES	39-40
NOTE 27 FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT	41-50
NOTE 28 FINANCIAL INSTRUMENTS (FAIR VALUE DISCLOSURES IN THE FRAME OF HEDGE ACCOUNTING)	51-52
NOTE 29 EVENTS AFTER BALANCE SHEET DATE.....	52

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

BİM BİRLEŞİK MAĞAZALAR A.Ş.

CONSOLIDATED BALANCE SHEETS
AT 31 DECEMBER 2016 AND 2015

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

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

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

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

BİM BİRLEŞİK MAĞAZALAR A.Ş.

**CONSOLIDATED BALANCE SHEETS
AT 31 DECEMBER 2016 AND 2015**

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

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

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.

CONSOLIDATED STATEMENTS OF PROFIT OR LOSS AND COMPREHENSIVE INCOME FOR THE YEARS ENDED 31 DECEMBER 2016 AND 2015

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

	Notes	Audited 31 December 2016	Audited 31 December 2015
INCOME OR LOSS			
Revenue	17	20.071.717	17.428.497
Cost of Sales (-)	17	(16.708.737)	(14.612.083)
GROSS PROFIT		3.362.980	2.816.414
Marketing Expenses (-)	18	(2.245.309)	(1.844.990)
General Administrative Expenses (-)	18	(334.415)	(274.555)
Other Operating Income	20	24.915	27.173
Other Operating Expense (-)	20	(10.573)	(6.230)
OPERATING PROFIT		797.598	717.812
Income from Investing Activities	23	11.791	1.348
OPERATING PROFIT BEFORE FINANCIAL INCOME		809.389	719.160
Financial Income	21	62.664	36.303
Financial Expense (-)	22	(22.872)	(6.490)
PROFIT BEFORE TAX FROM CONTINUED OPERATIONS		849.181	748.973
- Current Income Tax Expense	24	(172.222)	(164.647)
- Deferred Tax Expense	24	(6.100)	(1.195)
PROFIT FROM CONTINUED OPERATIONS		670.859	583.131
NET INCOME FOR THE PERIOD		670.859	583.131
Profit for The Period Attributable to			
Non-controlling Interest		-	-
Equity Holders of the Parent		670.859	583.131
Earnings Per Share			
Earnings Per Share from Continued Operations (Full TRY)	25	2,220	1,921
Earnings Per Share from Discontinued Operations		-	-
Other Comprehensive Income/ (Expense)			
Items not to be Classified to Profit or Loss		(13.326)	192.026
Actuarial (Loss) Arising from Employee Benefits		(13.326)	(9.608)
Property and Equipment Revaluation Reserve		-	201.634
Items to be Classified to Profit or Loss		(32.081)	14.670
Gain on Revaluation of Available for Sale Financial Assets		9.339	19.412
Currency Translation Differences		(41.420)	(4.742)
Other Comprehensive (Expense)/ Income		(45.407)	206.696
Total Comprehensive Income		625.452	789.827
Total Comprehensive Income Attributable to			
Non-controlling Interest		-	-
Equity Holders of the Parent		625.452	789.827

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

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

BİM BİRLEŞİK MAĞAZALAR A.Ş.

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
FOR THE YEARS ENDED 31 DECEMBER 2016 AND 2015

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

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

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

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

BİM BİRLEŞİK MAĞAZALAR A.Ş.

**CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED 31 DECEMBER 2016 AND 2015**

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

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

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

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

BİM BİRLEŞİK MAĞAZALAR A.Ş.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AT 31 DECEMBER 2016

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

1. Organization and nature of operations of the Group

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

The Company is engaged in operating retail stores through its retail shops throughout Turkey, which sell an assortment of approximately 650 items, including a number of private labels. The Company is publicly traded in Istanbul Stock Exchange (ISE) since July 2005.

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

The Company established a new company named BIM Stores LLC on 24 July 2012 with 100% ownership in Egypt which is engaged in hard discount retail sector and first stores of BIM Stores LLC has been opened in April 2013. BIM Stores LLC financial statements are consolidated by using the full consolidation method as of 31 December 2016. Hereinafter, the Company and its consolidated subsidiaries together will be referred to as "the Group".

Shareholder structure of the Group is stated in Note 16. The consolidated financial statements were authorized for issue on 6 March 2017 by the Board of Directors of the Company.

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

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

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

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

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

BİM BİRLEŞİK MAĞAZALAR A.Ş.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AT 31 DECEMBER 2016

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

2. Basis of preparation of financial statements

2.1 Basis of presentation

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

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

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

The consolidated financial statements are presented in accordance with "Announcement regarding with TAS Taxonomy" which was published on 2 June 2016 by POAASA and the format and mandatory information recommended.

Going concern assumption

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

2.2 New and amended International Financial Reporting Standards

The accounting policies adopted in preparation of the consolidated financial statements as at 31 December 2016 are consistent with those of the previous financial year, except for the adoption of new and amended TFRS and IFRIC interpretations effective as of 1 January 2016. The effects of these standards and interpretations on the Group's financial position and performance have been disclosed in the related paragraphs.

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

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

- **TFRS 14 "Regulatory deferral accounts"**, effective from annual periods beginning on or after 1 January 2016. TFRS 14, 'Regulatory deferral accounts' permits first-time adopters to continue to recognise amounts related to rate regulation in accordance with their previous GAAP requirements when they adopt TFRS. However, to enhance comparability with entities that already apply TFRS and do not recognise such amounts, the standard requires that the effect of rate regulation must be presented separately from other items. The standard has no impact on the financial position or performance of the Group.

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

BİM BİRLEŞİK MAĞAZALAR A.Ş.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AT 31 DECEMBER 2016

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

2. Basis of preparation of financial statements (Continued)

2.2 New and amended International Financial Reporting Standards (Continued)

- Annual improvements 2014, effective from annual periods beginning on or after 1 January 2016. These set of amendments impacts 4 standards:
 - TFRS 5 "Non-current assets held for sale and discontinued operations" regarding methods of disposal.
 - TFRS 7 "Financial instruments: Disclosures", (with consequential amendments to TFRS 1) regarding servicing contracts.
 - TAS 19 "Employee benefits" regarding discount rates.
 - TAS 34 "Interim financial reporting" regarding disclosure of information.
- **Amendment to TFRS 11 "Joint arrangements"** on acquisition of an interest in a joint operation, effective from annual periods beginning on or after 1 January 2016. This amendment adds new guidance on how to account for the acquisition of an interest in a joint operation that constitutes a business. The amendments specify the appropriate accounting treatment for such acquisitions. The standart has no impact on the financial position or performance of the Group.
- **Amendments to TAS 16 "Property, plant and equipment", and TAS 41 "Agriculture"**, regarding bearer plants, effective from annual periods beginning on or after 1 January 2016. These amendments change the financial reporting for bearer plants, such as grape vines, rubber trees and oil palms. It has been decided that bearer plants should be accounted for in the same way as property, plant and equipment because their operation is similar to that of manufacturing. Consequently, the amendments include them within the scope of TAS 16, instead of TAS 41. The produce growing on bearer plants will remain within the scope of TAS 41. The standart has no impact on the financial position or performance of the Group.
- **Amendment to TAS 16 "Property, plant and equipment" and TAS 38 "Intangible assets"**, on depreciation and amortisation, effective from annual periods beginning on or after 1 January 2016. In this amendment the it has clarified that the use of revenue based methods to calculate the depreciation of an asset is not appropriate because revenue generated by an activity that includes the use of an asset generally reflects factors other than the consumption of the economic benefits embodied in the asset. It is also clarified that revenue is generally presumed to be an inappropriate basis for measuring the consumption of the economic benefits embodied in an intangible asset. The standart has no impact on the financial position or performance of the Group.
- **Amendments to TAS 27 "Separate financial statements"** on the equity method, effective from annual periods beginning on or after 1 January 2016. These amendments allow entities to use the equity method to account for investments in subsidiaries, joint ventures and associates in their separate financial statements. The standart has no impact on the financial position or performance of the Group.
- **Amendment to TFRS 10 "Consolidated financial statements" and TAS 28 "Investments in associates and joint ventures"**, effective from annual periods beginning on or after 1 January 2016. These amendments clarify the application of the consolidation exception for investment entities and their subsidiaries. The standart has no impact on the financial position or performance of the Group.
- **Amendment to TAS 1 "Presentation of financial statements"** on the disclosure initiative, effective from annual periods beginning on or after 1 January 2016, these amendments are as part of the IASB initiative to improve presentation and disclosure in financial reports. The standart has no impact on the financial position or performance of the Group.

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

BİM BİRLEŞİK MAĞAZALAR A.Ş.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AT 31 DECEMBER 2016

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

2. Basis of preparation of financial statements (Continued)

2.2 New and amended International Financial Reporting Standards (Continued)

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

- **Amendments to TAS 7 "Statement of cash flows"** on disclosure initiative, effective from annual periods beginning on or after 1 January 2017. These amendments introduce an additional disclosure that will enable users of financial statements to evaluate changes in liabilities arising from financing activities. The amendment is part of the IASB's Disclosure Initiative, which continues to explore how financial statement disclosure can be improved. This standard is not expected to have a significant effect on the financial position and performance of the Group.
- **Amendments TAS 12 "Income Taxes"**, effective from annual periods beginning on or after 1 January 2017. The amendments clarify the accounting for deferred tax where an asset is measured at fair value and that fair value is below the asset's tax base. It also clarify certain other aspects of accounting for deferred tax assets. This standard is not expected to have a significant effect on the financial position and performance of the Group.
- **Amendments to TFRS 2 "Share based payments"** on clarifying how to account for certain types of share-based payment transactions, effective from annual periods beginning on or after 1 January 2018. This amendment clarifies the measurement basis for cash-settled, share-based payments and the accounting for modifications that change an award from cash-settled to equity-settled. It also introduces an exception to the principles in TFRS 2 that will require an award to be treated as if it was wholly equity-settled, where an employer is obliged to withhold an amount for the employee's tax obligation associated with a share-based payment and pay that amount to the tax authority. This standard is not expected to have a significant effect on the financial position and performance of the Group.
- **TFRS 9 "Financial instruments"**, effective from annual periods beginning on or after 1 January 2018. This standard replaces the guidance in TAS 39. It includes requirements on the classification and measurement of financial assets and liabilities; it also includes an expected credit losses model that replaces the current incurred loss impairment model. This standard is not expected to have a significant effect on the financial position and performance of the Group.
- **TFRS 15 "Revenue from contracts with customers"**, effective from annual periods beginning on or after 1 January 2018. TFRS 15, 'Revenue from contracts with customers' is a converged standard from the IASB and FASB on revenue recognition. The standard will improve the financial reporting of revenue and improve comparability of the top line in financial statements globally. This standard is not expected to have a significant effect on the financial position and performance of the Group.
- **Amendment to TFRS 15 "Revenue from contracts with customers"**, effective from annual periods beginning on or after 1 January 2018. These amendments comprise clarifications of the guidance on identifying performance obligations, accounting for licences of intellectual property and the principal versus agent assessment (gross versus net revenue presentation). New and amended illustrative examples have been added for each of those areas of guidance. The IASB has also included additional practical expedients related to transition to the new revenue standard. This standard is not expected to have a significant effect on the financial position and performance of the Group.

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

BİM BİRLEŞİK MAĞAZALAR A.Ş.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AT 31 DECEMBER 2016

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

2. Basis of preparation of financial statements (Continued)

2.2 New and amended International Financial Reporting Standards (Continued)

- **TFRS 16 "Leases"**, effective from annual periods beginning on or after 1 January 2019, This standard replaces the current guidance in TAS 17 and is a 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. The effects of the standard on the Group's financial position and performance are being evaluated.
- **Amendments to TFRS 4 "Insurance contracts"** regarding the implementation of TFRS 9, 'Financial instruments', effective from annual periods beginning on or after 1 January 2018. These amendments introduce two approaches: an overlay approach and a deferral approach. This standard is not expected to have a significant effect on the financial position and performance of the Group.
- **Amendment to TAS 40 "Investment property"** relating to transfers of investment property, effective from annual periods beginning on or after 1 January 2018. These amendments clarify that to transfer to, or from, investment properties there must be a change in use. To conclude if a property has changed use there should be an assessment of whether the property meets the definition. This change must be supported by evidence. This standard is not expected to have a significant effect on the financial position and performance of the Group.
- Annual improvements 2014–2016, effective from annual periods beginning on or after 1 January 2018. These amendments impact 3 standards:
 - TFRS 1 "First-time adoption of TFRS", regarding the deletion of short-term exemptions for first-time adopters regarding TFRS 7, TAS 19, and TFRS 10 effective 1 January 2018.
 - TFRS 12 "Disclosure of interests in other entities" regarding clarification of the scope of the standard. These amendments should be applied retrospectively for annual periods beginning on or after 1 January 2017.
 - TAS 28 "Investments in associates and joint ventures" regarding measuring an associate or joint venture at fair value effective 1 January 2018.
- **IFRIC 22 "Foreign currency transactions and advance consideration"**, effective from annual periods beginning on or after 1 January 2018. This IFRIC addresses foreign currency transactions or parts of transactions where there is consideration that is denominated or priced in a foreign currency. The interpretation provides guidance for when a single payment/receipt is made as well as for situations where multiple payments/receipts are made. The guidance aims to reduce diversity in practice.

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

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

BİM BİRLEŞİK MAĞAZALAR A.Ş.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AT 31 DECEMBER 2016

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

2. Basis of preparation of financial statements (Continued)

2.3 Compliance with TAS

The Group prepared its consolidated financial statements for the period ended 31 December 2016 in accordance with the framework of the Communiqué Serial: II and numbered 14.1 and the related announcements. The consolidated financial statements and its accompanying notes are presented in compliance with the formats recommended by the CMB including the implementation of mandatory disclosures.

2.4 Presentation and functional currency

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

In the consolidated financial statements, MAD amounts presented in the balance sheet are translated into Turkish Lira at the TRY exchange rate for purchases of MAD at the balance sheet date, TRY1 = MAD 2,8780 amounts in the statement of comprehensive income have been translated into TRY, at the average TRY exchange rate for purchases of MAD, is TRY1 = 3,2612. Differences that occur by the usage of closing and average exchange rates are followed under currency translation differences classified under equity.

The functional currency of the Company's other subsidiary, BIM Stores LLC is Egyptian Pound ("EGP"). In the consolidated financial statements, EGP amounts presented in the balance sheet and in the statement of comprehensive income are translated into Turkish Lira at the TRY exchange rate for purchase of EGP at the balance sheet date, TRY1 = EGP 5,1472, at the average TRY exchange rate for purchases of EGP, is TRY1 = EGP 3,1556. Differences that occur by the usage of closing and average exchange rates are followed under currency translation differences classified under equity.

2.5 Comparatives and restatement of prior periods' financial statements

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

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

Basis of consolidation

The consolidated financial statements comprise the financial statements of the parent company BİM and its subsidiaries prepared for the period ended 31 December 2016. Subsidiaries are consolidated from the date on which control is transferred to the Group. The consolidated financial statements cover BİM and the subsidiaries with 100% control.

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

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

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

BİM BİRLEŞİK MAĞAZALAR A.Ş.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AT 31 DECEMBER 2016

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

2. Basis of preparation of financial statements (Continued)

2.5 Comparatives and restatement of prior periods' financial statements (Continued)

Offsetting

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

Accounting estimates

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

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

2.6. Summary of Significant Accounting Policies

Revenue recognition

Revenue is recognized on accrual basis over the amount obtained or the current value of the amount to be obtained when the delivery is realized, the income can be reliably determined and the inflow of the economic benefits related with the transaction to the Group is reasonably assured. Net sales represent the invoiced value of goods stated net of returns and value added taxes. Retail sales are generally in cash or credit card.

Sale of Goods

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

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

Financial income

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

Dividend income

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

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

BİM BİRLEŞİK MAĞAZALAR A.Ş.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AT 31 DECEMBER 2016

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

2. Basis of preparation of financial statements (Continued)

2.6. Summary of Significant Accounting Policies (Continued)

Cash and cash equivalents

Cash and cash equivalents comprise cash on hand, cash in transit and demand deposits, and other short-term highly liquid investments with original maturities of three months or less and that are readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value not used for investment purposes.

Trade receivables

Trade receivables comprise trade receivables, credit card receivables and other receivables with fixed or determinable payments and are not quoted in an active market; which have an average maturity of 10 days term (31 December 2015: 10 days) as of balance sheet date are measured at original invoice amount and if they have long term maturity, the imputing interest is netted off and the provision of doubtful receivable is deducted. Trade receivables, net of unearned financial income, are measured at amortized cost, using the effective interest rate method, less the unearned financial income. Short duration receivables with no stated interest rate and credit card receivables are measured at the original invoice. Estimate is made for the doubtful provision when the collection of the trade receivable is not probable. If the amount of the impairment subsequently decreases due to an event occurring after the write-down, the release of the provision is credited to other operating income.

Inventories

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

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

Net realizable value is the estimated selling price less applicable variable selling expenses.

Property, plant and equipment

All property and equipment is initially recorded at cost. Land and building are subsequently measured at revalued amounts which are the fair value at the date of the revaluation, based on valuations by external independent valuers, less subsequent depreciation for building. Group revaluates the amounts of their lands and buildings every 3 years unless there is a change in the circumstances. All other property and equipment is stated at cost less accumulated depreciation and accumulated impairment loss. When assets are sold or retired, their cost and accumulated depreciation are eliminated from the related accounts and any gain or loss resulting from their disposal is included in the statement of income. On disposal of revalued assets, amounts in revaluation reserves relating to that asset are transferred to retained earnings.

The initial cost of property and equipment comprises its purchase price, including import duties and non-refundable purchase taxes and any directly attributable costs of bringing the asset ready for use. Expenditures incurred after the fixed assets have been put into operation, such as repairs and maintenance, are normally charged to income in the year the costs are incurred. If the asset recognition criteria are met, the expenditures are capitalized as an additional cost of property and equipment.

Increases in the carrying amount arising on revaluation of property are initially credited to revaluation reserve in shareholders' equity net of the related deferred tax. Decreases that offset previous increases of the same asset are charged in other comprehensive income and debited against property and equipment revaluation reserve directly in equity; all other decreases are charged to the income statement.

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

BİM BİRLEŞİK MAĞAZALAR A.Ş.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AT 31 DECEMBER 2016

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

2. Basis of preparation of financial statements (Continued)

2.6. Summary of Significant Accounting Policies (Continued)

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

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

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

When a revaluated asset is sold, revaluation reserve account is transferred to retained earnings.

Intangible assets

Intangible assets which mainly comprise software rights are measured initially at cost. Intangible assets are recognized if it is probable that the future economic benefits that are attributable to the asset will flow to the enterprise; and the cost of the asset can be measured reliably. After initial recognition, intangible assets are measured at cost less accumulated amortization and any accumulated impairment losses. Intangible assets excluding development costs, created within the business are not capitalized and expenditure is charged against profits in the year in which it is incurred. The useful lives of intangible assets are assessed to be either finite or indefinite.

Intangible assets with finite lives are amortized on a straight line basis over the best estimate of their useful lives. The amortization period and the amortization method for an intangible asset with a finite useful life are reviewed at least at each financial year-end.

Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset is accounted for by changing the amortization period or method, as appropriate, and treated as changes in accounting estimates. The amortization expense on intangible assets with finite lives is recognized in the statement of income in the expense category consistent with the function of the intangible asset.

The Group does not have any intangible assets with indefinite useful lives.

The carrying values of intangible assets are reviewed for impairment when events or changes in circumstances indicate that the carrying value may not be recoverable.

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

BİM BİRLEŞİK MAĞAZALAR A.Ş.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AT 31 DECEMBER 2016

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

2. Basis of preparation of financial statements (Continued)

2.6. Summary of Significant Accounting Policies (Continued)

Impairment of non-financial assets

The carrying values of assets are reviewed for impairment when events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Whenever the carrying amount of an asset exceeds its recoverable amount, an impairment loss is recognized in the statement of income.

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

Financial assets

Classification

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

Loans and receivables

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

Available-for-sale financial assets

Available-for-sale financial assets are non-derivatives that are either designated in this category or not classified in any of the other categories. They are included in non-current assets unless the investment matures or management intends to dispose of it within 12 months of the end of the reporting period.

Recognition and measurement

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

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

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

BİM BİRLEŞİK MAĞAZALAR A.Ş.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AT 31 DECEMBER 2016

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

2. Basis of preparation of financial statements (Continued)

2.6. Summary of Significant Accounting Policies (Continued)

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

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

Offsetting financial instruments

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

Recognition and derecognition of financial assets and liabilities

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

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

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

Impairment of financial assets

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

Assets carried at amortized cost

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

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

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

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

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

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

BİM BİRLEŞİK MAĞAZALAR A.Ş.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AT 31 DECEMBER 2016

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

2. Basis of preparation of financial statements (Continued)

2.6. Summary of Significant Accounting Policies (Continued)

Trade payables

Trade payables which generally have an average of 51 days term (31 December 2015: 49 days) are initially recorded at original invoice amount and carried at amortized cost less due date expense. Due date expense is accounted for under cost of sales. This amount is the fair value of consideration to be paid in the future for goods and services received, whether or not billed.

Borrowing costs

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

Foreign currency transactions

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

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

	USD/TRY (full)	EUR/TRY (full)
31 December 2016	3,5192	3,7099
31 December 2015	2,9076	3,1776

Earnings per share

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

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

Events after balance sheet date

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

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

BİM BİRLEŞİK MAĞAZALAR A.Ş.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AT 31 DECEMBER 2016

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

2. Basis of preparation of financial statements (Continued)

2.6. Summary of Significant Accounting Policies (Continued)

Provisions, contingent assets and contingent liabilities

i) Provisions

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

ii) Contingent assets and liabilities

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

Leases

Operating leases

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

Related parties

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

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

BİM BİRLEŞİK MAĞAZALAR A.Ş.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AT 31 DECEMBER 2016

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

2. Basis of preparation of financial statements (Continued)

2.6. Summary of Significant Accounting Policies (Continued)

Income taxes

Current Income Taxes and Deferred Tax Expense

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

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

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

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

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

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

Statement of Cash Flows

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

Cash flows from operating activities represent the cash flows generated from the Group's activities.

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

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

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

BİM BİRLEŞİK MAĞAZALAR A.Ş.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
AT 31 DECEMBER 2016**

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

2. Basis of preparation of financial statements (Continued)

2.6. Summary of Significant Accounting Policies (Continued)

Employee Benefits

a) Defined benefit plans:

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

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

b) Unused vacation

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

3. Segment reporting

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

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

4. Cash and cash equivalents

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

As of 31 December 2016 and 2015 there is no restricted cash. As of 31 December 2016, amounting to TRY231.534 of total profit share deposits are in TRY and the gross rate for profit share from participation banks for TRY is gross 8,13% per annum (31 December 2015: gross 8.25% per annum) and average maturity is 50 days (31 December 2015: 60 days). Profit share deposits in foreign exchange are in USD and gross rate for profit share from participation banks is gross 1,75% for USD deposits (31 December 2015: None) and average maturities are 39 days (31 December 2015: None). Since the profit share deposits are not used for investment purposes by the Group, are readily convertible to a known amount of cash and be subject to an insignificant risk of changes in value, profit share deposits are classified as cash and cash equivalents.

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

BİM BİRLEŞİK MAĞAZALAR A.Ş.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
AT 31 DECEMBER 2016**

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

5. Financial assets

a) Subsidiaries

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

Name of subsidiary	Share	31 December 2016	31 December 2015
İdeal Standart İşletmecilik ve Müessillik San. ve Tic. A.Ş. ("İdeal Standart") (*)	100%	12.590	12.590
		12.590	12.590

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

b) Available-for-sale financial assets

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

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

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

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

6. Short-Term Financial Liabilities

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

7. Trade receivables and payables

a) Trade Receivables From Third Parties

	31 December 2016	31 December 2015
Credit card receivables	645.505	525.685
	645.505	525.685

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

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

BİM BİRLEŞİK MAĞAZALAR A.Ş.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
AT 31 DECEMBER 2016**

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

7. Trade receivables and payables (Continued)

b) Trade Payables to Third Parties

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

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

8. Other receivables and payables

a) Other Receivables From Related Parties

	31 December 2016	31 December 2015
Receivables from related parties (*)	39.531	39.879
	39.531	39.879

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

b) Other Receivables From Third Parties

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

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

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

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

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

BİM BİRLEŞİK MAĞAZALAR A.Ş.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
AT 31 DECEMBER 2016**

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

9. Inventories

	31 December 2016	31 December 2015
Trade goods, net	1.108.209	963.155
Other	10.811	12.112
	1.119.020	975.267

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

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

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

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

10. Property, plant and equipment

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

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

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

BİM BİRLEŞİK MAĞAZALAR A.Ş.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
AT 31 DECEMBER 2016**

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

10. Property, plant and equipment (Continued)

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

Depreciation expense amounting to TRY196.817 (1 January - 31 December 2015: TRY154.543) were accounted for in marketing expenses and TRY14.417 (1 January - 31 December 2015: TRY12.058) in general and administrative expenses. The land and buildings were revalued and reflected to financial statements with their fair value. The book values of such assets were adjusted to the revalued amounts and the resulting surplus net of deferred income tax was credited to revaluation surplus in the equity. The revaluation surplus is not available for distribution to shareholders.

Fair values of land and buildings

As of 31 December 2016 and 2015 the land and buildings of the Group have been accounted with their revalued balances. The revaluation surplus net of applicable deferred income taxes was credited to other comprehensive income and is shown in 'increase on revaluation of property and equipment' in shareholders equity. The fair value of non-financial assets by valuation method is calculated by inputs observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices) (Level 2). In 2016 it is assumed that there is no significant change in the fair values of land and buildings.

Valuation techniques used to derive level 2 fair values

Sale or purchase costs or tax deductions are not taken into account in assumption of Level 2 fair value of land and buildings. The most common valuation techniques used are market comparable method, cost and income approach including discounted cash flow analysis.

Market Comparable Method

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

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

BİM BİRLEŞİK MAĞAZALAR A.Ş.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AT 31 DECEMBER 2016

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

10. Property, plant and equipment (Continued)

Discounted Cash Flow Method

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

Cost Approach

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

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

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

Valuation processes of the Group

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

Revaluations are performed with sufficient regularity to ensure that the fair value of a revalued asset does not differ materially from its carrying amount as of balance sheet date. Group revaluates the amount of their lands and buildings every 3 years unless there is a change in the circumstances. Group has revalued their lands and buildings latest in 2015. The fair value of land and buildings have been determined by harmonization of "Discounted Cashflow Analysis", "Direct Capitalization" and "Market Comparable Method".

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

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

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

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

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

BİM BİRLEŞİK MAĞAZALAR A.Ş.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
AT 31 DECEMBER 2016**

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

10. Property, plant and equipment (Continued)

Pledges and mortgages on assets

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

11. Intangible assets

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

	1 January 2016	Additions	Disposals	Currency translation differences	31 December 2016
Cost					
Rights	18.538	4.467	(145)	234	23.094
Other intangible assets	139	-	-	-	139
	18.677	4.467	(145)	234	23.233
Accumulated amortization					
Rights	(13.290)	(2.449)	143	(186)	(15.782)
Other intangible assets	(37)	(12)	-	-	(49)
	(13.327)	(2.461)	143	(186)	(15.831)
Net book value	5.350				7.402
	1 January 2015	Additions	Disposals	Currency translation differences	31 December 2015
Cost					
Rights	16.111	2.393	(32)	66	18.538
Other intangible assets	84	55	-	-	139
	16.195	2.448	(32)	66	18.677
Accumulated amortization					
Rights	(11.481)	(1.775)	24	(58)	(13.290)
Other intangible assets	(26)	(11)	-	-	(37)
	(11.507)	(1.786)	24	(58)	(13.327)
Net book value	4.688				5.350

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

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

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

BİM BİRLEŞİK MAĞAZALAR A.Ş.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
AT 31 DECEMBER 2016

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

12. Provisions, contingent assets and liabilities

a) Short term provision for employee benefits

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

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

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

b) Other short term provisions

	31 December 2016	31 December 2015
Legal provisions (*)	17.917	13.150
Other	20.100	10.466
Total	38.017	23.616

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

The movement of provision for lawsuits is as follows;

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

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

BİM BİRLEŞİK MAĞAZALAR A.Ş.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
AT 31 DECEMBER 2016**

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

12. Provisions, contingent assets and liabilities (Continued)

Letter of guarantees, mortgages and pledges given by the Group

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

	31 December 2016				
	Total TRY equivalent	TRY	USD	Euro	Moroccan Dirham
A. Total amount of guarantees, pledges and mortgages given in the name of	16.285	15.402	250.870	-	-
Guarantee	16.285	15.402	250.870	-	-
Pledge	-	-	-	-	-
Mortgage	-	-	-	-	-
B. Total amount of guarantees, pledges and mortgages provided on behalf of the parties which are included in the scope of full consolidation	-	-	-	-	-
Guarantee	-	-	-	-	-
Pledge	-	-	-	-	-
Mortgage	-	-	-	-	-
C. Total amount of guarantees, pledges and mortgages provided on behalf of third parties to conduct business activities	-	-	-	-	-
D. Total amount of other guarantees, pledges and mortgages	-	-	-	-	-
i. On behalf of majority Shareholder	-	-	-	-	-
ii. On behalf of other group companies which are not covered in B and C above	-	-	-	-	-
iii. On behalf of third parties which are not covered by item C	-	-	-	-	-
Total	16.285	15.402	250.870	-	-

	31 December 2015				
	Total TRY equivalent	TRY	USD	Euro	Moroccan Dirham
A. Total amount of guarantees, pledges and mortgages given in the name of	14.237	13.510	250.000	-	-
Guarantee	14.237	13.510	250.000	-	-
Pledge	-	-	-	-	-
Mortgage	-	-	-	-	-
B. Total amount of guarantees, pledges and mortgages provided on behalf of the parties which are included in the scope of full consolidation	-	-	-	-	-
Guarantee	-	-	-	-	-
Pledge	-	-	-	-	-
Mortgage	-	-	-	-	-
C. Total amount of guarantees, pledges and mortgages provided on behalf of third parties to conduct business activities	-	-	-	-	-
D. Total amount of other guarantees, pledges and mortgages	-	-	-	-	-
i. On behalf of majority Shareholder	-	-	-	-	-
ii. On behalf of other group companies which are not covered in B and C above	-	-	-	-	-
iii. On behalf of third parties which are not covered by item C	-	-	-	-	-
Total	14.237	13.510	250.000	-	-

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

BİM BİRLEŞİK MAĞAZALAR A.Ş.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
AT 31 DECEMBER 2016**

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

12. Provisions, contingent assets and liabilities (Continued)

Insurance coverage on assets

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

13. Prepaid expenses

a) Short term prepaid expenses

	31 December 2016	31 December 2015
Order advances given	98.701	115.302
Other	8.627	5.406
	107.328	120.708

b) Long term prepaid expenses

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

14. Long term provision for employee benefits

	31 December 2016	31 December 2015
Provision for employee termination benefits	77.671	60.368
Total	77.671	60.368

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

The amount payable consists of one month's salary limited to a maximum of TRY4.297,21 for each period of service as of 31 December 2016 (31 December 2015: TRY3.828,37). The retirement pay provision ceiling is revised semi-annually, and TRY4.297,21 which is effective from 1 July 2016, is taken into consideration in the calculation of provision for employment termination benefits (effective from 1 January 2016: TRY4.092,53). Liability of employment termination benefits is not subject to any funding as there is not any obligation. Provision is calculated by estimating the present value of the future probable obligation of the Group arising from the retirement of the employees. TAS 19 "Employee Benefits" requires actuarial valuation methods to be developed to estimate the Group's obligation under the defined benefit plans. The following actuarial assumptions are used in the calculation of the total liability. Actuarial loss/gain is accounted in the statement of comprehensive income under "Actuarial gain/loss from defined benefit plans".

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

BİM BİRLEŞİK MAĞAZALAR A.Ş.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
AT 31 DECEMBER 2016**

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

14. Employee termination benefits (Continued)

The principal assumption is that the maximum liability for each year of service will increase in line with inflation. Thus, the discount rate applied represents the expected real rate after adjusting for the anticipated effects of future inflation. Consequently, in the accompanying consolidated financial statements as of 31 December 2016 and 31 December 2015 the provision is calculated by estimating the present value of the future probable obligation of the Group arising from the retirement of the employees. Provisions at the balance sheet date were calculated by using real discount rate of 4,25% by assuming an annual inflation rate of 6,0% (31 December 2015: 6,0%) and a discount rate of 10,50% (31 December 2015: 10,50%). The anticipated rate of forfeitures that occurred on voluntary turnovers is considered.

Significant actuarial assumptions are as follows;

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

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

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

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

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

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

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

BİM BİRLEŞİK MAĞAZALAR A.Ş.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
AT 31 DECEMBER 2016**

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

15. Other assets and liabilities

a) Other current assets

	31 December 2016	31 December 2015
VAT receivable	13.952	13.149
Other	7.576	4.684
	21.528	17.833

b) Other current liabilities

	31 December 2016	31 December 2015
Taxes and funds payables	52.040	40.296
Other	2.906	6.048
	54.946	46.344

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

16. Equity

a) Share capital and capital reserves

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

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

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

Revaluation surplus

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

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

BİM BİRLEŞİK MAĞAZALAR A.Ş.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AT 31 DECEMBER 2016

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

16. Equity (Continued)

b) Restricted reserves and retained earnings

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

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

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

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

In accordance with the Turkish Commercial Code (TCC), unless the required reserves and the dividend for shareholders as determined in the article of association or in the dividend distribution policy of the company are set aside, no decision may be made to set aside other reserves, to transfer profits to the subsequent year or to distribute dividends to the holders of usufruct right certificates, to the members of the board of directors or to the employees; and no dividend can be distributed to these persons unless the determined dividend for shareholders is paid in cash.

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

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

As of 31 December 2016 and 2015 legal reserves, prior year profits and net income for the period in statutory accounts which is prepared in accordance with Tax Procedural Law of the Company are as follows:

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

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

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

BİM BİRLEŞİK MAĞAZALAR A.Ş.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
AT 31 DECEMBER 2016**

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

16. Equity (Continued)

c) Treasury shares

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

Dividend paid

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

17. Sales and cost of sales

a) Net Sales

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

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

b) Cost of sales

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

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

BİM BİRLEŞİK MAĞAZALAR A.Ş.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
AT 31 DECEMBER 2016**

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

18. Operational Expenses

a) Marketing expenses

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

b) General and administrative expenses

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

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

BİM BİRLEŞİK MAĞAZALAR A.Ş.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
AT 31 DECEMBER 2016**

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

19. Expenses by nature

a) Depreciation and amortisation expenses

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

b) Personnel expenses

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

20. Other operating income and expense

a) Other Operating Income

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

b) Other Operating Expense

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

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

BİM BİRLEŞİK MAĞAZALAR A.Ş.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
AT 31 DECEMBER 2016**

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

21. Financial Income

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

22. Financial Expenses

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

23. Income and expense from investing activities

a) Income from Investing Activities

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

b) Expense from Investing Activities

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

24. Tax assets and liabilities

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

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

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

BİM BİRLEŞİK MAĞAZALAR A.Ş.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
AT 31 DECEMBER 2016**

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

24. Tax assets and liabilities (Continued)

In Turkey, as of 31 December 2016, corporate tax rate is 20% (31 December 2015: 20%). Corporate tax returns are required to be filed by the twenty-fifth day of the fourth month following the balance sheet date and taxes must be paid in one installment by the end of the fourth month. The tax legislation provides for a temporary tax of 20% to be calculated and paid based on earnings generated for each quarter. The amounts thus calculated and paid are offset against the final corporate tax liability for the year.

In Morocco, as of 31 December 2016 the corporate tax rate is 30% (31 December 2015: 30%) where the consolidated subsidiary of the Company, BIM Stores SARL operates. In Egypt, as of 31 December 2016 the corporate tax rate is 22,5% (31 December 2015 :22,5%) where the consolidated subsidiary of the Company, BIM Stores LLC operates.

There is no taxable temporary differences related with the consolidated subsidiaries for which the Company recognised deferred tax liability (31 December 2015: None).

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

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

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

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

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

BİM BİRLEŞİK MAĞAZALAR A.Ş.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
AT 31 DECEMBER 2016**

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

24. Tax assets and liabilities (Continued)

Deferred tax is presented in financial statements as follows:

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

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

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

Tax reconciliation

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

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

BİM BİRLEŞİK MAĞAZALAR A.Ş.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
AT 31 DECEMBER 2016**

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

25. Earnings per share

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

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

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

26. Related party disclosures

a) Trade Payables to Related Parties

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

Payables related to goods and services received:

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

⁽¹⁾ Companies owned by shareholders of the Company.

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

⁽³⁾ Other related party.

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

BİM BİRLEŞİK MAĞAZALAR A.Ş.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
AT 31 DECEMBER 2016**

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

26. Related party disclosures (Continued)

b) Related party transactions

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

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

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

(1) Companies owned by shareholders of the Company.

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

(3) Other related party.

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

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

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

	1 January - 31 December 2016	1 January - 31 December 2015
Short-term benefits to employees	53.497	44.575
Long-term defined benefits	3.548	2.394
Total benefits	57.045	46.969

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

BİM BİRLEŞİK MAĞAZALAR A.Ş.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AT 31 DECEMBER 2016

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

27. Financial Instruments and Financial Risk Management

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

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

Price risk

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

Profit share rate risk

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

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

Profit share rate position table

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

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

Credit risk

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

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

BİM BİRLEŞİK MAĞAZALAR A.Ş.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
AT 31 DECEMBER 2016**

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

27. Financial Instruments and Financial Risk Management (Continued)

Credit risk table (Current period - 31 December 2016)

	Credit card receivables		Other receivables		Deposits in bank		Financial assets	
	Related party	Other party	Related party	Other party	Related party	Other party	Related party	Other party
Maximum credit risk exposures as of report date (A+B+C+D+E)	-	645.505	39.531	11.758	-	366.402	193.429	-
- Maximum risk secured by guarantees etc.	-	-	-	-	-	-	-	-
A. Net book value of financial assets neither overdue nor impaired	-	645.505	39.531	11.758	-	366.402	193.429	-
B. Net book value of financial assets that are renegotiated, if not that will be accepted as past due or impaired	-	-	-	-	-	-	-	-
C. Carrying value of financial assets that are past due but not impaired	-	-	-	-	-	-	-	-
- The part under guarantee with collateral etc.	-	-	-	-	-	-	-	-
D. Net book value of impaired assets	-	-	-	-	-	-	-	-
- Past due (gross carrying amount)	-	-	-	445	-	-	-	-
- Impairment	-	-	-	(445)	-	-	-	-
- The part of net value under guarantee with collateral etc.	-	-	-	-	-	-	-	-
- Not past due (gross carrying amount)	-	-	-	-	-	-	-	-
- Impairment	-	-	-	-	-	-	-	-
E. Off-balance sheet items with credit risk	-	-	-	-	-	-	-	-

Credit risk table (Prior period - 31 December 2015)

	Credit card receivables		Other receivables		Deposits in bank		Financial assets	
	Related party	Other party	Related party	Other party	Related party	Other party	Related party	Other party
Maximum credit risk exposures as of report date (A+B+C+D+E)	-	525.685	39.879	4.287	-	211.676	181.755	-
- Maximum risk secured by guarantees etc.	-	-	-	-	-	-	-	-
A. Net book value of financial assets neither overdue nor impaired	-	525.685	39.879	4.287	-	211.676	181.755	-
B. Net book value of financial assets that are renegotiated, if not that will be accepted as past due or impaired	-	-	-	-	-	-	-	-
C. Carrying value of financial assets that are past due but not impaired	-	-	-	-	-	-	-	-
- The part under guarantee with collateral etc.	-	-	-	-	-	-	-	-
D. Net book value of impaired assets	-	-	-	-	-	-	-	-
- Past due (gross carrying amount)	-	-	-	360	-	-	-	-
- Impairment	-	-	-	(360)	-	-	-	-
- The part of net value under guarantee with collateral etc.	-	-	-	-	-	-	-	-
- Not past due (gross carrying amount)	-	-	-	-	-	-	-	-
- Impairment	-	-	-	-	-	-	-	-
E. Off-balance sheet items with credit risk	-	-	-	-	-	-	-	-

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

BİM BİRLEŞİK MAĞAZALAR A.Ş.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AT 31 DECEMBER 2016

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

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

	31 December 2016				31 December 2015			
	TRY equivalent	USD	Euro	GBP	TRY equivalent	USD	Euro	GBP
1. Trade receivables	-	-	-	-	-	-	-	-
2a. Monetary financial assets (including cash, banks accounts)	34.634	9.816.002	13.308	9.283	1.662	443.524	109.939	5.472
2b. Non-monetary financial assets	-	-	-	-	-	-	-	-
3. Other	-	-	-	-	-	-	-	-
4. Other current assets (1+2+3)	34.634	9.816.002	13.308	9.283	1.662	443.524	109.939	5.472
5. Trade receivables	-	-	-	-	-	-	-	-
6a. Monetary financial assets	98	26.600	1.278	-	77	25.100	1.278	-
6b. Non-monetary financial assets	-	-	-	-	-	-	-	-
7. Other	-	-	-	-	10	3.500	-	-
8. Non-current assets (5+6+7)	98	26.600	1.278	-	87	28.600	1.278	-
9. Total assets (4+8)	34.732	9.842.602	14.586	9.283	1.749	472.124	111.217	5.472
10. Trade payables	18	2.000	-	-	6	2.000	-	-
11. Financial liabilities	-	-	-	-	-	-	-	-
12a. Monetary other liabilities	-	-	-	-	19	6.500	-	-
12b. Non monetary other liabilities	-	-	-	-	-	-	-	-
13. Current liabilities (10+11+12)	18	2.000	-	-	25	8.500	-	-
14. Trade payables	-	-	-	-	-	-	-	-
15. Financial liabilities	-	-	-	-	-	-	-	-
16a. Monetary other liabilities	-	-	-	-	-	-	-	-
16b. Non-monetary other liabilities	-	-	-	-	-	-	-	-
17. Non-current liabilities (14+15+16)	-	-	-	-	-	-	-	-
18. Total liabilities (13+17)	18	2.000	-	-	25	8.500	-	-
19. Net asset/(liability) position of off-balance sheet derivative instruments (19a-19b)	-	-	-	-	-	-	-	-
19a. Hedged total assets amount	-	-	-	-	-	-	-	-
19b. Hedged total liabilities amount	-	-	-	-	-	-	-	-
20. Net foreign currency asset/(liability) position (9-18+19)	34.714	9.840.602	11.586	9.283	1.724	463.624	111.217	5.472
21. Net foreign currency asset/(liability) position of monetary items (TFRS 7.b23) (=1+2a+5+6a-10-11-12a-14-15-16a))	34.714	9.840.602	11.586	9.283	1.714	460.124	111.217	5.472
22. Total fair value of financial instruments used for foreign currency hedging	-	-	-	-	-	-	-	-
23. Export	-	-	-	-	-	-	-	-
24. Import	-	-	-	-	-	-	-	-

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

BİM BİRLEŞİK MAĞAZALAR A.Ş.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
AT 31 DECEMBER 2016**

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

27. 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 December 2016 and 2015:

31 December 2016		Exchange rate sensitivity analysis			
		Current Period			
		Profit Loss		Equity	
		Foreign currency appreciation	Foreign currency depreciation	Foreign currency appreciation	Foreign currency depreciation
<i>Change of USD against TRY by 10%:</i>					
1-	USD net asset/(liability)	3.463	(3.463)	-	-
2-	Protected part from USD risk(-)	-	-	-	-
3-	USD net effect (1+2)	3.463	(3.463)	-	-
<i>Change of EUR against TRY by 10%:</i>					
4-	EUR net asset/(liability)	4	(4)	-	-
5-	Protected part from EUR risk (-)	-	-	-	-
6-	EUR net effect (4+5)	4	(4)	-	-
<i>Change of GBP against TRY by 10%:</i>					
7-	GBP net asset/(liability)	4	(4)	-	-
8-	Protected part from GBP risk (-)	-	-	-	-
9-	GBP net effect (7+8)	4	(4)	-	-
Total (3+6+9)		3.471	(3.471)	-	-

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

BİM BİRLEŞİK MAĞAZALAR A.Ş.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
AT 31 DECEMBER 2016**

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

27. Financial Instruments and Financial Risk Management (Continued)

31 December 2015		Exchange rate sensitivity analysis			
		Current Period			
		Profit Loss		Equity	
		Foreign currency appreciation	Foreign currency depreciation	Foreign currency appreciation	Foreign currency depreciation
<i>Change of USD against TRY by 10%:</i>					
1-	USD net asset/(liability)	135	(135)	-	-
2-	Protected part from USD risk(-)	-	-	-	-
3-	USD net effect (1+2)	135	(135)	-	-
<i>Change of EUR against TRY by 10%:</i>					
4-	EUR net asset/(liability)	35	(35)	-	-
5-	Protected part from EUR risk (-)	-	-	-	-
6-	EUR net effect (4+5)	35	(35)	-	-
<i>Change of GBP against TRY by 10%:</i>					
7-	GBP net asset/(liability)	2	(2)	-	-
8-	Protected part from GBP risk (-)	-	-	-	-
9-	GBP net effect (7+8)	2	(2)	-	-
Total (3+6+9)		172	(172)	-	-

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.

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

BİM BİRLEŞİK MAĞAZALAR A.Ş.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
AT 31 DECEMBER 2016**

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

27. Financial Instruments and Financial Risk Management (Continued)

As of 31 December 2016 and 31 December 2015, maturities of undiscounted trade payables and financial liabilities of the Group are as follows:

31 December 2016

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

31 December 2015

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

Capital risk management

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

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

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

	31 December 2016	31 December 2015
Total liabilities	3.087.960	2.497.426
Less: Cash and cash equivalents	(578.435)	(348.789)
Net debt	2.509.525	2.148.637
Total equity	1.901.177	1.670.359
Total equity+net debt	4.410.702	3.818.996
Net debt/(Total equity + net debt) ratio (%)	57	56

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

BİM BİRLEŞİK MAĞAZALAR A.Ş.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
AT 31 DECEMBER 2016**

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

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

Fair value estimation

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

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

The following table presents the group's financial assets and liabilities that are measured at fair value at 31 December 2016 and 31 December 2015. See note 10 for disclosures of the land and buildings that are measured at fair value.

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

There were no transfers between levels during year.

(a) Financial instruments in level 2

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

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

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

BİM BİRLEŞİK MAĞAZALAR A.Ş.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
AT 31 DECEMBER 2016**

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

**28. Financial instruments (fair value disclosures and disclosures in the frame of hedge accounting)
(Continued)**

Specific valuation techniques used to value financial instruments include:

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

As of 31 December 2016 and 2015, except for the available for sale financial assets disclosed in Note 5, the fair values of certain financial assets carried at cost including cash and cash equivalents profit share accruals and other short term financial assets are considered to approximate their respective carrying values due to their short-term nature. The carrying value of trade receivables along with the related allowance for unearned income and uncollectibility are estimated to be their fair values.

- Financial liabilities

Financial liabilities of which fair values approximate their carrying values:

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

29. Events after balance sheet date

None.

.....