MİGROS TİCARET A.Ş.

CONVENIENCE TRANSLATION INTO ENGLISH OF CONSOLIDATED FINANCIAL STATEMENTS AS OF 31 DECEMBER 2017

(ORIGINALLY ISSUED IN TURKISH)

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

INDEPENDENT AUDITOR'S REPORT

To the General Assembly of Migros Ticaret A.Ş.

A. Audit of the Consolidated Financial Statements

1. Opinion

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

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

2. Basis for Opinion

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

3. Key Audit Matters

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

Key audit matters	*How our audit addressed the key audit matter*
Impairment tests of indefinite-life intangible assets The carrying value of goodwill which is accounted for under indefinite-life intangible assets amounted to TRL 2.252.992 thousand in the consolidated financial statements as of 31 December 2017. In accordance with TAS, these indefinite-life intangible assets should be tested for impairment annually. Significant judgements and estimates are used in the impairment test performed by management. These are; earnings before interest, tax, depreciation and amortization ("EBITDA") growth forecasts, long term growth rates and discount rates. The outcome of such estimates is very sensitive to changes in market conditions. Therefore, this impairment test is key matters for our audit. Please refer to notes 2 and 13 to the consolidated financial statements for the relevant disclosures, including the accounting policy and sensitivity analysis.	We performed the following procedures in relation to the impairment test goodwill: - Evaluating the appropriateness of the Cash Generating Units ("CGUs") determined by management, - Evaluating management forecasts and future plans based on macroeconomic information by discussion with the Group management, - Comparing forecasted cash flows for each CGU with its historical financial performance, - Through involvement of our internal valuation specialists, assessing the reasonableness of key assumptions, including long term growth rates, discount rates and benchmarking these against rates used in the retail sector, - Testing of the setup of the discounted cash flow models and their mathematical accuracy, - Testing of the disclosures in the consolidated financial statements in relation to goodwill, and evaluating the adequacy of these disclosures for TAS' requirements. We had no material findings related to the impairment test of goodwill as a result of these procedures.

Key audit matters	How our audit addressed the key audit matter
Business Combination The Group took over the management of Kipa Ticaret A.Ş.'s ("Kipa") on 1 March 2017 as a result of the purchase agreement signed with Tesco Overseas Investments Limited (the "Seller") on 10 June 2016. The Group accounted this transaction in its consolidated financial statements in accordance with TFRS 3 "Business Combinations". Purchase price allocation study is performed by the Group management. Negative goodwill recognized as an output of this purchase transaction is material for consolidated financial statements. Furthermore purchase price allocation which was performed by the Group management includes significant estimations and judgements. These are; royalty rate, weighted average cost of capital ("WACC") rate and estimated cash-inflows of cash generating units. Please refer to notes 2 and 13 to the consolidated financial statements for the relevant disclosures, including the accounting policy.	We performed the following procedures in relation to the business combination: - Evaluation of share purchase agreement and purchase price, - Through involvement of our internal valuation specialists, assessing the reasonableness of key assumptions, such as WACC rate and royalty rate which are used in purchase price allocation study. - Evaluation of reasonableness of estimated cash flow of the cash generating units which is used in brand value calculation by comparing to the past financial performance results of these cash generating units, and reviewing the consistency of the estimations used in the brand value projections with actual results as of 31 December 2017, We had no material findings related to the the business combination.

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Key audit matters	*How our audit addressed the key audit matter*
Fair valuation of land, buildings and investment property The Group measured land, buildings and investment property in the consolidated financial statements at their fair value in accordance with TAS 16 "Property, plant and equipment" and TAS 40 "Investment property" standards. As a result of the valuation by independent professional valuation experts as of 31 December 2017, the increase in carrying amount and impairment of land, buildings and investment property is TRL 1.008.277 thousand and TRL 145.893 thousand by respectively. We considered the fair valuation of land, buildings and investment properties to be a key audit matter because the land, buildings and investment properties with a total carrying amount of TRL 2.813.876 thousand (27% of total assets) represents a material percentage of the Group's assets as of 31 December 2017, and the valuation methods applied incorporate important estimations and assumptions such as average equivalence value calculated per square meter, equivalent market rates, estimated occupancy rates and discount rates. Accounting policies related to measuring land, buildings and investment properties are stated in Notes 2, 10 and 11.	We performed the following procedures in relation to the the fair valuation of land, buildings and investment properties: - the evaluation of the competency, efficiency and independence of the independent professional valuation experts assigned by the Group management, - the consistency of data such as rent revenue, discount rates and occupancy rates used by the independent professional valuation experts with the Group's records and with data selected on a sampling basis. - Testing of the disclosures in the consolidated financial statements in relation to fair valuation of land, buildings and investment properties. We had no material findings related to the auditing the fair valuation of land, buildings and investment properties.

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

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

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

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

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

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

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

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

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

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

- Assess the internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our independent auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion.

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

5. **Auditor's Responsibilities for the Audit of the Consolidated Financial Statements (Continued)**

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

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

B. Other Responsibilities Arising From Regulatory Requirements

1. No matter has come to our attention that is significant according to subparagraph 4 of Article 402 of Turkish Commercial Code ("TCC") No. 6102 and that causes us to believe that the Company's bookkeeping activities concerning the period from 1 January to 31 December 2017 period are not in compliance with the TCC and provisions of the Company's articles of association related to financial reporting.

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

3. In accordance with subparagraph 4 of Article 398 of the TCC, the auditor's report on the early risk identification system and committee was submitted to the Company's Board of Directors on 9 March 2018.

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

Burak Özpoyraz, SMMM
Partner

İstanbul, 9 March 2018

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

MİGROS TİCARET A.Ş.

CONSOLIDATED FINANCIAL STATEMENTS AS OF 31 DECEMBER 2017

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

MİGROS TİCARET A.Ş.

CONSOLIDATED BALANCE SHEETS AS OF 31 DECEMBER 2017, 2016 AND 2015

(Amounts expressed in thousands of Turkish Lira ("TRL") unless otherwise indicated.)
(Currencies other than TRL are expressed in thousands unless otherwise indicated.)

	Notes	31 December 2017	*Restated(*)* 31 December 2016	*Restated(*)* 31 December 2015
ASSETS				
Current Assets:				
Cash and cash equivalents	4	1.617.380	1.155.942	839.424
Financial investments	5	10.596	714	4.085
Trade receivables				
Trade receivables from related parties	25	713	600	496
Trade receivables from third parties	6	96.197	57.838	49.349
Other receivables from third parties	7	42.512	8.258	5.924
Derivative instruments		-	602	-
Inventories	8	1.908.246	1.212.074	1.052.680
Prepaid expenses	9	50.673	34.792	31.465
Other current assets		5.890	527	407
Subtotal		**3.732.207**	**2.471.347**	**1.983.830**
Assets classified as held for sale		44.068	-	-
Total current assets		**3.776.275**	**2.471.347**	**1.983.830**
Non-current assets:				
Financial investments	5	1.165	1.165	1.165
Other receivables from third parties	7	3.596	2.280	2.035
Derivative instruments		10	18	422
Investment properties	10	342.731	144.719	146.405
Property, plant and equipment	11	3.740.288	1.268.333	1.220.623
Intangible assets				
Goodwill	13	2.252.992	2.252.992	2.251.427
Other intangible assets	12	160.687	107.038	84.689
Prepaid expenses	9	24.931	28.834	18.428
Total non-current assets		**6.526.400**	**3.805.379**	**3.725.194**
Total assets		**10.302.675**	**6.276.726**	**5.709.024**

(*) Note 2.3

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

MİGROS TİCARET A.Ş.

CONSOLIDATED BALANCE SHEETS AS OF 31 DECEMBER 2017, 2016 AND 2015

(Amounts expressed in thousands of Turkish Lira ("TRL") unless otherwise indicated.)
(Currencies other than TRL are expressed in thousands unless otherwise indicated.)

	Notes	31 December 2017	*Restated(*)* 31 December 2016	*Restated(*)* 31 December 2015
LIABILITIES				
Current liabilities:				
Short term portion of long term borrowings	14	468.718	238.513	212.910
Short term borrowings	14	569.319	102.012	-
Trade payables				
Trade payables to related parties	25	182.490	175.170	146.099
Trade payables to third parties	6	3.771.651	2.488.489	2.081.705
Employee benefits payables	16	136.212	76.261	47.193
Other payables to third parties	7	135.349	65.017	41.442
Deferred income	9	47.670	32.416	24.397
Taxes on income	23	25.850	19.952	9.595
Short term provisions				
Short term provisions for employee benefits	16	110.855	93.105	75.970
Other short term provisions	15	63.144	27.672	83.283
Other current liabilities		4.838	2.153	3.077
Total current liabilities		**5.516.096**	**3.320.760**	**2.725.671**
Non-current liabilities:				
Long term borrowings	14	2.874.437	2.623.011	2.380.236
Other payables to third parties	7	8.778	3.629	3.181
Deferred income	9	2.500	4.592	850
Long term provisions				
Long term provisions for employee benefits	16	117.753	79.057	64.283
Deferred tax liabilities	23	255.963	53.064	60.171
Total non-current liabilities		**3.259.431**	**2.763.353**	**2.508.721**
Total liabilities		**8.775.527**	**6.084.113**	**5.234.392**
EQUITY				
Attributable to equity holders of parent	**24**	**1.470.494**	**191.793**	**473.988**
Share capital		178.030	178.030	178.030
Other capital reserves		(365)	(365)	(365)
Additional contribution to share capital		27.312	27.312	27.312
Share premium		-	678.233	678.233
Other comprehensive income/(expense) not to be classified to profit or loss				
-Defined benefit plans re-measurement (losses)		(8.684)	(9.180)	(8.350)
-Revaluation fund of property, plant and eqiupment		743.700	-	-
Other comprehensive income/expense to be classified to profit or loss				
-Currency translation differences		45.311	23.512	4.720
Restricted reserves		-	439.139	504.766
Accumulated losses		(27.516)	(844.731)	(533.831)
Net income/(loss)		512.706	(300.157)	(376.527)
Non-controlling interest		**56.654**	**820**	**644**
Total equity		**1.527.148**	**192.613**	**474.632**
Total liabilities and equity		**10.302.675**	**6.276.726**	**5.709.024**

(*) Note 2.3

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

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

MİGROS TİCARET A.Ş.

CONSOLIDATED STATEMENTS OF INCOME FOR THE YEAR ENDED 31 DECEMBER 2017 AND 2016

(Amounts expressed in thousands of Turkish Lira ("TRL") unless otherwise indicated.)
(Currencies other than TRL are expressed in thousands unless otherwise indicated.)

	Notes	2017	*Restated(*)* 2016
Revenue	17	15.344.047	11.059.224
Cost of sales (-)	17, 18	(11.262.081)	(8.106.667)
Gross Profit		**4.081.966**	**2.952.557**
General administrative expenses (-)	18	(535.230)	(348.982)
Marketing expenses (-)	18	(3.018.786)	(2.176.045)
Other operating income	19	157.060	108.694
Other operating expenses (-)	19	(382.187)	(205.054)
Operating profit		**302.823**	**331.170**
Income from investment activities	20	1.251.927	1.154
Expenses from investment activities (-)	20	(159.169)	(44.210)
Operating income before financial income/(expense)		**1.395.581**	**288.114**
Financial income	21	88.965	52.316
Financial expense (-)	22	(881.850)	(576.526)
Net profit/ (loss) before tax from continuing operations		**602.696**	**(236.096)**
Tax expense from continuing operations		**(93.660)**	**(64.010)**
- Income tax expense (-)	23	(83.177)	(72.355)
- Deferred tax income/ (expense)	23	(10.483)	8.345
Net loss		**509.036**	**(300.106)**
Net income loss attributable to:			
- Non-controlling interest		(3.670)	51
- Equity holders of parent		512.706	(300.157)
Profit / (Loss) per share (TRL)	**26**	**2,88**	**(1,69)**

(*) Note 2.3

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

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

MİGROS TİCARET A.Ş.

CONSOLIDATED STATEMENTS OF OTHER COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 DECEMBER 2017 AND 2016

(Amounts expressed in thousands of Turkish Lira ("TRL") unless otherwise indicated.)
(Currencies other than TRL are expressed in thousands unless otherwise indicated.)

	Notes	2017	*Restated(*)* 2016
Net profit/ (loss) for the period		**509.036**	**(300.106)**
Other comprehensive income/(loss):			
Items not to be reclassified to profit or loss			
- Defined benefit plan re-measurement (losses)/gains	16	620	(1.037)
- Revaluation fund of property, plant and equipment	11	873.310	-
Tax effect of items not to be reclassified to profit or loss			
Defined benefit plan re-measurement (losses)/gains	23	(124)	207
- Revaluation fund of property, plant and equipment	23	(119.285)	-
Items to be reclassified to profit or loss			
Exchange differences on translation		21.985	18.917
Other comprehensive income / (loss), after tax		**776.506**	**18.087**
Total comprehensive income / (loss)		**1.285.542**	**(282.019)**
Total comprehensive loss attributable to:			
Non-controlling interests		6.841	176
Equity holders of parent		1.278.701	(282.195)

(*) Note 2.3

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

MİGROS TİCARET A.Ş.

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY FOR THE YEARS ENDED 31 DECEMBER 2017, 2016 AND 2015

(Amounts expressed in thousands of Turkish Lira ("TRL") unless otherwise indicated.)
(Currencies other than TRL are expressed in thousands unless otherwise indicated.)

					Other comprehensive income / expenses not to be reclassified to profit or loss	Other comprehensive income / expenses to be reclassified to profit or loss		Retained earnings				
	Share capital	Other capital reserves	Additional contribution to share capital	Share premium	Defined benefit plans re-measurement (income)	Cumulative translation differences	Restricted reserves	Accumulated losses	Net income /(loss) for the period	Attributable to equity holders of the parent	Non - controlling interests	Total equity
Balances at 31 December 2015 (Previously reported)	**178.030**	**(365)**	**27.312**	**678.233**	**(8.350)**	**4.720**	**504.766**	**(498.600)**	**(370.404)**	**515.342**	**644**	**515.986**
Effect of restatement (Note 2.3)	-	-	-	-	-	-	-	(35.231)	(6.123)	(41.354)	-	(41.354)
Balances at 31 December 2015 (Restated)	**178.030**	**(365)**	**27.312**	**678.233**	**(8.350)**	**4.720**	**504.766**	**(533.831)**	**(376.527)**	**473.988**	**644**	**474.632**
Balances at 1 January 2016	**178.030**	**(365)**	**27.312**	**678.233**	**(8.350)**	**4.720**	**504.766**	**(533.831)**	**(376.527)**	**473.988**	**644**	**474.632**
Transfers	-	-	-	-	-	-	(65.627)	(310.900)	376.527	-	-	-
Total comprehensive income	-	-	-	-	(830)	18.792	-	-	(300.157)	(282.195)	176	(282.019)
Net income for the period	-	-	-	-	-	-	-	-	(300.157)	(300.157)	51	(300.106)
Currency translation differences	-	-	-	-	-	18.792	-	-	-	18.792	125	18.917
Defined benefit plans re-measurement gains	-	-	-	-	(830)	-	-	-	-	(830)	-	(830)
Balances at 31 December 2016 (Restated)	**178.030**	**(365)**	**27.312**	**678.233**	**(9.180)**	**23.512**	**439.139**	**(844.731)**	**(300.157)**	**191.793**	**820**	**192.613**
Balances at 31 December 2016 (Previously reported)	**178.030**	**(365)**	**27.312**	**678.233**	**(9.180)**	**23.512**	**439.139**	**(803.377)**	**(292.969)**	**240.335**	**820**	**241.155**
Effect of restatement (Note 2.3)	-	-	-	-	-	-	-	(41.354)	(7.188)	(48.542)	-	(48.542)
Balances at 31 December 2016 (Restated)	**178.030**	**(365)**	**27.312**	**678.233**	**(9.180)**	**23.512**	**439.139**	**(844.731)**	**(300.157)**	**191.793**	**820**	**192.613**
Balances at 1 January 2017	**178.030**	**(365)**	**27.312**	**678.233**	**(9.180)**	**23.512**	**439.139**	**(844.731)**	**(300.157)**	**191.793**	**820**	**192.613**
Transfers	-	-	-	(678.233)	-	-	(439.139)	817.215	300.157	-	-	-
Acquisition of subsidiary (Note 13)	-	-	-	-	-	-	-	-	-	-	48.993	48.993
Total comprehensive income	-	-	-	-	744.196	21.799	-	-	512.706	1.278.701	6.841	1.285.542
Net income / (loss) for the period	-	-	-	-	-	-	-	-	512.706	512.706	(3.670)	509.036
Currency translation differences	-	-	-	-	-	21.799	-	-	-	21.799	186	21.985
Defined benefit plans re-measurement gains	-	-	-	-	496	-	-	-	-	496	-	496
Revaluation fund of property, plant and equipment	-	-	-	-	743.700	-	-	-	-	743.700	10.325	754.025
Balances at 31 December 2017	**178.030**	**(365)**	**27.312**	**-**	**735.016**	**45.311**	**-**	**(27.516)**	**512.706**	**1.470.494**	**56.654**	**1.527.148**

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

MİGROS TİCARET A.Ş.

CONSOLIDATED STATEMENTS OF CASH FLOWS FOR THE YEAR ENDED 31 DECEMBER 2017 AND 2016

(Amounts expressed in thousands of Turkish Lira ("TRL") unless otherwise indicated.)
(Currencies other than TRL are expressed in thousands unless otherwise indicated.)

	Notes	2017	*Restated(*)* 2016
Cash flows from operating activities:			
Profit / (Loss) for the period		509.036	(300.106)
Adjustments related to reconciliation of loss			
Adjustments for depreciation and amortisation expenses	18	269.956	199.516
Adjustments for impairment on receivables	6	4.116	1.709
Adjustments for impairment on property, plant and equipment	20	153.114	36.046
Adjustments for inventory provisions	8	20.246	636
Adjustments for impairment on other intangible assets			
Adjustments for impairment on investment properties	10, 20	(134.967)	-
Adjustments for provision for employee benefits	16	81.510	57.933
Adjustments for provision for litigation	15	1.310	5.169
Adjustments for other provisions		(867)	(36.737)
Adjustments for interest income	19, 21	(52.165)	(28.554)
Adjustments for interest expense	22	270.253	168.389
Adjustments for deferred finance expense from term purchases	19	303.056	178.324
Adjustments for unearned finance income from term sales	19	(62.617)	(40.931)
Adjustments for unrealized foreign currency translation difference		556.974	377.667
Adjustments for fair value losses arising from derivatives		832	166
Adjustments for income tax expense	23	93.660	64.010
(Income) / loss on sale of property plant and equipment	20	(60.459)	7.010
Adjustment for bargained acquisition profit	13	(1.050.446)	-
Changes in working capital		**902.542**	**690.247**
Adjustments for increse in trade receivables		(33.701)	(9.786)
Adjustments for increase in other receivables related with operations		(13.773)	(13.061)
Adjustments for increase in inventories		(508.702)	(160.030)
Adjustments for increase in trade payables		985.189	438.902
Adjustments for increase in other payables related with operations		73.934	63.488
Cash flows from operating activities		**1.405.489**	**1.009.760**
Interest received		109.121	65.206
Interest paid		(326.772)	(181.372)
Employee benefits paid	16	(46.129)	(27.061)
Taxes paid	23	(78.337)	(61.998)
Other provisions paid	15	(12.547)	(24.082)
Net cash provided by operating activities		**1.050.825**	**780.453**

(*) Note 2.3

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

MİGROS TİCARET A.Ş.

CONSOLIDATED STATEMENTS OF CASH FLOWS FOR THE YEAR ENDED 31 DECEMBER 2017 AND 2016

(Amounts expressed in thousands of Turkish Lira ("TRL") unless otherwise indicated.)
(Currencies other than TRL are expressed in thousands unless otherwise indicated.)

	Notes	**2017**	***Restated(*)*** **2016**
Cash outflows from the purchase of tangible and intangible assets	10, 11, 12	(399.222)	(297.207)
Cash outflows due to subsidiary acquisition		(178.792)	-
Cash inflows from the sale of tangible and intangible assets	11	137.618	2.145
Other cash inflows		49.167	-
Cash flows from investing activities		**(391.229)**	**(295.062)**
Proceeds from borrowings	14	210.776	121.974
Repayment of borrowings	14	(164.819)	(132.248)
Cash paid with respect to derivative instruments		(222)	(364)
Interest received	21	7.465	4.245
Interest paid	22	(253.878)	(165.392)
Cash flows from financing activities		**(200.678)**	**(171.785)**
Increase in cash and cash equivalents before effect of exchange rate changes		**458.918**	**313.606**
Effect of exchange rate changes on cash and cash equivalents		2.520	2.912
Net increase in cash and cash equivalents	4	461.438	316.518
Cash and cash equivalents at the begining of period	**4**	**1.155.942**	**839.424**
Cash and cash equivalents at the end of period	**4**	**1.617.380**	**1.155.942**

(*) Note 2.3

NOTE 1 - ORGANISATION AND NATURE OF OPERATIONS

Migros Ticaret A.Ş., (collectively referred to as "Migros" or the "Company"), was established on 19 March 2008 and is registered in Istanbul, Turkey under the Turkish Commercial Code. (Migros Türk Ticaret Anonim Şirketi, which was established in 1954, merged with its parent company Moonlight Perakendecilik ve Ticaret Anonim Sirketi ("Moonlight Perakendecilik") on April 30, 2009 and the trade name of Moonlight Retailing was changed as Migros Ticaret A.Ş.)

The Company and its subsidiaries together will be referred as "the Group".

As of December 31, 2017, the direct and indirect total of Migros's capital shares of Moonlight Capital S.A. and Kenan Investments S.A. equal to 23.2% and the indirect share of Anadolu Group is 50%. Group jointly managed by Moonlight Capital S.A., Kenan Investments S.A. and AG Anadolu Grubu Holding A.Ş. ("Anadolu Group").

In regard of the 19,5% share of BC Partners managed Moonlight Capital S.A. (Moonlight Capital) in MH Perakendecilik ve Ticaret A.Ş. (MH Perakendecilik), which holds 50% shares of Migros, Anadolu Anadolu Group retained a "buy option" and Moonlight Capital retained a "sell option", to be exercised within the May 1, 2017 and October 31, 2017 period.

In this context, Moonlight Capital has notified Anadolu Group on May 2, 2017 of its decision regarding the exercise of the aforementioned sale option. In regard of this transaction, Anadolu Group paid total amount of TRL 509.029.436 after deductions, for the purchase of 19,5% shares of MH Perakendecilik, based on per share price of TRL 30,2 for Migros, in line with the provisions of the Share Purchase Agreement dated 31 December 2014. The exercise of the option on 17 May 2017 pursuant to the transfer of purchase amount and shares, again along the provisions of the Share Purchase Agreement. Following the transaction, while Anadolu Group's share in MH Perakendecilik increased to 100% and accordingly its indirect share in Migros increased to 50,0%. Subsequently, on 29.11.2017, Moonlight Capital SA sold Migros shares with a nominal value of TL 13.000.000 to foreign funds at a sales price of TL 26 and its share in Migros had been 23.2% through the funds managed by BC Partners.

Through its Migros, 5M, Migros Jet, Macrocenter and Kipa banner stores in Turkey, shopping centers, Ramstores banner stores abroad and internet, the Company is mainly engaged in the retail sales of food and beverages, consumer and durable goods. The Company also rents floor space in the shopping malls to other trading companies. As of 31 December 2017, the Group operates in 1.897 stores in total (31 December 2016: 1.605) which comprise 1.406.344 m2 from 1.880 retail stores (of which 162 stores acquired by Kipa acquisition) and comprise 10.011 m2 from 17 wholesale stores with a total net space of 1.416.355 m2 (31 December 2016: 1.078.761 m2). As of 31 December 2017, the Group employed 26.779 people (31 December 2016: 21.438) on average. Retail is the main business segment of the Group and constitutes almost 97% of gross sales (31 December 2016: 97%).

The address of the registered office is as follows:

Atatürk Mah., Turgut Özal Blv.,
No: 7 Ataşehir İstanbul

(Amounts expressed in thousands of Turkish Lira ("TRL") unless otherwise indicated.)
(Currencies other than TRL are expressed in thousands unless otherwise indicated.)

NOTE 1 - ORGANISATION AND NATURE OF OPERATIONS (Continued)

These consolidated financial statements have been approved for issue by the Board of Directors ("BOD") on 9 March 2018 and signed by Ö. Özgür Tort, General Manager, and Erkin Yılmaz, Assistant General Manager, on behalf of the BOD. General Assembly of the Company and regulatories have the right to amend the consolidated financial statements after the issue in the General Assembly meeting of the Company.

Subsidiaries

The Company has the following subsidiaries (the "Subsidiaries"). The nature of the business of the Subsidiaries and for the purpose of the consolidated financial statements, their respective geographical segments are as follows:

Subsidiaries	Country of incorporation	Geographical segment	Nature of business	December 2017 (%)	December 2016 (%)
Ramstore Bulgaria E.A.D. ("Ramstore Bulgaria")	Bulgaria	Bulgaria	Dormant	100,0	100,0
Ramstore Kazakhstan LLC ("Ramstore Kazakhstan")	Kazakhstan	Kazakhstan	Retailing	100,0	100,0
Ramstore Macedonia DOO ("Ramstore Macedonia")	Macedonia	Bulgaria	Retailing	99,0	99,0
Sanal Merkez Ticaret A.Ş. ("Sanal Merkez") (*)	Turkey	Turkey	Dormant	100,0	100,0
Kipa Ticaret A.Ş. ("Kipa")	Turkey	Turkey	Retailing	96,25	

(*) Not included in the scope of consolidation on the grounds of materiality.

In line with the Group's long term growth strategies, the Group signed a share purchase agreement with Tesco Overseas Investments Limited ("Seller") on 10 June 2016 for the purchase of Seller's shares representing approximately 95,50% of the total share capital of Tesco Kipa Kitle Pazarlama Ticaret Lojistik ve Gıda Sanayi A.Ş. ("Kipa"). In accordance with the share purchase agreement and the latest annual financial statements of Kipa dated 29 February 2016, the total price of shares was calculated as TRL 302.287 as of the agreement date (10 June 2016). In order to obtain the necessary legal permission, an application was made to the Competition Authority on 21 June 2016 and the related application was approved on 9 February 2017. Following the adjustments based on the estimated annual closing balance sheet of Kipa (28 February 2017) the total purchase price of shares was determined as TRL 199.012 and paid to the Seller on the transfer date (1 March 2017).

Furthermore, after the purchase of shares representing 95.50% of Kipa on 1 March 2017, a mandotary tender offer ("mandatory call") was conducted between 29 June 2017 and 26 July 2017 within the scope of the Communiqué on Takeover Bids of Capital Markets Board, No. II-26.1.. As a result of the mandatory call, the Group's shares have increased to 96.25% as of 31 December 2017. And TRL 18.483 has been paid for the additional shares purchased, TRL 10.464 of the amount has been paid by Tesco Overseas Investments.

NOTE 2 - BASIS OF PRESENTATION OF CONSOLIDATED FINANCIAL STATEMENTS

2.1 Basis of Presentation

2.1.1 Basis of preperation and presentation of financial statements

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 (TAS) 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. The consolidated financial statements of the Group are prepared as per the CMB announcement of 7 June 2013 relating to financial statements presentations. Comparative figures are reclassified, where necessary, to conform to changes in the presentation of the current year's consolidated financial statements.

In accordance with the CMB resolution issued on 17 March 2005, listed companies operating in Turkey are not subject to inflation accounting effective from 1 January 2005. Therefore, the the consolidated financial statements of the Group have been prepared accordingly.

The Company 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. These consolidated financial statements have been prepared under historical cost conventions except for financial assets and financial liabilities which are carried at fair value. 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.

2.1.2 Changes in the accounting policies, estimates and errors

Significant changes in accounting policies and accounting errors are applied retrospectively and prior period financial statements are restated. The effect of changes in accounting estimates affecting the current period is recognised in the current period; the effect of changes in accounting estimates affecting current and future periods is recognised in the current and future periods.

2.1.3 Functional and reporting currency

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates ("the functional currency"). The consolidated financial statements are presented in TRL, which is the functional currency of Migros Ticaret A.Ş. and the reporting currency of the Group.

NOTE 2 - BASIS OF PRESENTATION OF CONSOLIDATED FINANCIAL STATEMENTS (Continued)

2.1 Basis of Presentation (Continued)

Group companies

The results and financial position of foreign operations (none of which has the currency of a hyperinflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

- Assets and liabilities for each balance sheet presented are translated at the closing rate at the date of that balance sheet
- Income and expenses for each statement of profit or loss and statement of comprehensive income are translated at average exchange rates (unless this is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the dates of the transactions),
- All resulting exchange differences are recognised in other comprehensive income.

2.2 Summary of significant accounting policies

Accounting policies applied by subsidiaries can be changed in order to convenience with the accounting policies applied by the Group. accounting policies which applied to preperation of consolidated financial statements are summarized is as follows:

(a) Basis of consolidation

Subsidiaries are all entities (including structured entities) over which the group has control. The group controls an entity when the group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power to direct the activities of the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the group. They are deconsolidated from the date that control ceases.

Subsidiaries are companies over which Migros Ticaret has capability to control the financial and operating policies for the benefit of Migros Ticaret, through the power to exercise more than 50% of the voting rights relating to shares in the companies owned direct and indirect by itself having the power to exercise control over the financial and operating policies.

Intercompany transactions, balances and unrealised gains on transactions between the group companies are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the transferred asset. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the group.

Non-controlling interests in the results and equity of subsidiaries are shown separately in the consolidated statement of profit or loss, statement of comprehensive income, statement of changes in equity and balance sheet respectively.

NOTE 2 - BASIS OF PRESENTATION OF CONSOLIDATED FINANCIAL STATEMENTS (Continued)

2.2 Summary of significant accounting policies (Continued)

(b) Foreign currency translation

Foreign currency transactions are translated into the functional currency using the exchange rates at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation of monetary assets and liabilities denominated in foreign currencies at year end exchange rates are generally recognised in profit or loss.

Foreign exchange gains and losses that relate to borrowings are presented in the statement of profit or loss, within finance costs. All other foreign exchange gains and losses are presented in the statement of profit or loss on a basis within other operating income or other operating expenses.

Non-monetary items that are measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined. Translation differences on assets and liabilities carried at fair value are reported as part of the fair value gain or loss. For example, translation differences on non-monetary assets and liabilities such as equities held at fair value through profit or loss are recognised in profit or loss as part of the fair value gain or loss and translation differences on non-monetary assets such as equities classified as available-for-sale financial assets are recognised in other comprehensive income.

(c) Revenue

The Group recognises revenue when the amount of revenue can be reliably measured, it is probable that future economic benefits will flow to the entity and specific criteria have been met for each of the group's activities as described below. The group bases its estimates on historical results, taking into consideration the type of customer, the type of transaction and the specifics of each arrangement. The specific accounting policies for the group's main types of revenue are explained below:

Sales of goods - Retail

The Group operates in the retail sales of food and beverages, consumer and durable goods through its stores, shopping centers, Ramstores Banner abroad and internet sales. Sales of goods are recognised when a group entity sells a product to a customer. Retail sales are usually made against a cash or credit card payment.

Sales of goods – Wholesale

Revenue from the sales of goods is recognised when a group entity has delivered products to the wholesaler, the wholesaler has full discretion over the channel and price to sell the products, and there is no unfulfilled obligation that could affect the wholesaler's acceptance of the products. Delivery does not occur until the products were shipped to the specified location, the risks of obsolescence and loss were transferred to the wholesaler, the wholesaler accepted the products in accordance with the sales contract, the acceptance provisions have lapsed, or the Group has an objective evidence that all criteria for acceptance are satisfied. Sales are recorded based on the price specified in the sales contracts, net of the discounts if available and returns at the time of sale.

(Amounts expressed in thousands of Turkish Lira ("TRL") unless otherwise indicated.)
(Currencies other than TRL are expressed in thousands unless otherwise indicated.)

NOTE 2 - BASIS OF PRESENTATION OF CONSOLIDATED FINANCIAL STATEMENTS (Continued)

2.2 Summary of significant accounting policies (Continued)

Rent revenue

The Group recognises rent income on accrual basis based on the agreement.

(d) Inventories

Inventories are valued at the lower of cost and net realizable value. Net realizable value is the selling price in the ordinary course of business, less the costs of completion, marketing and distribution. Cost is determined primarily on the basis of the weighted average cost method. For processed inventories, cost includes direct materials, direct labor and the applicable allocation of fixed and variable overhead costs based on a normal operating capacity. Revenues and discounts from suppliers, sales premiums and advertising participation fees are accounted on an accrual basis and booked against cost of inventories.

(e) Property, plant and equipment

Property, plant and equipment except lands and buildings are carried at cost less accumulated depreciation and impairment if exists. With respect to TAS 16 "Property, plant and equipment", the Group has decided to choose revaluation model for lands and buildings by using 2 January 2018 and 19 January 2018 dated valuation reports of CMB accredited real estate company, Nova Taşınmaz Değerleme ve Danışmanlık A.Ş. ("Nova Taşınmaz Değerleme") and TSKB Gayrimenkul Değerleme A.Ş. ("TSKB Gayrimenkul Değerleme") as of 31 December 2017.

Depreciation is calculated on a straight-line basis over the estimated useful lives of the assets. The land is not subject to depreciation.

The depreciation period for property, plant and equipment which approximate the economic useful lives of such assets, are as follows:

	Useful Lives (Years)
Buildings	25-50
Leasehold improvements	over period of lease (*)
Machinery and equipment	4-10
Furniture and fixtures	5-12
Motor vehicles	5-8

(*) Leasehold improvements include the expenses made for the leased properties and are depreciated over the shorter of the lease term and their useful lives.

NOTE 2 - BASIS OF PRESENTATION OF CONSOLIDATED FINANCIAL STATEMENTS (Continued)

2.2 Summary of significant accounting policies (Continued)

The carrying values of property, plant and equipment are reviewed for impairment when events or changes in circumstances indicate the carrying value may not be recoverable. If any such indication exists and where the carrying values exceed the estimated recoverable amount, the assets or cash-generating units are written down to their recoverable amount. The recoverable amount of property, plant and equipment is the greater of net selling price and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For an asset that does not generate largely independent cash inflows, the recoverable amount is determined for the cash-generating unit to which the asset belongs. The increase in the carrying amount of an asset attributable to a reversal of an impairment loss shall not exceed the carrying amount that would have been determined (net of amortization or depreciation) had no impairment loss been recognized for the asset in prior years.

In property, plant and equipment, the increase in the revaluation reserve is credited after the deferred tax effect has been recognized in the revaluation fund account in the equity.

Expenses for repair and maintenance of property, plant and equipment are normally charged to the income statement. They are, however, capitalized and depreciated through the estimated useful life of the property, plant and equipment in exceptional cases if they result in an enlargement or substantial improvement of the respective assets.

(f) Intangible assets

Goodwill

Goodwill on acquisitions of subsidiaries is included in intangible assets. Goodwill is not amortised but it is tested for impairment annually, or more frequently if events or changes in circumstances indicate that it might be impaired, and is carried at cost less accumulated impairment losses. Gains and losses on the disposal of an entity include the carrying amount of goodwill relating to the entity sold.

Goodwill is allocated to cash-generating units for the purpose of impairment testing. The allocation is made to those cash-generating units or groups of cash-generating units that are expected to benefit from the business combination in which the goodwill arose. The units or groups of units are identified at the lowest level at which goodwill is monitored for internal management purposes, being the operating segments.

A cash-generating unit to which goodwill has been allocated is tested for impairment annually, or more frequently when there is indication that the unit may be impaired. If the recoverable amount of the cash-generating unit is less than its carrying amount, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to the other assets of the unit pro rata based on the carrying amount of each asset in the unit. Any impairment loss for goodwill is recognised directly in profit or loss in the consolidated income statement. An impairment loss recognised for goodwill is not reversed in subsequent periods.

NOTE 2 - BASIS OF PRESENTATION OF CONSOLIDATED FINANCIAL STATEMENTS (Continued)

2.2 Summary of significant accounting policies (Continued)

Brands

Brands that are acquired separately are accounted for at their acquisition cost, and brands that are acquired as a part of business combination are accounted for at their fair value in the consolidated financial statements. The Group assessed the useful life of brand as indefinite since there is no foreseeable limit to the period over which a brand is expected to generate net cash inflows for the Group. A brand is not subject to amortisation as it is considered to have an indefinite useful life. A brand is tested for impairment annually or whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount when the carrying amount of the brand exceeds its recoverable amount.

Rent agreements

Rent agreements are designated as intangible assets by the Group and consist of taken over rent agreements of the stores that purchased. Lease contracts are recorded at their fair values at the date of purchase, and amortised during the contract period.

The evacuation cost paid by the Group to the real estate owners or previous renters relating to rented stores are presented under "other intangible assets". Related amortization expenses are recognised under the "general administrative expenses" in the statements of income.

Computer softwares (Rights)

Rights arising on computer software are recognised at its acquisition cost. Computer software is amortised on a straight-line basis over their estimated useful lives and carried at cost less accumulated amortization. The estimated useful life of computer software is 5 years.

Internally-generated intangible assets and development expenditures

Expenditure on research activities is recognized as an expense in the period in which it is incurred. An internally-generated intangible asset arising from development (or from the development phase of an internal project) is recognized if, and only if, all of the following have been demonstrated:

- The technical feasibility of completing the intangible asset so that it will be available for use or sale;
- The intention to complete the intangible asset and use or sell it;
- The ability to use or sell the intangible asset;
- How the intangible asset will generate probable future economic benefits;
- The availability of adequate technical, financial and other resources to complete the development and to use or sell the intangible asset; and
- The ability to measure reliably the expenditure attributable to the intangible asset during its development.

NOTE 2 - BASIS OF PRESENTATION OF CONSOLIDATED FINANCIAL STATEMENTS (Continued)

2.2 Summary of significant accounting policies (Continued)

The amount initially recognized for internally-generated intangible assets is the sum of the expenditure incurred from the date when the intangible asset first meets the recognition criteria listed above. Where no internally-generated intangible asset can be recognized, development expenditure is recognized in profit or loss in the period in which it is incurred.

Subsequent to initial recognition, internally-generated intangible assets are reported at cost less accumulated amortization and accumulated impairment losses, on the same basis as intangible assets that are acquired separately.

Computer software development costs are capitalized and depreciated over their estimated useful lives.

Derecognition of intangible assets

An intangible asset is derecognised on disposal, or when no future economic benefits are expected from use or disposal. Gains or losses arising from derecognition of an intangible asset, measured as the difference between the net disposal proceeds and the carrying amount of the asset, are recognised in profit or loss when the asset is derecognised.

(g) Impairment of assets

Goodwill and intangible assets that have an indefinite useful life are not subject to amortisation and are tested annually for impairment, or more frequently if events or changes in circumstances indicate that they might be impaired. Other assets are tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs of disposal and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash inflows which are largely independent of the cash inflows from other assets or groups of assets (cash-generating units). Non-financial assets other than goodwill that suffered an impairment are reviewed for possible reversal of the impairment at the end of each reporting period.

(h) Financial assets

Classification

The group classifies its financial assets in the following categories:

- Financial assets at fair value through profit or loss,
- loans and receivables,
- held-to-maturity investments, and
- available-for-sale financial assets.

NOTE 2 - BASIS OF PRESENTATION OF CONSOLIDATED FINANCIAL STATEMENTS (Continued)

2.2 Summary of significant accounting policies (Continued)

The classification depends on the purpose for which the investments were acquired. Management determines the classification of its investments at initial recognition and, in the case of assets classified as held-to-maturity, re-evaluates this designation at the end of each reporting period.

Reclassification

The group may choose to reclassify a non-derivative trading financial asset out of the held for trading category if the financial asset is no longer held for the purpose of selling it in the near term. Financial assets other than loans and receivables are permitted to be reclassified out of the held for trading category only in rare circumstances arising from a single event that is unusual and highly unlikely to recur in the near term. In addition, the group may choose to reclassify financial assets that would meet the definition of loans and receivables out of the held for trading or available-for-sale categories if the group has the intention and ability to hold these financial assets for the foreseeable future or until maturity at the date of reclassification.

Reclassifications are made at fair value as of the reclassification date. Fair value becomes the new cost or amortised cost as applicable, and no reversals of fair value gains or losses recorded before reclassification date are subsequently made. Effective interest rates for financial assets reclassified to loans and receivables and held-to-maturity categories are determined at the reclassification date. Further increases in estimates of cash flows adjust effective interest rates prospectively.

Recognition and derecognition

Regular way purchases and sales of financial assets are recognised on trade-date, the date on which the group commits to purchase or sell the asset. Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the group has transferred substantially all the risks and rewards of ownership.

When securities classified as available-for-sale are sold, the accumulated fair value adjustments recognised in other comprehensive income are reclassified to profit or loss as gains and losses from investment securities.

Measurement

At initial recognition, the group measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at fair value through profit or loss are expensed in profit or loss.

Loans and receivables and held-to-maturity investments are subsequently carried at amortised cost using the effective interest method.

NOTE 2 - BASIS OF PRESENTATION OF CONSOLIDATED FINANCIAL STATEMENTS (Continued)

2.2 Summary of significant accounting policies (Continued)

Available-for-sale financial assets and financial assets at fair value through profit or loss are subsequently carried at fair value. Gains or losses arising from changes in the fair value are recognised as follows:

- For financial assets at fair value through profit or loss' - in profit or loss within other income or other expenses
- For available-for-sale financial assets that are monetary securities denominated in a foreign currency - translation differences related to changes in the amortised cost of the security are recognised in profit or loss and other changes in the carrying amount are recognised in other comprehensive income
- For other monetary and non-monetary securities classified as available-for-sale - in other comprehensive income

Dividends on financial assets at fair value through profit or loss and available-for-sale equity instruments are recognised in profit or loss as part of revenue from continuing operations when the group's right to receive payments is established.

Interest income from financial assets at fair value through profit or loss is included in the net gains/(losses). Interest on available-for-sale securities, held-to-maturity investments and loans and receivables calculated using the effective interest method is recognised in the statement of profit or loss as part of revenue from continuing operations.

Details on how the fair value of financial instruments is determined are disclosed in Note 29.

Impairment

The group assesses at the end of each reporting period whether there is objective evidence that a financial asset or group of financial assets is impaired. A financial asset or a group of financial assets is impaired and impairment losses are incurred only if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a 'loss event') and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated. In the case of equity investments classified as available-for-sale, a significant or prolonged decline in the fair value of the security below its cost is considered an indicator that the assets are impaired.

Assets carried at amortised cost

For loans and receivables, 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 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 and the amount of the loss is recognised in profit or loss. If a loan or held-to-maturity investment has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate determined under the contract. As a practical expedient, the group may measure impairment on the basis of an instrument's fair value using an observable market price.

NOTE 2 - BASIS OF PRESENTATION OF CONSOLIDATED FINANCIAL STATEMENTS (Continued)

2.2 Summary of significant accounting policies (Continued)

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 recognised (such as an improvement in the debtor's credit rating), the reversal of the previously recognised impairment loss is recognised in profit or loss.

Assets classified as available-for-sale

If there is objective evidence of impairment for available-for-sale financial assets, the cumulative loss - measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognised in profit or loss - is removed from equity and recognised in profit or loss.

Impairment losses on equity instruments that were recognised in profit or loss are not reversed through profit or loss in a subsequent period.

If the fair value of a debt instrument classified as available-for-sale increases in a subsequent period and the increase can be objectively related to an event occurring after the impairment loss was recognised in profit or loss, the impairment loss is reversed through profit or loss.

Income recognition

Interest income

Interest income is recognised using the effective interest method. When a receivable is impaired, the group reduces the carrying amount to its recoverable amount, being the estimated future cash flow discounted at the original effective interest rate of the instrument, and continues unwinding the discount as interest income. Interest income on impaired loans is recognised using the original effective interest rate.

Dividends

Dividends are recognised as revenue when the right to receive payment is established. This applies even if they are paid out of pre-acquisition profits.

(ı) Cash and cash equivalents

For the purpose of presentation in the statement of cash flows, cash and cash equivalents includes cash on hand, deposits held at call with financial institutions, other short-term, highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value, and bank overdrafts.

NOTE 2 - BASIS OF PRESENTATION OF CONSOLIDATED FINANCIAL STATEMENTS (Continued)

2.2 Summary of significant accounting policies (Continued)

(i) Trade receivables

Trade receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment. See Note 2.2 (h) for further information about the group's accounting for trade receivables and impairment policies.

(j) Trade payables

These amounts represent liabilities for goods and services provided to the group prior to the end of financial year which are unpaid. The amounts are unsecured and are usually paid within 90 days of recognition. Trade and other payables are presented as current liabilities unless payment is not due within 12 months after the reporting period. They are recognised initially at their fair value and subsequently measured at amortised cost using the effective interest method.

(k) Borrowings and borrowing costs

Borrowings are initially recognised at fair value, net of transaction costs incurred. Borrowings are subsequently measured at amortised cost. Any difference between the proceeds (net of transaction costs) and the redemption amount is recognised in profit or loss over the period of the borrowings using the effective interest method.

Borrowings are removed from the balance sheet when the obligation specified in the contract is discharged, cancelled or expired. The difference between the carrying amount of a financial liability that has been extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognised in profit or loss as other income or finance costs.

Where the terms of a financial liability are renegotiated and the entity issues equity instruments to a creditor to extinguish all or part of the liability (debt for equity swap), a gain or loss is recognised in profit or loss, which is measured as the difference between the carrying amount of the financial liability and the fair value of the equity instruments issued.

Borrowings are classified as current liabilities unless the group has an unconditional right to defer settlement of the liability for at least 12 months after the reporting period.

NOTE 2 - BASIS OF PRESENTATION OF CONSOLIDATED FINANCIAL STATEMENTS (Continued)

2.2 Summary of significant accounting policies (Continued)

(l) Earnings per share

Earnings per share presented in the consolidated statement of income are determined by dividing consolidated net income attributable to that class of shares by the weighted average number of such shares outstanding during the year concerned.

In Turkey, companies can increase their share capital by making a pro-rata distribution of shares ("bonus shares") to existing shareholders from retained earnings. For the purpose of earnings per share computations, the weighted average number of shares outstanding during the year has been adjusted in respect of bonus shares issued without a corresponding change in resources by giving them retroactive effect for the year in which they were issued and for each earlier period.

(m) Subsequent events

Subsequent events are composed of any event between the balance sheet date and the publication date of the balance sheet, even if they arise after any announcements of profits or other financial data.

The Group restates its consolidated financial statements if such subsequent events arise.

(n) Provisions, contingent liabilities and contingent assets

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. Contingent liabilities are assessed continuously to determine whether the possibility of an outflow of resources embodying economic benefits is probable. When the possibility of an outflow of resources embodying economic benefits is probable for the accounts classified as contingent liabilities, provision is provided in the financial statements for related contingent liabilities except for the situations there is not a reliable estimation.

The Group discloses the contingent liabilities that are probable but there is not a reliable estimation for the amount of resources embodying economic benefits.

Assets that result from previous events that cannot be controlled fully by the Group and depend on the realization of one or more uncertain events, is considered as a contingent asset. A contingent asset is not recognized in the financial statements but disclosed when an inflow of economic benefits is probable.

When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, the receivable is recognized as an asset if it is certain that reimbursement will be received and the amount of the receivable can be measured reliably.

NOTE 2 - BASIS OF PRESENTATION OF CONSOLIDATED FINANCIAL STATEMENTS (Continued)

2.2 Summary of significant accounting policies (Continued)

(o) Leases

The Group as lessee

Operational lease

Leases where the lesser retains substantially all the risks and benefits of ownership of the asset are classified as operating leases. These include rent agreements of premises, which are cancellable subject to a period of notice. Operating lease payments are recognized as an expense in the income statement on a straight-line basis over the lease term.

The Group as lessor

Operational leases

The Group presents assets subject to operating leases in the balance sheets according to their nature. Lease income from operating leases is recognized in income on a straight-line basis over the lease term. The aggregate cost of incentives provided to lessees is recognized as a reduction of rental income over the lease term on a straight-line basis. Operating leases are amortized based on their cost after deducting their residual values.

(p) Related parties

Parties are considered related to the Group if;

(a) directly, or indirectly through one or more intermediaries, the party:
(i) controls, is controlled by, or is under common control with, the Company (this includes parents, subsidiaries and fellow subsidiaries);
(ii) has an interest in the Company that gives it significant influence over the Company; or
(iii) has joint control over the Company;
(b) the party is an associate of the Company;
(c) the party is a joint venture in which the Company is a venture;
(d) the party is member of the key management personnel of the Company or its parent;
(e) the party is a close member of the family of any individual referred to in (a) or (d);
(f) the party is an entity that is controlled, jointly controlled or significantly influenced by, or for which significant voting power in such entity resides with, directly or indirectly, any individual referred to in (d) or (e);
(g) the party has a defined benefit plan for the employees of the Company or a related party of the Company.

Related party transactions are transfer of resources or obligations between related parties, regardless of whether a price is charged.

NOTE 2 - BASIS OF PRESENTATION OF CONSOLIDATED FINANCIAL STATEMENTS (Continued)

2.2 Summary of significant accounting policies (Continued)

(r) Segment reporting

The operating segments are evaluated in parallel to the internal reporting and strategic sections presented to the organs or persons authorised to make decisions regarding the activities of the Group. The organs and persons authorised to make strategic decisions regarding the Group's activities with respect to the resources to be allocated to these sections and their evaluation are defined as the Group's senior managers of the Group. The Group's senior managers follow up the Group's activities on a geographical basis (Note 3).

(s) Investment properties

Buildings held for rental yields or for capital appreciation or both, rather than for use in the production or supply of goods or services or for administrative purposes or sale in the ordinary course of business are classified as "investment property". Investment properties are carried at fair value with revaluation report of Nova Taşınmaz Değerleme and TSKB Gayrimenkul Değerleme as of 31 December 2017. Fair value change of investment properties are accounted under profit and loss statements in consolidated financial statements.

(t) Income taxes

Turkish tax legislation does not permit a parent company and its subsidiary to file a consolidated tax return. Therefore, provisions for taxes have been calculated on a separate-entity basis.

Income tax expense represents the sum of the tax currently payable and deferred tax.

Current tax

The current income tax payable is based on taxable profit for the period. Taxable profit differs from profit as reported in the income statement because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the balance sheet date.

Deferred tax

Deferred tax is recognized on differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax base used in the computation of taxable profit, and is accounted for using the balance sheet liability method. Deferred tax liabilities are generally recognized for all taxable temporary differences and deferred tax assets are recognized for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilized. Such assets and liabilities are not recognized if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

NOTE 2 - BASIS OF PRESENTATION OF CONSOLIDATED FINANCIAL STATEMENTS (Continued)

2.2 Summary of significant accounting policies (Continued)

The carrying amount of deferred tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset realized, based on tax rates (and tax laws) that have been enacted or substantively enacted by the balance sheet date. The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expects, at the reporting date, to recover or settle the carrying amount of its assets and liabilities.

Deferred tax assets and deferred tax liabilities are offset if a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

(u) Employee termination benefits

Defined Benefit Plan

In accordance with existing social legislation in Turkey, the Group companies operating in Turkey are required to make lump-sum termination indemnities to each employee who has completed over one year of service with the Group and whose employment is terminated due to retirement or for reasons other than resignation or misconduct.

In the consolidated financial statements, the Group has reflected a liability using the Projected Unit Credit Method and based upon estimated inflation rates and factors derived using the Group's experience of personnel terminating their services and being eligible to receive such benefits and discounted by using the current market yield at the balance sheet date on government bonds.

Defined Contribution Plan

The Group pays contributions to the Social Security Institution of Turkey on a mandatory basis. The Group has no further payment obligations once the contributions have been paid. The contributions are recognized as employee benefit expense when they are accrued.

(v) Cash flow statement

Cash flows during the period are classified and reported by operating, investing and financing activities in the cash flow statements.

Cash flows from operating activities represent the cash flows of the Group generated from retailing activities.

NOTE 2 - BASIS OF PRESENTATION OF CONSOLIDATED FINANCIAL STATEMENTS (Continued)

2.2 Summary of significant accounting policies (Continued)

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.

Cash and cash equivalents comprise cash on hand and bank deposits and short-term, highly liquid investments that are readily convertible to known amounts of cash with maturities equal or less than three months and which are subject to an insignificant risk of changes in value (Note 4).

(y) Offsetting

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 recognized amounts and there is an intention to settle on a net basis or realize the asset and settle the liability simultaneously.

(z) Dividend

Dividend income from investments is recognised when the shareholder's right to receive payment has been established. As a part of distribution of dividends, dividend liabilities are reflected to consolidated financial statements as liabilities, on the period of declaration.

(aa) Paid in capital

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

(ab) Share premium

Share premium represents differences resulting from the sale of the Company's Subsidiaries' and Associates' shares at a price exceeding the face value of those shares or differences between the face value and the fair value of shares issued for acquired companies (Note 24).

(ac) Deferred finance income/charges

Deferred finance income/charges represent imputed finance income/charges on credit sales and purchases. Such income/charges calculated by using the effective interest method are recognised as financial income or expenses over the period of credit sale and purchases, and included under financial income and expenses.

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NOTE 2 - BASIS OF PRESENTATION OF CONSOLIDATED FINANCIAL STATEMENTS (Continued)

2.3 Comparative information and restatement of prior period financial statements

The Group's consolidated financial statements have been prepared in comparison with the previous period in order to give accurate trend analysis regarding the financial position and performance. Where necessary, comparative figures have been reclassified to conform to the presentation of the current period consolidated financial statements and significant changes are explained.

In accordance with the systematical improvements, the Group has reviewed its prior years inventory valuation method and revaluated its inventory. Within the context of TAS 8 "Accounting Policies, Accounting Estimates and Errors", the Group has retrospectively restated its financial statements. TAS 1 (Revised) "Presentation of Financial Statements" requires when an entity makes a retrospective restatement of items in its financial statements, it shall present, as a minimum, three statements of financial position, two of each of the other statements, and related notes.

Accordingly, the Group has comperatively presented its consolidated balance sheets with the restated comparative financial information at 31 December 2016 and 31 December 2017.

The effects of restatement on accumulated losses and net income as of 31 December 2017 is as follows:

	31 December 2015		
	Previously reported	Effect of restatement	Restated
Inventories	1.104.373	(51.693)	1.052.680
Deferred tax liabilities	(70.510)	10.339	(60.171)
Accumulated losses	(498.600)	(35.231)	(533.831)
Net loss	(370.404)	(6.123)	(376.527)

	31 December 2016		
	Previously reported	Effect of restatement	Restated
Inventories	1.272.752	(60.678)	1.212.074
Deferred tax liabilities	(65.200)	12.136	(53.064)
Accumulated losses	(803.377)	(41.354)	(844.731)
Net loss	(292.969)	(7.188)	(300.157)

NOTE 2 - BASIS OF PRESENTATION OF CONSOLIDATED FINANCIAL STATEMENTS (Continued)

2.4 Critical accounting estimates and assumptions

The preparation of financial statements necessitates the use of estimates and assumptions that affect asset and liability amounts reported as of the balance sheet date, explanations of contingent liabilities and assets; and income and expense amounts reported for the accounting period. Although these estimates and assumptions are based on all management information related to the events and transactions, actual results may differ from them. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities for the next reporting period are outlined below:

(a) Godwill impairment test

As explained in related accounting policy, the Group performs impairment tests on goodwill annually at 31 December. The recoverable amount of the cash generating unit has been determined based on the fair value less costs to sell calculations. Those calculations are based on discounted net cash flow after tax projections which are based on the Group's eight-year business plans. Those projections are calculated in terms of TRL and the growth rate expected to be realized after ten years is assumed to be nil. Discount rate used to calculate the present value of net cash flows is 10,1% (2016: 9,09%) annually, after tax, and includes the Group's specific risk factors as well (Note 13).

(b) Impairment on leasehold improvements

As explained in related accounting policy, property, plant and equipment are carried at the cost less accumulated depreciation and, if any, impairment. The Group evaluates its operational performance on a store-by-store basis and each store's continuity depends on the discounted net cash flow projections. Those cash flow projections are calculated, on a consistent basis to the Group's five year business plans and on a store-by-store basis by taking into consideration the remaining useful life of each store. In this context, the Group executed an impairment estimate on the leasehold improvements on stores by considering the continuity of each store.

(c) Fair Value Measurement

The Group has chosen revaluation method as of 31 December 2017 by discarding cost method mentioned in TAS 16 for lands and building and TAS 40 for investment properties. Revaluation studies of lands, building and investment properties have been performed by Nova Taşınmaz Değerleme and TSKB Gayrimenkul Değerleme, which are CMB accredited professional valuation Companies.

Lands and building and investment properties in assets of the Group which are located in Turkey have been revaluated in 2 January 2018 and 19 January 2018 valuation reports of CMB accredited real estate companies, Nova Taşınmaz Değerleme and TSKB Gayrimenkul as of 31 December 2017 by using "Sample comparison approach analysis", and "Income approach analysis".

Lands and building and investment properties in assets of the Group which are located in Kazakhstan and Macedonia have been revaluated in 19 January 2018 dated valuation report of CMB accredited real estate company, TSKB Gayrimenkul as of 31 December 2017 by using "Income approach analysis".

NOTE 2 - BASIS OF PRESENTATION OF CONSOLIDATED FINANCIAL STATEMENTS (Continued)

2.4 Critical accounting estimates and assumptions (Continued)

As a result of revaluation study made by the experts, positive difference for lands and building amounting to TRL 873.310 is accounted as TRL 743.700 after net-off tax and minority effect "Revaluation Funds" under equity.

As a result of the fair value studies made by independent experts, positive difference amounting to TRL 134.967 regarding from investment property is accounted under "Income from investing activities" and negative difference amounting to TRL 145.893 regarding from property, plant and equipment accounted under "Expense from investing activities" in the income statement.

2.5 New and Revised Turkish Accounting Standards

a) Standards, amendments and interpretations applicable as at 31 December 2017:

Amendments to IAS 7, 'Statement of cash flows'; on disclosure initiative effective from annual periods beginning on or after 1 January 2017. These amendments introduce an additional disclosure that will enable users of financial statements to evaluate changes in liabilities arising from financing activities. The amendment is part of the IASB's Disclosure Initiative, which continues to explore how financial statement disclosure can be improved.

Amendments IAS 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 clarifies certain other aspects of accounting for deferred tax assets.

Annual improvements 2014-2016, effective from annual periods beginning on or after 1 January 2017:

- IFRS 12, 'Disclosure of interests in other entities'; regarding clarification of the scope of the standard. These amendments should be applied retrospectively for annual periods beginning on or after 1 January 2017. This amendment clarifies that the disclosures requirement of IFRS 12 are applicable to interest in entities classified as held for sale except for summarized financial information.
- IFRS 9, 'Financial instruments'; effective from annual periods beginning on or after 1 January 2018. This standard replaces the guidance in IAS 39. It includes requirements on the classification and measurement of financial assets and liabilities; it also includes an expected credit losses model that replaces the current incurred loss impairment model. The Group does not expect that this standard will have a material impact on the financial position or performance of the Group.

NOTE 2 - BASIS OF PRESENTATION OF CONSOLIDATED FINANCIAL STATEMENTS (Continued)

2.5 New and Revised Turkish Accounting Standards (Continued)

b) Standards, amendments and interpretations effective after 1 January 2018:

IFRS 15, 'Revenue from contracts with customers'; effective from annual periods beginning on or after 1 January 2018. IFRS 15, 'Revenue from contracts with customers' is a converged standard from the IASB and FASB on revenue recognition. The standard will improve the financial reporting of revenue and improve comparability of the top line in financial statements globally. In the scope of the new standards, contract with customers has been analysed and performance obligations are defined as performance liability, limited with delivering of goods and is not required to allocate the sales price for performance obligations. The Group does not expect that this standard will have a material impact on the financial position or performance of the Group.

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

Amendments to IFRS 4, 'Insurance contracts' regarding the implementation of IFRS 9, 'Financial Instruments'; effective from annual periods beginning on or after 1 January 2018. These amendments introduce two approaches: an overlay approach and a deferral approach.

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

Amendments to IFRS 2, 'Share based payments' on clarifying how to account for certain types of share-based payment transactions; effective from annual periods beginning on or after 1 January 2018. The Group does not expect that this amendment will have an impact on the financial position or performance of the Group.

IFRIC 22, 'Foreign currency transactions and advance consideration'; effective from annual periods beginning on or after 1 January 2018. The Group does not expect that this interpretation will have an impact on the financial position or performance of the Group.

NOTE 2 - BASIS OF PRESENTATION OF CONSOLIDATED FINANCIAL STATEMENTS (Continued)

2.5 New and Revised Turkish Accounting Standards (Continued)

Amendment to IFRS 9, 'Financial instruments'; effective from annual periods beginning on or after 1 January 2019. This amendment confirm that when a financial liability measured at amortised cost is modified without this resulting in de-recognition, a gain or loss should be recognised immediately in profit or loss. The gain or loss is calculated as the difference between the original contractual cash flows and the modified cash flows discounted at the original effective interest rate. This means that the difference cannot be spread over the remaining life of the instrument which may be a change in practice from IAS 39.

Amendment to IAS 28, 'Investments in associates and joint venture'; effective from annual periods beginning on or after 1 January 2019. The Group does not expect that this amendment will have an impact on the financial position or performance of the Group.

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

IFRIC 23, 'Uncertainty over income tax treatments'; effective from annual periods beginning on or after 1 January 2019. The Group does not expect that this interpretation will have an impact on the financial position or performance of the Group.

IFRS 17, 'Insurance contracts'; effective from annual periods beginning on or after 1 January 2021. This standard replaces IFRS 4, which currently permits a wide variety of practices in accounting for insurance contracts. IFRS 17 will fundamentally change the accounting by all entities that issue insurance contracts and investment contracts with discretionary participation features. The Group does not expect that this standard will have a material impact on the financial position or performance of the Group.

2.6 Going concern

The consolidated financial statements of the Group have been prepared assuming that the Company and subsidiaries 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.

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NOTE 3 - SEGMENT REPORTING

Management determines the operating segments based on the reports analyzed and found effective in strategic decision making by the Board of Directors.

Management assesses the Group's performance on a geographic level as Turkey and other countries since the gross sales of these subsidiaries are below 10% of the Group sales. Reportable operating segment revenue comprises primarily retail sales, rent income and wholesales. Rent income and wholesale revenues are not recognized as reportable segments as they are not stated in detail in the reports provided to the board of directors. The board of directors assesses the performance of the operating segments based on a measure of Earning Before Interest, Tax, Depreciation and Amortisation, "EBITDA" and Earning Before Interest, Tax, Depreciation, Amortisation and Rent, "EBITDAR". The Group calculates the EBITDA by deducting general administrative expenses and selling, marketing and distribution expenses and adding depreciation expenses, unused vacation liability paid in current period, employee termination benefit provision epxense, unusued vacation liability expense on gross profit amount in consolidated statements of income.

The segment information provided to the board of directors as of 31 December 2017 and 2016 is as follows:

a) Segment analysis as of 31 December 2017:

	Turkey	Other countries	Combined total	Eleminations	Total
External revenues	14.945.612	398.435	15.344.047	-	15.344.047
Inter segment revenues	174.337	-	174.337	(174.337)	-
Sales revenue	15.119.949	398.435	15.518.384	(174.337)	15.344.047
Cost of sales	(11.133.319)	(303.099)	(11.436.418)	174.337	(11.262.081)
Gross profit	3.986.630	95.336	4.081.966	-	4.081.966
Marketing expenses	(2.951.774)	(67.012)	(3.018.786)	-	(3.018.786)
General administrative expenses	(496.141)	(39.089)	(535.230)	-	(535.230)
Addition: Depreciation and amortisation expenses	250.962	18.994	269.956	-	269.956
Addition: Provision for employement termination benefits	20.143	344	20.487	-	20.487
Addition: Employemet termination benefits paid	38.615	-	38.615	-	38.615
Addition: Unused vacation pay liability	14.894	-	14.894	-	14.894
EBITDA	**863.329**	**8.573**	**871.902**	**-**	**871.902**
Addition: Rent expenses	737.883	24.491	762.374	-	762.374
EBITDAR	**1.601.212**	**33.064**	**1.634.276**	**-**	**1.634.276**

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NOTE 3 - SEGMENT REPORTING (Continued)

b) Segment analysis as of 31 December 2016:

	Turkey	Other countries	Combined total	Eleminations	Total
External revenues	10.723.229	335.995	11.059.224	-	11.059.224
Inter segment revenues	5.448	-	5.448	(5.448)	-
Sales revenue	10.728.677	335.995	11.064.672	(5.448)	11.059.224
Cost of sales	(7.859.913)	(252.202)	(8.112.115)	5.448	(8.106.667)
Gross profit	2.868.764	83.793	2.952.557	-	2.952.557
Marketing expenses	(2.120.690)	(55.355)	(2.176.045)	-	(2.176.045)
General administrative expenses	(314.346)	(34.636)	(348.982)	-	(348.982)
Addition: Depreciation and amortisation expenses	181.874	17.642	199.516	-	199.516
Addition: Provision for employement termination benefits	13.737	-	13.737	-	13.737
Addition: Employemet termination benefits paid	19.474	-	19.474	-	19.474
Addition: Unused vacation pay liability	17.135	-	17.135	-	17.135
EBITDA	**665.948**	**11.444**	**677.392**	**-**	**677.392**
Addition: Rent expenses	535.187	18.204	553.391	-	553.391
EBITDAR	**1.201.135**	**29.648**	**1.230.783**	**-**	**1.230.783**

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NOTE 3 - SEGMENT REPORTING (Continued)

A reconciliation of EBITDA figure to income before tax is provided as follows:

	2017	**2016**
EBITDAR reported segments	1.634.276	1.230.783
Rent expenses	(762.374)	(553.391)
EBITDA reported segments	**871.902**	**677.392**
Depreciation and amortisation	(269.956)	(199.516)
Provision for employee termination benefits	(20.487)	(13.737)
Termination benefits paid	(38.615)	(19.474)
Unused vacation provision	(14.894)	(17.135)
Other operating income	157.060	108.694
Other operating expense (-)	(382.187)	(205.054)
Operating profit	**302.823**	**331.170**
Income from investing activities	1.251.927	1.154
Expense from investing activities (-)	(159.169)	(44.210)
Operating profit beftore finance income/(expense)	**1.395.581**	**288.114**
Financial income	88.965	52.316
Financial expense (-)	(881.850)	(576.526)
Income / (loss) before tax	**602.696**	**(236.096)**

Segment assets and liabilities

The figures provided to the board of directors with respect to total assets and liabilities are measured in a manner consistent with the consolidated financial statements. These assets and liabilities are allocated based on the operations of the segment and the physical location of the asset.

	2017	**2016**
Turkey	10.191.829	6.046.586
Other countries	466.120	312.671
Segment assets	**10.657.949**	**6.359.257**
Less: Eleminations	(355.274)	(82.531)
Total assets per consolidated financial statements	**10.302.675**	**6.276.726**

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NOTE 3 - SEGMENT REPORTING (Continued)

	2017	**2016**
Turkey	8.675.732	5.980.425
Other Countries	194.702	122.595
Segment liabilities	**8.870.434**	**6.103.020**
Less: Eleminations	(94.908)	(18.907)
Total liabilities per consolidated financial statements	**8.775.526**	**6.084.113**

Segment information of capital expenditures as of 31 December 2017 and 2016:

	2017	**2016**
Turkey	350.768	280.981
Other countries	48.454	16.226
	399.222	**297.207**

NOT 4 - CASH AND CASH EQUIVALENTS

	2017	**2016**
Cash	100.531	63.438
Banks		
- demand deposit (*)	156.087	110.003
- time deposit	686.734	434.666
Cheques in collection	207	137
Other cash and cash equivalents	673.821	547.698
	1.617.380	**1.155.942**

(*) The Group transfers the cash in its stores registers to the bank on a daily basis. In accordance with the bank agreements, transfered cash amounts have temporary blockages for a certain period of time. As of 31 December 2017, a cash amount of TRL 91.051 in bank accounts is temporarily blocked due to the mentioned cash transfer. (2016: TRL 84.719)

Weighted average effective interest rates on TRL and EURO denominated time deposits as of 31 December 2017 are 14,5% and 1,2% respectively (2016: 11,1% and 2,0%)

Other cash and cash equivalents consist of credit card receivables. Credit card receivables with a maturity of less than one month are discounted at 31 December 2017 with annual rate of 13,4% (2016: 8,4%)

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NOT 4 - CASH AND CASH EQUIVALENTS (Continued)

The maturity analysis of time deposits at 31 December 2017 and 2016 is as follows:

	2017	**2016**
1 - 30 days	635.032	359.617
31 - 90 days	51.702	75.049
91 - 180 days (*)	1.104	714
Over 180 days (*)	9.492	-
	697.330	**435.380**

(*) Related amount indicating the bank deposits with over 90 days maturity recognised as cash fund by the Group (Note 5).

NOT 5 - FINANCIAL INVESTMENTS

Short term financial investments

	2017	**2016**
Time deposit (*)	10.596	714
	10.596	**714**

(*) Related amount indicating the bank deposits with 90-180 days maturity recognised as cash fund by the Group.

Long term financial investments

	2017	**2016**
Long term available for sale investments		
Financial assets - (Unlisted financial assets)	1.165	1.165
	1.165	**1.165**

Unlisted financial assets

	2017		**2016**	
	TRL	**Share (%)**	**TRL**	**Share (%)**
Sanal Merkez Ticaret A.Ş.	1.165	100,00	1.165	100,00

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NOTE 6 - TRADE RECEIVABLES AND PAYABLES

Trade receivables:

	2017	**2016**
Receivables from tenants and wholesale activities	90.716	55.511
Doubtful receivables	54.825	36.966
Notes receivables	1.300	585
Due from related parties (Note 25)	713	600
Less: Provision for doubtfull receivables	(48.614)	(34.998)
Less: Unearned finance income on term sales	(2.030)	(226)
	96.910	**58.438**

The maturity of trade receivables are generally less than one month as of 31 December 2017 and they were discounted with the annual rate of 13,4% (2016: 8,4%).

Movement of provision for doubtful receivables is as follows:

	2017	**2016**
1 January	**34.998**	**31.057**
Current year charge	4.116	1.709
Collections and reversals	(1.115)	(252)
Acquisition effect	1.073	2.484
Additions from acquisiton of subsidiries	9.542	-
31 December	**48.614**	**34.998**

Trade payables:

	2017	**2016**
Supplier current accounts	3.789.526	2.492.767
Due to related parties (Note 25)	182.490	175.170
Expense accruals	33.234	23.137
Unincurred finance cost on term purchases	(51.109)	(27.415)
	3.954.141	**2.663.659**

The maturity of trade payables is generally less than three months and they are discounted with annual rate of 11.9% as of 31 December 2017 (2016: 9,2%)

(Amounts expressed in thousands of Turkish Lira ("TRL") unless otherwise indicated.)
(Currencies other than TRL are expressed in thousands unless otherwise indicated.)

NOTE 7 - OTHER RECEIVABLES AND PAYABLES

Short term other receivables

	2017	2016
Receivables from sales of fixed assets	29.596	-
Receivables from personnel	8.957	7.106
Receivables from insurance companies	1.307	863
Other	2.652	289
	42.512	**8.258**

Long term other receivables

	2017	2016
Deposits and guarantees given	3.596	2.280
	3.596	**2.280**

Other short term payables

	2017	2016
Other taxes and funds payable	39.127	25.586
Value added tax payables ("VAT")	46.218	24.067
Credit card bills collection account (*)	17.747	15.364
Other	32.257	-
	135.349	**65.017**

(*) Majority of the payables above consist of related banks' credit card bill collections made in the stores. The collections have the maturity of less than one month.

Long term other payables

	2017	2016
Deposits and guarantees received	8.778	3.629
	8.778	**3.629**

(Amounts expressed in thousands of Turkish Lira ("TRL") unless otherwise indicated.)
(Currencies other than TRL are expressed in thousands unless otherwise indicated.)

NOTE 8 - INVENTORIES

	31 December 2017	31 December 2016	31 December 2015
Raw materials	12.517	7.276	7.191
Work in progress	10.314	8.762	5.244
Merchandise stocks	1.918.916	1.211.036	1.054.491
Other	2.952	1.207	1.325
Less: Provision for net realiazable value	(36.453)	(16.207)	(15.571)
	1.908.246	**1.212.074**	**1.052.680**

NOTE 9 - PREPAID EXPENSES AND DEFERRED REVENUES

Short term prepaid expenses

	2017	2016
Prepaid rent expenses	31.917	17.690
Prepaid insurance expenses	17.271	10.160
Advances given	1.405	3.197
Prepaid other expenses	80	3.745
	50.673	**34.792**

Long term prepaid expenses

	2017	2016
Prepaid rent expenses	20.771	8.593
Advances given for property, plant and equipement	4.160	20.241
	24.931	**28.834**

Short term deferred revenues

	2017	2016
Customer cheques	42.747	27.805
Deferred revenues	4.923	4.611
	47.670	**32.416**

Long term deferred revenues

	2017	2016
Deferred revenues	2.500	4.592
	2.500	**4.592**

(Amounts expressed in thousands of Turkish Lira ("TRL") unless otherwise indicated.)
(Currencies other than TRL are expressed in thousands unless otherwise indicated.)

NOTE 10 - INVESTMENT PROPERTY

	1 January 2017	Additions	Disposal	Impairment	Revaluation	Transfers	Currency translation difference	31 December 2017
Cost								
Land and buildings	208.120	35.894	-	-	134.967	(47.339)	11.089	342.731
Accumulated depreciation								
Buildings	(63.401)	(4.294)	-	-	-	69.975	(2.280)	-
Net book value	**144.719**	**31.600**	**-**	**-**	**134.967**	**22.636**	**8.809**	**342.731**

	1 January 2016	Additions	Disposal	Impairment (*)	Transfers (**)	Currency translation difference	31 December 2016
Cost							
Land and buildings	193.943	3.170	(4.600)	-	11.361	4.246	208.120
Accumulated depreciation							
Buildings	(47.538)	(4.572)	1.558	(8.136)	(5.171)	458	(63.401)
Net book value	**146.405**	**(1.402)**	**(3.042)**	**(8.136)**	**6.190**	**4.704**	**144.719**

Depreciation expenses of investment property the period have been accounted for under general administrative expenses.

Investment properties of the Group consist of rented area to other retailers in Samal shopping mall, Tastak store in Kazakhstan and Skopje shopping mall in Macedonia. At 31 December 2017, total investment property of Kazakhstan and Macedonia are 4.303 and 9.686 m^2 respectively (2016: Kazakhstan 2.857 m^2, Macedonia 9.364 m^2).

The property rental income earned by the Group from its investment property, all of which is leased out under operating leases, amounted to TRL 86.205 (2016: TRL 21.228). Direct operating expenses arising on the investment property in the period include maintenance and repair costs which amounted to TRL 14.507 (2016: TRL 4.151).

There is no mortgage or pledge on the investment properties of the Group as of 31 December 2017.

(Amounts expressed in thousands of Turkish Lira ("TRL") unless otherwise indicated.)
(Currencies other than TRL are expressed in thousands unless otherwise indicated.)

NOTE 11 - PROPERTY, PLANT AND EQUIPMENT

Movement of property, plant and equipments period ended at 31 December 2017 is as follows;

	1 January 2017	Additions for Acquisiton of Subsidiary	Additions	Disposals	Impairment	Revaluation	Transfers (*)	Currency translaiton differences	31 Decemer 2017
Cost									
Lands	153.996	1.003.040	-	(38.503)	(107.734)	486.740	(42.750)	-	1.454.789
Buildings	235.851	725.760	6.077	(22.571)	(41.081)	386.570	(283.333)	9.083	1.016.356
Leasehold improvements	573.618	164.133	51.654	(4.476)	(38.960)	-	24.844	2.029	772.842
Machinery and equipments	715.722	184.221	85.922	(34.630)	(1.205)	-	66.311	3.519	1.019.860
Motor vehicles	2.600	7.896	1.212	(2.198)	-	-	-	338	9.848
Furniture and fixtures	360.645	301.754	38.616	(19.516)	(518)	-	23.433	5.973	710.387
Construction in progress	27.418	2.101	148.071	(4)	-	-	(144.631)	556	33.511
	2.069.850	**2.388.905**	**331.552**	**(121.898)**	**(189.498)**	**873.310**	**(356.126)**	**21.498**	**5.017.593**
Accumulated depreciation									
Buildings	(97.971)	(143.570)	(23.534)	87	2.566	-	265.234	(2.812)	-
Leasehold improvements	(254.984)	(58.042)	(62.417)	2.739	32.166	-	-	(805)	(341.343)
Machinery and equipments	(292.767)	(161.349)	(85.965)	25.715	1.137	-	(112)	(2.753)	(516.094)
Motor vehicles	(954)	(6.053)	(614)	1.508	-	-	-	(124)	(6.237)
Furniture and fixture	(154.841)	(220.410)	(50.137)	15.004	515	-	(93)	(3.669)	(413.631)
	(801.517)	**(589.424)**	**(222.667)**	**45.053**	**36.384**	**-**	**265.029**	**(10.163)**	**(1.277.305)**
Net book value	**1.268.333**								**3.740.288**

(*) Land and buildings amounting to TRL 44.068 are classified as assets held for sale, amounting to TRL 24.393 is transferred to intangible assets and amounting to TRL 22.636 is transferred to investment properties which are stated at transfers line.

(Amounts expressed in thousands of Turkish Lira ("TRL") unless otherwise indicated.)
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NOTE 11 - PROPERTY, PLANT AND EQUIPMENT (Continued)

Movement of property, plant and equipments for the period ended ar of 31 December 2016 is as follows;

	1 January 2016	Additions	Disposals	Impairment (*)	Transfers	Currency translation differences	31 December 2016
Cost							
Land and buildings	382.910	6.396	(336)	-	(7.936)	8.813	389.847
Leasehold improvements	516.389	44.268	-	(12.528)	22.504	2.985	573.618
Machinery and equipments	617.634	78.070	(24.253)		38.918	5.353	715.722
Motor vehicles	2.173	818	(920)	-	348	181	2.600
Furniture and fixtures	317.621	29.821	(5.195)	-	13.352	5.046	360.645
Construction in progress	22.579	98.769	-	-	(95.753)	1.823	27.418
	1.859.306	**258.142**	**(30.704)**	**(12.528)**	**(28.567)**	**24.201**	**2.069.850**
Accumulated depreciation							
Buildings	(68.658)	(5.447)	15	(24.608)	5.044	(4.317)	(97.971)
Leasehold improvements	(207.794)	(54.819)	-	9.226	-	(1.597)	(254.984)
Machinery and equipments	(234.987)	(73.394)	19.677	-	127	(4.190)	(292.767)
Motor vehicles	(1.158)	(417)	677	-	-	(56)	(954)
Furniture and fixture	(126.086)	(30.232)	4.222	-	-	(2.745)	(154.841)
	(638.683)	**(164.309)**	**24.591**	**(15.382)**	**5.171**	**(12.905)**	**(801.517)**
Net book value	**1.220.623**						**1.268.333**

(*) The Group has performed impairment analysis for its property,plant and equipment and concluded that carrying amount of investment properties exceed its net recoverable amount by TRL 24.608. As a result, provision for impairment has been accounted for under expenses from investment activities. Furthermore impairment loss amounting to TRL 3.302 consists of leasehold improvements of the stores closed in 2016 (Note 20).

As at 31 December 2017 and 2016, there are no mortgages on property, plant and equipment. Depreciation charges on property, plant and equipment are included in general administrative expenses.

(Amounts expressed in thousands of Turkish Lira (“TRL”) unless otherwise indicated.)
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NOTE 12 - INTANGIBLE ASSETS

Movement of intangible assets period ended at 31 December 2017 is as follows;

	1 January 2017	Business combinations	Additions	Disposals	Transfers	Currency translation differences	31 December 2017
Cost							
Trademark(*)	2.787	14.442	-	-	-	-	17.229
Rent agreements	32.982	6.149	-	-	-	-	39.131
Rights	155.890	92.698	30.186	(894)	24.481	755	303.116
Other intangible assets	91.649	-	1.590	-	-	-	93.239
	283.308	**113.289**	**31.776**	**(894)**	**24.481**	**755**	**452.715**
Accumulated amortisation							
Rent agreements	(31.106)	-	(637)	-	-	-	(31.743)
Rights	(83.007)	(72.741)	(31.472)	580	(88)	(514)	(187.242)
Other intangible assets	(62.157)	-	(10.886)	-	-	-	(73.043)
	(176.270)	**(72.741)**	**(42.995)**	**580**	**(88)**	**(514)**	**(292.028)**
Net defter değeri	**107.038**						**160.687**

(Amounts expressed in thousands of Turkish Lira ("TRL") unless otherwise indicated.)
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NOTE 12 - INTANGIBLE ASSETS (Continued)

Movement of intangible assets period ended at 31 December 2016 is as follows;

	1 January 2016	Business Combinations(**)	Additions	Transfers	Currency translation differences	31 December 2016
Cost						
Trademark (*)	-	2.787	-	-	-	2.787
Rent agreements	32.982	-	-	-		32.982
Rights	109.205	3.082	25.200	17.206	1.197	155.890
Other intangible assets	87.214	-	4.435	-	-	91.649
	229.401	**5.869**	**29.635**	**17.206**	**1.197**	**283.308**
Accumulated amortisation						
Rent agreements	(30.147)	-	(959)	-	-	(31.106)
Rights	(54.471)	-	(27.613)	-	(923)	(83.007)
Other intangible assets	(60.094)	-	(2.063)	-	-	(62.157)
	(144.712)	**-**	**(30.635)**	**-**	**(923)**	**(176.270)**
Net book value	**84.689**					**107.038**

Amortisation expenses related to intangible assets have been accounted under general administrative expenses.

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NOTE 12 - INTANGIBLE ASSETS (Continued)

(*) TFRS 3, "Business Combinations", requires the acquirer at the acquisition date to allocate the cost of a business combination by recognising the acquiree's identifiable assets, liabilities and contingent liabilities at their fair values as at that date.

The Group determined the value of Kipa Brand which is identified as intangible asset by using "Relief from Royalties" method as of March 1, 2017, which is acquisition date and accounted as intangible asset amounting to TRL 14.442 in the consolidated financial statements. Since the brand value is not predictable and has a certain life expectancy and the cost to be related to the profit or loss table is estimated every year for the protection of its value, it is considered as an intangible asset whose useful life is unlimited and amortization account is not applied for this asset. As stated in accounting policies, for the intangible assets whose useful life is determined to be unlimited, the impairment test is performed every year.

(**) In order to increase Macrocenter's structure and operational experience, on 22 November 2016, the Group has acquired the intangible assets' of Tazedirekt A.Ş. ("Tazedirekt"), an online food retailer firm. As of the transaction date, the fair value of the acquired trademark based on cost model amounting to TRL 2.787, has been accounted for under intangible assets in the consolidated financial statements. Since the trademark does not have a definite useful life and it is foreseen that certain expenses will be incurred each year in order to maintain its value, it is considered as an intangible asset with an indefinite useful life and therefore has not been amortised. Besides, as of the transaction date, the fair value of acquired software based on cost model amounting to TRL 3.082 has been accounted for under intangible assets in the consolidated financial statements.

NOTE 13 - GOODWILL

	2017	2016
Opening balance	**2.252.992**	**2.251.427**
Additions	-	1.565
Closing balance	**2.252.992**	**2.252.992**

Impairment tests for goodwill:

The whole amount of goodwill is related to the acquisition of Migros, the Group management considers the synergy to be created by the important domestic market position as the main reason for the goodwill. Accordingly, the Group management allocated the above mentioned goodwill amount to Turkish domestic operations which is the main cash generating unit, considering its market share and importance of the total turnover of the domestic operations in the Group consolidation.

The recoverable amount of cash-generating unit was determined based on value-in-use calculations. These value-in-use calculations include the discounted after tax cash flow projections, which are based on TRL budgets approved by management covering an eight year period. The growth rate expected to be realized after eight years is assumed to be nil and in the preparation of these analysis it has been assumed by the management that existing profitability of the Company will be maintained.

Subsequent projected cash flows over a ten year period were calculated without regard to any growth rate, and the analysis predicted that the existing profitability structure would be preserved.

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NOTE 13 - GOODWILL (Continued)

The Group management determined the budgeted gross profit margin by taking into consideration the previous performance of the company and the market growth expectations. The discount rate 10,01% used is the after tax discount rate and includes the company-specific risks. The fact that the after-tax discount rate used in the calculation of discounted cash flows is higher/lower by 100 basis points (such as 9,1% or 11,1% instead of 10,01%) causes a decrease/increase of TRL 694.200 (2016: TRL 648.516) in the fair value calculations for which sales costs are deducted, as of 31 December 2017. Within the context of analysis performed by the Management, above mentioned changes in the key assumptions on which recoverable amount is based would not cause carrying amount to exceed its recoverable amount.

The acquisition of Kipa has been accounted for in accordance with TFRS 3 - 'Business Combinations'. The fair value of identifiable assets and liabilities acquired within the context of the said business combination as of 31 December 2017 has been stated as a draft and these items were reported at their provisional value in summary consolidated financial statements. The period determined to carry out additions and adjustments concerning the fair value of the assets, liabilities and contingent liabilities is 12 months from the date of purchase.

	1 March 2017 Kipa Temporary Fair Value
ASSETS	
Cash and cash equivalents	49.166
Trade receivables	10.691
Other receivables and assets	32.854
Inventories	207.716
Current Assets	**300.427**
Property, plant and equipment, and Intangible assets	1.840.029
Other non-current assets	15.436
Total non-current assets	**1.855.465**
Total assets	**2.155.892**
LIABILITIES	
Short term borrowings	329.631
Trade payables	329.012
Other current payables and liabilities	97.005
Total current liabilities	**755.648**
Other long term provisions	20.915
Deferred tax liabilities	72.859
Total non-current liabilities	**93.774**
Total liabilities	**849.422**
Net Asset	1.306.470
Purchase price	207.031
Non – controlling interest	48.993
Negative Goodwill	**1.050.446**

(Amounts expressed in thousands of Turkish Lira ("TRL") unless otherwise indicated.)
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NOTE 14 - FINANCIAL LIABILITIES

	31 December 2017		
	Effective interest rate (%)	**In original currency**	**Total TRL equivalent**
Short term borrowings			
With fixed interest rate - TRL	15,88	569.319	569.319
Total short term borrowings			**569.319**
Current portion of long term borrowings			
With floating interest rate - EUR	5,25	91.719	414.156
With fixed interest rate - TRL	13,93	53.746	53.746
With fixed interest rate - Tenge	11,97	71.861	816
Total current portion of long term bank borrowings			**468.718**
Total short term bank borrowings			**1.038.037**
Non-current bank borrowings			
With floating interest rate - EUR	5,25	580.106	2.619.469
With fixed interest rate - TRL	13,93	212.028	212.028
With fixed interest rate - Tenge	11,97	3.783.265	42.940
Total non-current bank borrowings			**2.874.437**
Total financial liabilities			**3.912.474**

The redemption schedule of bank borrowings with effective interest rate at 31 December 2017 is as follows:

	Tenge loan TRL equivalent	**Euro loan TRL equivalent**	**TRL Loan**	**Total (TRL equivalent)**
1 January 2018- 31 December 2018	816	414.156	623.065	1.038.037
1 January 2019- 31 December 2019	1.271	514.665	54.649	570.585
1 January 2020- 31 December 2020	12.164	554.019	50.284	616.467
1 January 2021- 31 December 2021	13.719	583.655	45.394	642.768
1 January 2022- 31 December 2022	13.580	620.512	41.279	675.371
1 January 2023 - 24 October 2023	2.206	346.618	20.422	369.246
	43.756	**3.033.625**	**835.093**	**3.912.474**

(Amounts expressed in thousands of Turkish Lira ("TRL") unless otherwise indicated.)
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NOTE 14 - FINANCIAL LIABILITIES (Continued)

The fair value of bank borrowings at 31 December 2017 is TRL 3.994.286.

The redemption schedule of principal amounts of bank borrowings at 31 December 2017 is as follows:

	Tenge loan TRL equivalent	Euro loan TRL equivalent	TRL Loan	Total (TRL equivalent)
1 January 2018- 31 December 2018	-	279.227	590.082	869.309
1 January 2019- 31 December 2019	1.271	426.572	37.100	464.943
1 January 2020- 31 December 2020	12.164	523.517	45.532	581.213
1 January 2021- 31 December 2021	13.719	620.494	53.967	688.180
1 January 2022- 31 December 2022	13.580	736.821	64.084	814.485
1 January 2023 - 24 October 2023	2.206	445.956	38.787	486.949
	42.940	**3.032.587**	**829.552**	**3.905.079**

The Group has the obligation to comply with the various credit commitments in the loan agreement in the interest of the said bank credits. The financial ratios calculated on the financial statements as of 31 December 2017 are in line with the provisions of the bank loan agreement.

The movement schedule of borrowings as of 31 December 2017 is as follows;

Opening	**2.963.536**
Proceeds of borrowings	210.776
Payments	(164.819)
FX Losses	556.974
Interest accrual	16.376
Acquisition of subsidary	329.631
Closing	**3.912.474**

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NOTE 14 - FINANCIAL LIABILITIES (Continued)

	31 December 2016		
	Effective interest rate (%)	**In original currency**	**Total TRL equivalent**
Short term borrowings			
With fixed interest rate - TRL	14,34	102.012	102.012
Total short term borrowings			**102.012**
Current portion of long term borrowings			
With floating interest rate - EUR	5,25	53.336	197.873
With fixed interest rate - TRL	13,93	40.312	40.312
With fixed interest rate - EUR	15,00	31.086	328
Total current portion of long term bank borrowings			**238.513**
Total short term bank borrowings			**340.525**
Non-current bank borrowings			
With floating interest rate - EUR	5,25	638.317	2.368.091
With fixed interest rate - TRL	13,93	233.274	233.274
With fixed interest rate - Tenge	15,00	2.050.000	21.646
Total non-current bank borrowings			**2.623.011**
Total financial liabilities			**2.963.536**

The redemption schedule of bank borrowings with effective interest rate at 31 December 2016 is as follows:

	Tenge loan TRL equivalent	**Euro loan TRL equivalent**	**TRL Loan**	**Total (TRL equivalent)**
1 January 2017- 31 December 2017	328	197.873	142.324	340.525
1 January 2018- 31 December 2018	1.031	323.296	47.173	371.500
1 January 2019- 31 December 2019	4.123	401.754	47.966	453.843
1 January 2020- 31 December 2020	4.123	432.475	44.135	480.733
1 January 2021- 31 December 2021	4.123	455.609	39.843	499.575
1 January 2022- 31 December 2022	4.123	484.381	36.231	524.735
1 January 2023 - 24 October 2023	4.123	270.576	17.926	292.625
	21.974	**2.565.964**	**375.598**	**2.963.536**

(Amounts expressed in thousands of Turkish Lira ("TRL") unless otherwise indicated.)
(Currencies other than TRL are expressed in thousands unless otherwise indicated.)

NOTE 14 - FINANCIAL LIABILITIES (Continued)

The fair value of bank borrowings at 31 December 2016 is TRL 2.987.487.

The redemption schedule of principal amounts of bank borrowings at 31 December 2016 is as follows:

	Tenge loan TRL equivalent	Euro loan TRL equivalent	TRL Loan	Total (TRL equivalent)
1 January 2017- 31 December 2017	-	76.479	108.096	184.575
1 January 2018- 31 December 2018	1.031	229.411	24.285	254.727
1 January 2019- 31 December 2019	4.123	350.468	37.100	391.691
1 January 2020- 31 December 2020	4.123	430.117	45.532	479.772
1 January 2021- 31 December 2021	4.123	509.793	53.967	567.883
1 January 2022- 31 December 2022	4.123	605.367	64.084	673.574
1 January 2023 - 24 October 2023	4.123	366.394	38.786	409.303
	21.646	**2.568.029**	**371.850**	**2.961.525**

NOTE 15 - PROVISIONS, COMMITMENTS, CONTINGENT ASSETS AND LIABILITIES

Short-term provisions	**2017**	**2016**
Provision for litigation	61.594	27.105
Customer loyalty programs	538	567
Other	1.012	-
	63.144	**27.672**

There are various lawsuits filed against or in favour of the Group. Receivables, rent or labour disputes constitute the majority of these lawsuits. The Group management estimates the outcomes of these lawsuits and estimates their financial impact according to which the necessary provisions are accounted.

Lawsuit provisions	**2017**	**2016**
1 January	**27.105**	**30.172**
Increase during period	1.310	5.169
Payments (-)	(12.547)	(8.236)
Bussiness combination effect	45.726	**-**
31 December	**61.594**	**27.105**

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NOTE 15 - PROVISIONS, COMMITMENTS, CONTINGENT ASSETS AND LIABILITIES (Continued)

Collaterals, Pledges, Mortgages

2017:

	Total TRL amount	TRL	USD	Euro
A. CPM given on behalf of the Company's legal personality	155.796	146.193	2.546	-
B. CPM given on behalf of fully consolidated subsidiaries	212.939	170.000	11.384	-
C.CPM given for continuation of its economic activities on behalf of third parties	-	-	-	-
D.Total amount of other CPM	-	-	-	-
i. Total amount of CPM given behalf of the majority shareholder	-	-	-	-
ii. Total amount of CPM given behalf of other group companies which are not	-	-	-	-
in scope of B and C	-	-	-	-
iii. Total amount of CPM given behalf of third parties which are not in scope of C	-	-	-	-
Total collaterals, pledges and mortgages	**368.735**	**316.193**	**13.930**	**-**
Proportion of the other CPM's to equity (%)	**0,0**			

2016:

	Total TRL amount	TRL	USD	Euro
A. CPM given on behalf of the Company's legal personality	86.092	84.378	487	-
B. CPM given on behalf of fully consolidated subsidiaries	-	-	-	-
C.CPM given for continuation of its economic activities on behalf of third parties	-	-	-	-
D.Total amount of other CPM	-	-	-	-
i. Total amount of CPM given behalf of the majority shareholder	-	-	-	-
ii. Total amount of CPM given behalf of other group companies which are not in scope of B and C	-	-	-	-
iii. Total amount of CPM given behalf of third parties which are not in scope of C	-	-	-	-
Total collaterals, pledges and mortgages	**86.092**	**84.378**	**487**	**-**
Proportion of the other CPM's to equity (%)	**0,0**	**-**	**-**	**-**

(Amounts expressed in thousands of Turkish Lira ("TRL") unless otherwise indicated.)
(Currencies other than TRL are expressed in thousands unless otherwise indicated.)

NOTE 15 - PROVISIONS, COMMITMENTS, CONTINGENT ASSETS AND LIABILITIES (Continued)

Contingent assets and liabilities

Guarantees given at 31 December 2017 and 2016 are as follows:

	2017	**2016**
Letter of guarantees given	368.735	86.092
	368.735	**86.092**

Guarantees received at 31 December 2017 and 2016 are as follows:

	2017	**2016**
Guarantees obtained from customers	146.693	88.356
Mortgages obtained from customers	17.866	26.825
	164.559	**115.181**

The future aggregate minimum lease payments under non-cancellable operating leases of land and stores are as follows. Amounts are expressed in the total amount to be paid by the end of the lease term although the time periods specified in the contracts in line with the vast majority of our stores early release have a right to give notice of the condition.

	2017	**2016**
Payable within 1 year	77.746	40.843
Payable in 1 to 5 years	29.337	10.017
	107.083	**50.860**

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NOTE 16 - EMPLOYEE BENEFITS

	2017	**2016**
Due to personnel	73.742	41.644
Social security deductions	62.470	34.617
	136.212	**76.261**

	2017	**2016**
Provision for unused vacation	110.855	93.105
Provision for employment termination benefits	117.753	79.057
	228.608	**172.162**

Movement of provision for unused vacation is as follows:

	2017	**2016**
1 January	**93.105**	**75.970**
Increase during period	22.408	24.722
Payments during period	(7.514)	(7.587)
Effect of business combinations	2.856	-
31 December	**110.855**	**93.105**

Provision for employment termination benefits

Under the Turkish Labour Law, the Company is required to pay termination benefits to each employee who has completed one year of service and who reaches the retirement age, whose employment is terminated without due cause, is enlisted for military service or passed away. The termination benefit to be paid is one month wage per a service year up to the maximum employment termination benefit limit.

In the consolidated financial statements as of 31 December 2017 and 2016, the Group reflected a liability calculated using the projected unit credit method and based upon factors derived using their experience of personnel terminating their services and being eligible to receive retirement pay and discounted by using the current market yield at the balance sheet date on government bonds.

The provision has been calculated by estimating the present value of the future probable obligation of the Company arising from the retirement of employees.

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NOTE 16 - EMPLOYEE BENEFITS (Continued)

The following actuarial assumptions were used in the calculation of the total liability:

	2017	**2016**
Discount rate (%)	4,21	3,77
Turnover rate to estimate the probability of retirement (%)	87,24 - 100,00	82,88 - 100,00

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. As the maximum liability is revised once every six months, the maximum amount of TRL 5.001,76 effective from 1 January 2018 (1 January 2017: TRL 4.426,16) has been taken into consideration in calculating the reserve for employment termination benefit of the Group.

In the calculation, the employees were separated into two groups based on the working years in the Group: 0-14 years and 15 years and above. The probability of retirement is used as 87,24% and 100% for the employees working 0-14 years and 15 years and above, respectively.

Movements in the provision for employment termination benefits are as follows:

	2017	**2016**
1 January	**79.057**	**64.283**
Increase during period	59.102	33.211
Payment	(38.615)	(19.474)
Business combinations effect	18.829	-
Actuarial (gain) / loss	(620)	1.037
31 December	**117.753**	**79.057**

(Amounts expressed in thousands of Turkish Lira ("TRL") unless otherwise indicated.)
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NOTE 17 - REVENUE

Details of domestic and foreign sales before other sales, discounts and returns are as follows:

	2017	**2016**
Domestic sales	15.253.852	10.979.857
Foreign sales	396.374	335.065
Other sales	18.132	14.492
Gross sales	**15.668.358**	**11.329.414**
Discounts and returns (-)	(324.311)	(270.190)
Sales revenue, net	**15.344.047**	**11.059.224**
Cost of sales	(11.262.081)	(8.106.667)
Gross profit	**4.081.966**	**2.952.557**

Details of domestic and foreign sales before other sales, discounts and returns are as follows:

	2017	**2016**
Retail sales revenue	15.112.677	10.931.238
Rent income	379.725	297.591
Wholesale revenue	157.824	86.093
	15.650.226	**11.314.922**

(Amounts expressed in thousands of Turkish Lira ("TRL") unless otherwise indicated.)
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NOTE 18 - EXPENSE BY NATURE

Total	**2017**	**2016**
Staff costs	1.546.040	1.078.928
Rent	762.374	553.391
Depreciation and amortisation	269.956	199.516
Energy	191.232	137.402
Transportation	147.065	99.625
Porterage and cleaning	97.884	77.094
Advertising	98.425	71.139
Warehouse	84.642	69.352
Repair and maintanence	61.497	43.299
Mechanisation	57.436	28.879
Security	32.256	26.678
Taxes and other fees	21.452	14.727
Communication	14.827	10.408
Other	168.930	114.589
	3.554.016	**2.525.027**

Marketing expenses	**2017**	**2016**
Staff costs	1.345.172	959.255
Rent	761.423	552.760
Energy	189.295	136.118
Transportation	147.065	99.625
Advertising	98.241	71.139
Porterage and cleaning	94.876	74.749
Warehouse	84.642	69.352
Repair and maintanence	59.856	42.700
Mechanisation	40.301	26.033
Security	30.327	25.640
Taxes and other fees	19.706	13.453
Communication	12.549	8.932
Other	135.333	96.289
	3.018.786	**2.176.045**

General administrative expenses	**2017**	**2016**
Depreciation and amortisation	269.956	199.516
Staff costs	200.868	119.673
Other	64.406	29.793
	535.230	**348.982**

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NOTE 18 - EXPENSE BY NATURE (Continued)

Expenses by nature in cost of sales for the year ended at 31 December 2017 and 2016 are as follows:

	2017	2016
Cost of goods sold	11.218.785	8.075.058
Cost of service rendered	43.296	31.609
	11.262.081	**8.106.667**

Cost of trade goods include discounts, incentives and volume rebates obtained from suppliers. Service costs comprise energy, advertising, cleaning, security and administrative expenses incurred in the Group's shopping malls.

NOTE 19 - OTHER OPERATING INCOME AND EXPENSES

Other operating income	**2017**	**2016**
Interest income on term sales	62.617	40.931
Interest income from operating activities	44.700	24.309
Cancelled tax penalty provision	-	36.968
Other	49.743	6.486
	157.060	**108.694**

Other operating expenses	**2017**	**2016**
Interest expense on term purchases	303.056	178.324
Litigation provision	1.310	5.169
Bad debt provision expense	4.116	1.709
Other	73.705	19.852
	382.187	**205.054**

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NOTE 20 - REVENUES AND EXPENSES FROM INVESTMENT ACTIVITIES

Income from investing activities	2017	2016
Negative goodwill	1.050.446	-
Investment property valuation	134.967	-
Gain on sale of property, plant and equipment	66.514	1.154
	1.251.927	**1.154**

Expense from investing activities	2017	2016
Losses from impairment provision property, plant and equipment	145.893	32.744
Loss on sale of property, plant and equipment	6.055	8.164
Losses from leasehold improvements of closed stores	7.221	3.302
	159.169	**44.210**

NOTE 21 - FINANCIAL INCOME

	2017	2016
Foreign exchange gains	81.490	47.469
Interest income on bank deposits	7.465	4.245
Financial income on derivatives	10	602
	88.965	**52.316**

NOTE 22 - FINANCIAL EXPENSES

	2017	2016
Foreign exchange losses	568.635	391.350
Interest expense on bank borrowings	270.253	168.389
Financial expense on derivatives	842	768
Other	42.120	16.019
	881.850	**576.526**

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NOTE 23 - TAX ASSETS AND LIABILITIES

	2017	2016
Income tax payable	84.235	72.355
Less: Prepaid current income taxes	(58.385)	(52.403)
Taxes on income	**25.850**	**19.952**

	31 December 2017	31 December 2016	31 December 2015
Deferred tax assets	73.819	63.324	54.293
Deferred tax liabilities	(329.782)	(116.388)	(114.464)
Deferred tax liabilities, net	**(255.963)**	**(53.064)**	**(60.171)**

General Information

The Group is subject to taxation in accordance with the tax regulations and the legislation effective in the countries in which the Group companies operate. In Turkey, the tax legislation does not permit a parent company and its subsidiaries to file a consolidated tax return. Therefore, provision for taxes, as reflected in the consolidated financial statements, has been calculated on a separate-entity basis.

In Turkey, corporate tax rate is 20% (December 31, 2016 - 20%). In accordance with the regulation numbered 7061, published in Official Gazette on 5 December 2017, corporate tax rate for the years 2018, 2019 and 2020 has increased from 20% to 22%. Therefore, deferred tax assets and liabilities as of 31 December 2017 are calculated with 22% tax rate for the temporary differences which will be realized in 2018, 2019 and 2020, and with 20% tax for those which will be realized after 2021 and onwards.

The Group calculates deferred income tax assets and liabilities based on the temporary difference between the financial statements prepared in accordance with TFRS and the financial statements prepared in accordance with TFRS. Future periods to deferred tax assets and liabilities are calculated based on the liability method on temporary differences for the rates used as of December 31, 2017 Turkey, Kazakhstan, Bulgaria and respectively 20% for Macedonia, 20%, 10% and 10% (2016: 20% , 20%, 10% and 10%).

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NOTE 23 - TAX ASSETS AND LIABILITIES (Continued)

	2017	**2016**
Loss before tax	602.696	(236.096)
Calculated tax income according to parent company rax rate (20%)	(120.539)	47.219
Differences in tax rate of subsidiaries	4.243	87
Expected tax expense of the Group	**(116.296)**	**47.306**
Effect of non-deductable expenses	(200.819)	(111.381)
Effect of exemptions for R&D	5.018	1.875
Effect of non-taxable incomes	42	444
Temporary differences which deferred tax not calculated	20.003	-
Bussiness combination effect	210.089	-
Effective tax rate difference	(15.468)	-
Other	3.771	(2.254)
Tax expense	**(93.660)**	**(64.010)**

The details of taxation on income for the periods ended 31 December 2017 and 2016 are as follows:

	2017	**2016**
Current period income tax expense	(83.177)	(72.355)
Deferred tax income	(10.483)	8.345
Current period tax expense	**(93.660)**	**(64.010)**

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NOTE 23 - TAX ASSETS AND LIABILITIES (Continued)

	Cumulative temporary differences			Deferred tax assets/(liabilities)		
	2017	**2016**	**2015**	**2017**	**2016**	**2015**
Deferred tax assets:						
Short term provisions	166.847	131.094	106.142	35.980	26.219	21.228
Inventories	63.125	103.046	94.919	13.879	20.610	18.984
Provision for employee termination benefits	117.753	79.057	64.283	23.516	15.811	12.857
Unincurred interest income	2.030	226	237	444	45	47
Other	-	3.194	5.886	-	639	1.177
				73.819	**63.324**	**54.293**
Deferred tax liabilities:						
Fair value change of derivative financial instruments	10	620	422	(2)	(124)	(84)
Property, plant and equiment, intangible assets and investment properties	2.246.786	580.921	578.929	(308.477)	(108.959)	(108.762)
Business combinations effect	12.862	-	-	(2.572)		
Unincurred interest expense	43.975	27.415	24.345	(9.675)	(5.483)	(4.869)
Other	45.824	9.108	3.745	(9.056)	(1.822)	(749)
				(329.782)	**(116.388)**	**(114.464)**
Total deferred tax liability, net				**(255.963)**	**(53.064)**	**(60.171)**

	2017	2016
1 January	**(53.064)**	**(60.171)**
Deferred tax expense / (income) from continuing operations	(10.483)	8.345
Additions from business combinations	(72.859)	(1.174)
Accounted for under equity	(119.409)	207
Currency translation difference	(148)	(271)
31 December	**(255.963)**	**(53.064)**

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NOTE 24 - CAPITAL, RESERVES AND OTHER EQUITY ITEMS

The Company's authorised and issued capital consists of 17.803.000.000 shares at 1 shares of Kr1 nominal value as of 31 December 2017 (31 December 2016: 17.803.000.000 shares). All shares are paid-in and no privileges are given to different share groups and shareholders.

	2017		2016	
	TRL	**Share (%)**	**TRL**	**Share (%)**
MH Perakendecilik ve Ticaret A.Ş.	89.015	50,00	89.015	50,00
Moonlight Capital S.A.	14.371	8,07	27.371	15,37
Kenan Investments S.A.	26.937	15,13	26.937	15,13
Other	47.707	26,80	34.707	19,49
Total	**178.030**	**100,00**	**178.030**	**100,00**

Reserves

The legal reserves consist of first and second legal reserves in accordance with the TCC. The first legal reserve is appropriated out of the statutory profits at the rate of 5%, until the total reserve reaches a maximum of 20% of the Company's restated share capital. The second legal reserve is appropriated at the rate of 10% of all distributions in excess of 5% of the Company's restated share capital.

Dividend paid

The Group did not distribute any dividend in 2017 (2016: The Group did not distribute any dividend).

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NOTE 25 - TRANSACTIONS AND BALANCES WITH RELATED PARTIES

a) Balances with related parties

Due from related parties	**2017**	**2016**
Anadolu Isuzu Otomotiv Sanayi ve Tic. A.Ş.	332	301
Çelik Motor Ticaret A.Ş.	196	153
Anadolu Motor Üretim ve Pazarlama A.Ş.	82	89
Other	103	57
	713	**600**

Due to related parties	**2017**	**2016**
Anadolu Efes Pazarlama ve Dağıtım Ticaret A.Ş.	92.000	86.990
Coca Cola Satış ve Dağıtım A.Ş.	60.497	43.799
Adel Kalemcilik Ticaret ve San. A.Ş.	13.216	5.303
AEH Sigorta Acenteliği A.Ş.	10.551	5.458
AEH Anadolu Etap Penkon Gıda ve Tarım Ürünleri San. ve Tic. A.Ş.	6.111	3.279
Ana Gıda İhtiyaç Maddeleri San. ve Tic. A.Ş. (*)	-	30.337
Other	115	4
	182.490	**175.170**

(*) Ana Gıda İhtiyaç Maddeleri San. ve Tic. A.Ş. is excluded from the related parties since Anadolu Group sold all its shares as of 21 February 2017.

b) Transactions with related parties

Inventory purchases	**2017**	**2016**
Anadolu Efes Paz. ve Dağıtım Ticaret A.Ş.	295.738	251.157
Coca Cola Satış ve Dağıtım A.Ş.	200.713	151.049
Ana Gıda İhtiyaç Maddeleri San. ve Tic. A.Ş.	20.042	98.737
AEH Anadolu Etap Penkon Gıda ve Tarım Ürünleri San. ve Tic. A.Ş.	42.678	17.972
Adel Kalemcilik Ticaret ve San. A.Ş.	11.412	3.938
	570.583	**522.853**

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NOTE 25 - TRANSACTIONS AND BALANCES WITH RELATED PARTIES (Continued)

Other transactions	**2017**	**2016**
Rent revenue	1.148	624
Rent expenses	(6.100)	(2.975)
Other income	321	361
Other expenses	-	(80)
Other transactions, net	**(4.631)**	**(2.070)**

c) Key management compensation

The Group has determined key management personnel as chairman, members of Board of Directors, general manager and vice general managers.

Total compensation provided to key management personnel by Group for the period ended 31 December 2017 and 2016 is as follows:

	2017	**2016**
Short term benefits	31.971	20.944
	31.971	**20.944**

Key management compensation paid or payable consists of benefits, salaries, premiums, individual pension premiums, vehicle rents and SSI and employer shares.

NOTE 26 - EARNINGS/(LOSSES) PER SHARE

Basic earnings / (losses) per share is calculated by dividing net income / (loss) for the period by the weighted average number of ordinary shares outstanding during the related period. The Company has no diluted instruments.

	2017	**2016**
Net profit/ (loss) attributable to shareholders	512.706	(300.157)
Weighted average number of shares with Kr1 face value each('000)	17.803.000	17.803.000
Profit / (Loss) per share	**2,88**	**(1,69)**

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NOTE 27 - FINANCIAL RISK MANAGEMENT

Financial risk management

The Group's activities expose it to a variety of financial risks, including the effects of changes in debt and equity market prices, foreign currency exchange rates and interest rates. The Group's overall risk management program focuses on the unpredictability of financial markets and seeks to minimize their potential adverse effects on the financial performance of the Group.

Individual subsidiaries manage their risk under policies approved by their Boards of Directors.

Interest rate risk

The Group management invests its interest bearing assets on short term investments with the principle of balancing the maturity of the assets and liabilities that are sensitive to the interest rate changes.

The weighted average effective interest rate of the Group's financial liabilities that are sensitive to interest is 5,25%. (2016: 5,25%). As of 31 December 2017, if interest rates on TRL, USD and Euro denominated borrowings had been 100 base point higher/lower with all other variables held constant, pre-tax profit for the year would have been TRL 2.998 (2016: TRL 2.464) lower/higher, mainly as a result of higher/lower interest expense on floating rate borrowings.

Interest rate positions of the Group at 31 December 2017 and 2016 are as follows:

	2017	**2016**
Financial instruments with fixed interest rate		
Time deposits	697.330	435.380
Financial liabilities	878.849	397.572
Financial instruments with floating interest rate		
Financial liabilities	3.033.625	2.565.964

Liquidity and funding risk

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

The funding risk of the current and future debt requirements is managed through the continuous availability of qualified lenders. As of 31 December 2017, the Group's financial debt with a maturity longer than 1 year is TRL 2.874.437 (2016: TRL 2.623.011).

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NOTE 27 - FINANCIAL RISK MANAGEMENT (Continued)

The maturity analysis of the Group's financial liabilities as of 31 December 2017 is as follows:

Financial liabilities:

	Carrying value	Contractual cash outflows	Up to 3 months	3 months - 12 months	1 years - 5 years	Over 5 years
Financial payables	3.912.474	4.587.619	84.039	1.049.811	2.956.083	497.686
Trade payables	3.954.141	4.005.250	3.477.944	527.306	-	-
Other payables	271.561	274.352	271.561	310	2.481	-
	8.138.176	**8.867.221**	**3.833.544**	**1.577.427**	**2.958.564**	**497.686**

	Carrying value	Contractual cash outflows	Up to 3 months	3 months - 12 months	1 years - 5 years	Over 5 years
Financial payables	2.963.536	3.689.059	4.101	354.475	2.183.930	1.146.553
Trade payables	2.663.659	2.691.051	2.194.567	496.484	-	-
Other payables	141.278	141.278	141.278	-	-	-
	5.768.473	**6.521.388**	**2.339.946**	**850.959**	**2.183.930**	**1.146.553**

Credit risk

The Group is exposed to credit risk due to its sales other than retail sales. Ownership of financial assets involves the risk that counterparties may be unable to meet the terms of their agreements. These risks are monitored by credit ratings and by limiting the aggregate risk from any individual counterparty. The credit risk is generally highly diversified due to the large number of entities comprising the customer base.

The risk details of credits and receivables as of 31 December 2017 and 2016 are as follows. Amounts showing the maximum credit risk exposed as of the balance sheet date are disclosed by disregarding guarantees on hand and other factors that increase the credit quality.

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NOTE 27 - FINANCIAL RISK MANAGEMENT (Continued)

	31 December 2017			
	Trade receivables		Other receivables	Deposits
	Related party	Other	Other	in bank
Maximum risk exposed credit risk as of reporting date (A+B+C)	**713**	**96.197**	**46.108**	**853.417**
Secured portion of maximum credit risk by guarantees	35	8.046	-	-
A. Net book value of financial assets either are not due or not impaired	713	87.118	46.108	853.417
secured portion by guarantees	35	5.860	-	-
B. Financial assets with renegotiated conditions	-	-	-	-
secured portion by guarantees	-	-	-	-
C. Net book value of the expired or not impaired financial assets	-	7.131	-	-
secured portion with guarantees	-	238	-	-
D. Impaired assets				
net book value	-	1.948	-	-
over due (gross book value)	-	50.562	-	-
impairment (-)	-	(48.614)	-	-
secured portion of the net value by guarantees etc.	-	1.948	-	-

	31 December 2016			
	Trade receivables		Other receivables	Deposits
	Related party	Other	Other	in bank
Maximum risk exposed credit risk as of reporting date (A+B+C)	**600**	**57.838**	**10.538**	**545.383**
Secured portion of maximum credit risk by guarantees	28	9.261	-	-
A. Net book value of financial assets either are not due or not impaired	600	54.785	10.538	545.383
secured portion by guarantees	28	7.113	-	-
B. Financial assets with renegotiated conditions	-	-	-	-
secured portion by guarantees	-	-	-	-
C. Net book value of the expired or not impaired financial assets	-	1.085	-	-
secured portion with guarantees	-	180	-	-
D. Impaired assets				
net book value	-	1.968	-	-
over due (gross book value)	-	36.966	-	-
impairment (-)	-	(34.998)	-	-
secured portion of the net value by guarantees etc.	-	1.968	-	-

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NOTE 27 - FINANCIAL RISK MANAGEMENT (Continued)

As of today there are no uncollected, overdue, and renegotiated bank deposits nor credit card receivables present at the Group portfolio, thus the Group is in the opinion that there are no credit risks regarding these assets.

Aging of the receivables which are overdue but not impaired

	2017	**2016**
0-1 months	6.475	581
1-3 months	345	462
3-12 months	279	41
1-5 year	32	1
	7.131	**1.085**

Risky Position of Capital:

Net debt ratio as of 31 December 2017 and 2016 is as follows;

	2017	**2016**
Total liabilities	8.775.526	6.084.113
Less: Cash and cash equivalents	(1.617.380)	(1.155.942)
Deferred tax liabilities	(255.963)	(53.064)
Net debt	6.902.183	4.875.107
Equity attributable to holders of parent	1.470.494	191.793
Equity + net debt	8.372.677	5.066.900
	82,44%	**96,21%**

Foreign currency risk

The Group is exposed to foreign exchange risk primarily arising from the borrowings denominated in foreign currencies. Aforementioned foreign exchange risk is monitored and limited with derivative instruments. At 31 December 2017, if Euro had appreciated against TRL by 10% and all other variables had remained constant, the income for the period before tax as a result of foreign exchange rate difference arising out of assets and liabilities denominated in Euro would have been lower in the amount of TRL 266.483 (31 December 2016: 238.137 higher).

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NOTE 28 - EXCHANGE RATE RISK AND FOREIGN CURRENCY POSITION

FOREIGN CURRENCY POSITION

	31 December 2017				31 December 2016			
	Total TRL equivalent	**USD**	**Euro**	**Other TRL equivalent**	**Total TRL equivalent**	**USD**	**Euro**	**Other TRL equivalent**
Trade receivables	273	72	-	-	765	217	-	-
Monetary financial assets	383.343	2.673	82.518	652	200.705	3.669	50.520	369
Other	1.813	481	-	-	2.246	638	-	-
Current assets	**385.429**	**3.226**	**82.518**	**652**	**203.716**	**4.524**	**50.520**	**369**
Total assets	**385.429**	**3.226**	**82.518**	**652**	**203.716**	**4.524**	**50.520**	**369**
Trade payables	1.307	100	127	355	6.394	1.817	-	-
Financial liabilities	414.156	-	91.719	-	197.873	-	53.336	-
Non-monetary other liabilities					-	-	-	-
Current liabilities	**415.463**	**100**	**91.846**	**355**	**204.267**	**1.817**	**53.336**	**-**
Financial liabilities	2.619.469	-	580.106	-	2.368.091	-	638.317	-
Non-monetary other liabilities	3.536	80	716	-	2.828	-	762	-
Non-current liabilities	**2.623.005**	**80**	**580.822**	**-**	**2.370.919**	**-**	**639.079**	**-**
Total liabilities	**3.038.468**	**180**	**672.668**	**355**	**2.575.186**	**1.817**	**692.415**	**-**

(Amounts expressed in thousands of Turkish Lira ("TRL") unless otherwise indicated.)
(Currencies other than TRL are expressed in thousands unless otherwise indicated.)

NOTE 28 - EXCHANGE RATE RISK AND FOREIGN CURRENCY POSITION (Continued)

FOREIGN CURRENCY POSITION

	31 December 2017				**31 December 2016**			
	Total TRL equivalent	**USD**	**Euro**	**Other TRL equivalent**	**Total TRL equivalent**	**USD**	**Euro**	**Other TRL equivalent**
Net asset/(liability) position of off-balance sheet derivatives (A-B)	-	-	-	-	-	-	-	-
A. Total amount of off-balance sheet derivative financial assets	-	-	-	-	-	-	-	-
B. Total amount of off-balance sheet derivative financial liabilities	-	-	-		-	-	-	-
Net foreign currency asset/(liability) position	**(2.653.039)**	**3.046**	**(590.150)**	**297**	**(2.371.470)**	**2.707**	**(641.895)**	**369**
Net foreign currency asset/(liability) position of monetary items	**(2.651.317)**	**2.646**	**(589.435)**	**297**	**(2.370.888)**	**2.070**	**(641.133)**	**369**
Fair value hedge funds of foreign currency	-	-	-	-	602	-	-	602
Hedge amount of foreign currency assets	-	-	-	-	-	-	-	-
Hedge amount of foreign currency liabilities	-	-	-	-	22.259	-	6.000	-
Export	-	-	-	-	-	-	-	-
Import	43.205	11.959	-	-	70.988	24.054	-	-

(Amounts expressed in thousands of Turkish Lira ("TRL") unless otherwise indicated.)
(Currencies other than TRL are expressed in thousands unless otherwise indicated.)

NOTE 28 - EXCHANGE RATE RISK AND FOREIGN CURRENCY POSITION (Continued)

Foreign currency sensitivity analysis as of 31 December 2017 and 2016 is as follows:

2017

	Gain/Loss	
	Foreign exchange appreciation	**Foreign exchange depreciation**
%10 change in Euro exchange rate		
Euro net asset/liability	(266.483)	266.483
Portion secured from Euro risk	-	-
Euro net effect	**(266.483)**	**266.483**

2016

	Gain/Loss	
	Foreign exchange appreciation	**Foreign exchange depreciation**
%10 change in Euro exchange rate		
Euro net asset/liability	(238.137)	238.137
Portion secured from Euro risk	-	-
Euro net effect	**(238.137)**	**238.137**

NOTE 29 - FINANCIAL INSTRUMENTS

Fair value estimation

Fair value is the amount at which a financial instrument could be exchanged in a current transaction between willing parties, other than in a forced sale or liquidation, and is best evidenced by a quoted market price, if one exists.

- 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 indirecty (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).

		Fair Value Level as of reporting period		
	31 December 2017	**Level 1 TRL**	**Level 2 TRL**	**Level 3 TRL**
Lans	1.454.789	-	1.454.789	-
Buildings	1.016.356	-	1.016.356	-
Investment properties	342.731	-	342.731	-

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