CARREFOURSA CARREFOUR SABANCI TİCARET MERKEZİ A.Ş.

CONVENIENCE TRANSLATION INTO ENGLISH OF CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE INTERIM PERIOD 1 JANUARY - 31 MARCH 2018 TOGETHER WITH INDEPENDENT AUDITOR'S REVIEW REPORT

(ORIGINALLY ISSUED IN TURKISH)

KPMG Bağımsız Denetim ve
Serbest Muhasebeci Mali Müşavirlik A.Ş.
İş Kuleleri Kule 3 Kat:2-9
Levent 34330 İstanbul
Tel +90 212 316 6000
Fax +90 212 316 6060
www.kpmg.com.tr

To the Board of Directors of
CarrefourSA Carrefour Sabancı Ticaret Merkezi Anonim Şirketi,

Introduction

We have reviewed the accompanying condensed consolidated statement of financial position of CarrefourSA Carrefour Sabancı Ticaret Merkezi Anonim Şirketi and its subsidiary (the "Group") as at 31 March 2018, the condensed consolidated statements of profit or loss and other comprehensive income, changes in equity and cash flows for the three month period then ended. Management is responsible for the preparation and presentation of this condensed consolidated interim financial information in accordance with Turkish Accounting Standards 34 *Interim Financial Reporting* ("TAS 34") issued by the Public Oversight Accounting and Auditing Standards Authority ("POA"). Our responsibility is to express a conclusion on this condensed consolidated interim financial information based on our review.

Scope of Review

We conducted our review in accordance with Standard on Review Engagements 2410, *"Review of Interim Financial Information Performed by the Independent Auditor of the Entity"*. A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with the Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying condensed consolidated interim financial information is not prepared, in all material respects, in accordance with TAS 34 *Interim Financial Reporting.*

KPMG Bağımsız Denetim ve Serbest Muhasebeci Mali Müşavirlik A.Ş.
A member firm of KPMG International Cooperative

ORIGINALLY SIGNED IN TURKISH

Ruşen Fikret Selamet, SMMM
Partner
24 April 2018
İstanbul, Turkey

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

CARREFOURSA CARREFOUR SABANCI TİCARET MERKEZİ A.Ş.

CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS FOR THE INTERIM PERIOD 1 JANUARY – 31 MARCH 2018

CONTENTS PAGE(S)

CONDENSED CONSOLIDATED BALANCE SHEETS AT 31 MARCH 2018 AND 31 DECEMBER 2017

(Amounts expressed in Turkish Lira ("TRY") unless otherwise indicated.)

	Notes	31 March 2018	31 December 2017
ASSETS			
Current Assets		**1,052,415,705**	**1,258,935,703**
Cash and Cash Equivalents	3	262,819,279	511,632,900
Trade Receivables			
Due From Related Parties	26	17,203,517	18,512,939
Other Trade Receivables	5	30,666,417	37,512,648
Other Receivables			
Other Receivables		3,932,426	16,341,311
Derivative Financial Instruments	6	38,095,150	37,024,056
Inventories	7	647,971,957	602,370,448
Prepayments		51,726,959	35,541,401
Non-Current Assets		**1,884,116,092**	**1,986,373,944**
Other Receivables			
Other Receivables		47,315,206	48,510,765
Investment Properties	8	187,009,619	221,363,464
Property, Plant and Equipment	9	691,963,347	766,581,077
Intangible Assets			
Goodwill	11	632,678,869	632,678,869
Other Intangible Assets	10	77,326,075	83,339,971
Prepayments		15,373,216	15,014,521
Deferred Tax Assets	24	232,449,760	218,885,277
TOTAL ASSETS		**2,936,531,797**	**3,245,309,647**

(Amounts expressed in Turkish Lira ("TRY") unless otherwise indicated.)

	Notes	31 March 2018	31 December 2017
LIABILITIES			
Current Liabilities		**2,505,082,171**	**2,759,182,288**
Financial Liabilities			
Short Term Financial Liabilities from Related Parties	4, 26	444,149,978	405,373,639
Other Short Term Financial Liabilities	4	482,444,134	535,893,975
Short Term Portion of Long Term Financial Liabilities			
Short Term Portion of Long Term Financial Liabilities from Related Parties	4, 26	27,099,251	30,377,887
Other Short Term Portion of Long Term Financial Liabilities	4	193,812,043	349,241,943
Trade Payables			
Due to Related Parties	26	35,779,010	30,677,456
Other Trade Payables	5	1,144,041,066	1,226,930,467
Employee Benefit Liabilities	14	56,561,637	25,790,987
Other Payables			
Due to Related Parties	26	7,282,275	7,891,821
Other Short Term Payables		12,168,064	17,565,387
Short Term Provisions	12		
Provisions for Employment Benefits		9,573,802	8,247,818
Other Short Term Provisions		79,718,514	107,928,905
Other Current Liabilities	15	12,452,397	13,262,003
Non-Current Liabilities		**407,152,927**	**417,536,453**
Long Term Financial Liabilities			
Long Term Financial Liabilities from Related Parties	4, 26	26,827,631	29,421,926
Other Long Term Financial Liabilities	4	336,026,058	336,778,077
Long Term Provisions			
Provisions for Employment Termination Benefits	12	44,299,238	51,336,450
EQUITY		**24,296,699**	**68,590,906**
Shareholders' Equity		**24,296,699**	**68,590,906**
Share Capital	16	700,000,000	700,000,000
Inflation Adjustment to Share Capital	16	91,845,783	91,845,783
Share Issue Premium		34,691,309	34,691,309
Other Comprehansive Income/Expense Not to be Reclassified to Profit or Loss			
Actuarial Gain	16	8,204,369	(601,338)
Restricted Reserves	16	12,318,358	12,318,358
Accumulated Losses	16	(769,663,206)	(463,854,309)
Net Loss for the Period		(53,099,914)	(305,808,897)
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		**2,936,531,797**	**3,245,309,647**

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

CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME FOR THE INTERIM THREE MONTH PERIODS ENDED 31 MARCH 2018 AND 2017
(Amounts expressed in Turkish Lira ("TRY") unless otherwise indicated.)

	Notes	1 January - 31 March 2018	1 January - 31 March 2017
CONTINUING OPERATIONS			
Revenue	17	1,148,392,059	1,047,962,324
Cost of Sales (-)	17	(863,905,621)	(776,274,004)
GROSS PROFIT		**284,486,438**	**271,688,320**
Marketing Expenses (-)	18	(287,741,615)	(246,039,614)
General Administrative Expenses (-)	18	(44,821,748)	(27,855,096)
Other Income From Main Operations	20	17,396,753	25,891,924
Other Expenses From Main Operations (-)	20	(33,369,368)	(39,719,973)
OPERATING LOSS FROM MAIN OPERATIONS		**(64,049,540)**	**(16,034,439)**
Income From Investment Activities, net	21	51,087,415	21,289,283
Impairment gain and reversal of impairment loss (impairment loss) determined in accordance with TFRS 9		(37,386)	(1,511,058)
OPERATING (LOSS) / PROFIT		**(12,999,511)**	**3,743,786**
Financial Income	22	3,385,470	-
Financial Expenses (-)	23	(59,251,783)	(39,931,568)
LOSS BEFORE TAX		**(68,865,824)**	**(36,187,782)**
Tax Income		**15,765,910**	**13,297,543**
- Taxes on Income	24	-	-
- Deferred Tax Income	24	15,765,910	13,297,543
NET LOSS FOR THE PERIOD		**(53,099,914)**	**(22,890,239)**
TOTAL COMPREHENSIVE LOSS		**(53,099,914)**	**(22,890,239)**
OTHER COMPREHENSIVE INCOME			
Items not to be Reclassified Under Profit or Loss, After tax		**8,805,707**	**-**
Actuarial gain / (loss)		11,007,134	-
Deffered tax effect		(2,201,427)	-
TOTAL COMPREHENSIVE INCOME		**(44,294,207)**	**(22,890,239)**
Loss Per Share	25	(0.0759)	(0.0327)

CARREFOURSA CARREFOUR SABANCI TİCARET MERKEZİ A.Ş.

CONDENSED INTERIM CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY FOR THE INTERIM THREE MONTH PERIODS ENDED 31 MARCH 2018 AND 2017

(Amounts expressed in Turkish Lira ("TRY") unless otherwise indicated.)

(Note 16)	Share Capital	Inflation Adjustment to Share Capital	Share Issue Premium	Actuarial Gains / (Loss)	Restricted Reserves	Accumulated Losses	Net Loss for the Period	Total
Balance at 1 January 2017	**700,000,000**	**91,845,783**	**34,691,309**	**(488,774)**	**12,318,358**	**(31,687,012)**	**(432,167,297)**	**374,512,367**
Transfers	-	-	-	-	-	(432,167,297)	432,167,297	-
Total comprehensive Income	-	-	-	-	-	-	(22,890,239)	(22,890,239)
Balances at 31 March 2017	**700,000,000**	**91,845,783**	**34,691,309**	**(488,774)**	**12,318,358**	**(463,854,309)**	**(22,890,239)**	**351,622,128**
Balances at 1 January 2018	**700,000,000**	**91,845,783**	**34,691,309**	**(601,338)**	**12,318,358**	**(463,854,309)**	**(305,808,897)**	**68,590,906**
Transfers	-	-	-	-	-	(305,808,897)	305,808,897	-
Total comprehensive Income	-	-	-	8,805,707	-	-	(53,099,914)	(44,294,207)
Balance at 31 March 2018	**700,000,000**	**91,845,783**	**34,691,309**	**8,204,369**	**12,318,358**	**(769,663,206)**	**(53,099,914)**	**24,296,699**

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

CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS FOR THE INTERIM PERIODS ENDED 31 MARCH 2018 AND 2017

(Amounts expressed in Turkish Lira ("TRY") unless otherwise indicated.)

CASH FLOWS FROM OPERATING ACTIVITIES	**Notes**	**Current Period 1 January - 31 March 2018**	**Prior Period 1 January - 31 March 2017**
Net loss profit for the period		**(53,099,914)**	**(22,890,239)**
Adjusments to reconcile net loss for the period		**30,448,943**	**55,789,672**
- Depreciation of investment properties	8	1,381,102	1,467,785
- Depreciation of property, plant and equipment	9	26,043,388	18,660,421
- Amortization of intangible assets	10	8,112,966	6,478,962
- Gain on sale of tangible assets and investment property	21	(51,087,415)	(21,289,283)
- Risk, lawsuit, personnel, SSI and other provisions	12	(28,210,391)	(29,282,585)
- Interest accruals	4	63,863,112	64,037,673
- Impairment provision / (provision no longer required), net	20	-	(1,035,504)
- Change in unused vacation provision	12	1,325,984	847,141
- Provision for employement termination benefit	12	9,984,003	13,355,392
- Allowance for doubtful receivables	5	1,572,888	2,172,887
- Change in inventory impairment	7	1,468,207	212,657
- Unrealized foreign exchange loss		11,761,009	13,461,669
- Tax income	24	(15,765,910)	(13,297,543)
Changes in working capital:		**(98,331,526)**	**(12,388,095)**
- Increase / (decrease) in trade receivables, including collection from doubtful receivables		5,273,343	(3,410,276)
- Increase in inventories		(47,069,716)	(14,967,422)
- (Decrease) / increase in due from related parties		1,309,422	(4,015,728)
- Decrease in other receivables and current assets		12,533,350	73,594,829
- Increase in prepaid expenses		(16,544,253)	(10,256,192)
- (Decrease) / increase in other short-term payables		(5,397,323)	(1,747,167)
- Decrease in other trade payables		(82,889,401)	(79,104,761)
- (Decrease) / increase in due to related parties		4,492,008	(636,930)
- Increase in employee benefit liabilities		30,770,650	30,175,644
- Decrease in other short-term liabilities		(809,606)	(2,020,092)
Net cash generated from / (used in) operating activities		**(120,982,497)**	**20,511,338**
- Employee termination benefits paid	12	(6,014,081)	(12,087,513)
Net cash generated from / (used in) operating activities		**(126,996,578)**	**8,423,825**

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

(Amounts expressed in Turkish Lira ("TRY") unless otherwise indicated.)

CASH FLOWS FROM INVESTING ACTIVITIES	**Notes**	**1 January - 31 March 2018**	**1 January - 31 March 2017**
- Acquisition of property, plant and equipment	9	(12,246,275)	(3,653,282)
- Acquisition of intangible assets	10	(2,837,825)	(3,789,900)
- Acquisition of investment properties	8	-	(180,000)
- Proceeds from sale of tangible assets		145,619,530	47,335,157
Net cash (used in) / generated from investing activities		**130,535,430**	**39,711,975**
CASH FLOWS FROM FINANCING ACTIVITIES			
- Proceeds from bank borrowings	4	22,731,000	207,293,401
- Repayment of borrowings	4	(265,504,058)	(276,186,050)
- Repayment of finance lease payables	4	(9,335,487)	(8,688,336)
Net cash used in financing activities		**(252,108,545)**	**(77,580,985)**
Decrease in cash and cash equivalents		**(248,569,693)**	**(29,445,185)**
Cash and cash equivalents at the beginning of the year		**511,632,900**	**274,877,489**
- The impact of change in foreign exchange rate over cash and cash equivalents		(243,928)	(658,326)
Cash and cash equivalents at the end of the period		**262,819,279**	**244,773,978**

In the current period, paid interest is amounting to TRY 27,923,854 and received interest is amounting to TRY 3,381,721 (31 March 2017: paid interest, TRY 31,856,660 and received interest, TRY 22,544).

1. ORGANISATION AND NATURE OF OPERATIONS

CarrefourSA Carrefour Sabancı Ticaret Merkezi Anonim Şirketi ("The Company") was established in 1991 to operate in the hypermarket and supermarket sectors in Turkey. The registered address of the Company is Cevizli Mahallesi, Tugay Yolu Caddesi No:67 A, B Blok Maltepe / İstanbul. The number of personnel is 10,425 as of 31 March 2018 (31 December 2017: 10,750).

As of 31 March 2018, the Company has 31 hypermarkets and 584 supermarkets (31 December 2017: 33 hypermarkets, 592 supermarkets).

Subsidiary

Adana Gayrimenkul Geliştirme ve İşletme A.Ş. ("Adana Gayrimenkul"), which is 100% owned by the Company, was established on 15 October 2014 and has been started to consolidate by using full consolidation method as of 31 December 2014. The main business of the Subsidiary is construction of nonresidential buildings. There is no operation of Adana Gayrimenkul except real estate ownership so far.

The other subsidiary, Adanabir Gayrimenkul Geliştirme ve İşletme A.Ş. ("Adanabir Gayrimenkul"), which is 100% owned by the Company, was established on 27 March 2015 and merged with Adana Gayrimenkul, which is the other subsidiary of the Company, with its existing assets and liabilities by acquisition and this transaction has been registered by Registry of Commerce of İstanbul on 19 October 2015.

On 15 May 2015, the Company has signed Share Purchase Agreement with Kiler Holding Anonim Şirketi, Nahit Kiler, Ümit Kiler, Vahit Kiler, Hikmet Kiler, Sevgül Kiler and Denge Reklam San. ve Tic. Ltd. Şti. ("Vendors"), in order to acquire 85% of the shares of Kiler Alışveriş Hizmetleri Gıda Sanayi ve Ticaret Anonim Şirketi ("Kiler Alışveriş"), of which 15% of its shares are publicly traded in Borsa İstanbul A.Ş., with an amount of TRY 429,574,000 (Note 11). The share purchase demand has been approved by Turkish Competition Authority on 30 June 2015, with decision numbered 61813209-120-6544. The Company has taken over the management of Kiler Alışveriş on 8 July 2015 and has paid the agreement amount of TRY 429,574,000 by cash to the vendors on same day.

As a result of mandatory tender offer between 17 September - 5 October 2015, ownership rate of the Company has increased to 97.27% by paying additional TRY 62,290,926 and has been started to consolidate by using full consolidation method as of 30 September 2015. The Company has decided legal merge with Kiler Alışveriş by acquisition method, with the Board decision on 20 October 2015. The legal merge has been approved by Capital Market Board ("CMB") on 27 November 2015, with decision numbered 32/1493. The legal merge has been realized by the decision of Extraordinary General Assembly held on 29 December 2015 and registered on 31 December 2015. The Company has intended to grow inorganically in the market with that business combination.

The Company and the Subsidiary referred to as the "Group".

The Board of Directors has approved the condensed consolidated financial statements and given authorization for the issuance on 24 April 2018. The General Assembly and relevant regulatory bodies have the authority to amend the statutory financial statements and the condensed consolidated financial statements prepared in accordance with TAS.

2. BASIS OF PRESENTATION OF CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

2.1 Basis of the Presentation

Principles for Preparation of condensed Consolidated Financial Statements and Significant Accounting Policies

The accompanying condensed consolidated interim financial statements are prepared in accordance with the Capital Market Communiqué Serial II, No:14.1, "Principles of Financial Reporting in Capital Markets" ("the Communiqué") published by Capital Market Board ("CMB") in the Official Gazette numbered 28676 on 13 June 2013. According to the article 5 of the Communiqué, condensed consolidated interim financial statements are prepared in accordance with Turkish Accounting Standards/Turkish Financial Reporting Standards ("TAS/TFRS") and its addendum and interpretations ("TMS") issued by Public Oversight Accounting and Auditing Standards Authority ("POA").

The Group prepared its condensed consolidated interim financial statements for the period ended 31 March 2018, in accordance with the TAS 34 "Interim Financial Reporting" in the framework of the Communiqué Serial: XII and numbered 14.1 and its related announcements. The condensed consolidated interim financial statements and its accompanying notes are presented in compliance with the format recommended by CMB, including its mandatory information.

In compliance with the TAS 34, entities have preference in presenting their interim financial statements whether full set or condensed. In this framework, the Group preferred to present its consolidated interim financial statements in condensed version. The Group's condensed consolidated interim financial statements do not include all disclosures and notes that should be included at year-end financial statements. Therefore, the condensed consolidated interim financial statements should be considered together with the consolidated financial statements as of 31 December 2017.

The Company and its subsidiary maintain their accounting records and prepare their statutory financial statements in accordance with the Turkish Commercial Code (the "TCC"), tax legislation and the uniform chart of accounts issued by the Ministry of Finance. The condensed consolidated interim financial statements, except for the financial asset and liabilities presented with their fair values, are maintained under historical cost conversion in TRY. These condensed consolidated interim financial statements are based on the statutory records, which are maintained under historical cost conversion, with the required adjustments and reclassifications reflected for the purpose of fair presentation in accordance with TAS.

2.2 Financial Reporting in Hyperinflationary Economies

With the decision taken on 17 March 2005, the CMB announced that, effective from 1 January 2005, the application of inflation accounting is no longer required for companies operating in Turkey and preparing their financial statements in accordance with the financial reporting standards accepted by the CMB ("CMB Financial Reporting Standards"). Accordingly, TAS 29, "Financial Reporting in Hyperinflationary Economies", issued by the POA, has not been applied in the financial statements for the accounting year commencing 1 January 2005.

2.3 Comparative Information and Restatement of Prior Periods' Consolidated Financial Statements

To allow for the determination of the financial situation and performance trends, the Group's condensed consolidated interim financial statements have been presented comparatively with the previous period. The Group presented consolidated balance sheet as of 31 March 2018 comparatively with the balance sheet as of 31 December 2017; comprehensive consolidated income statements, consolidated statements of cash flow and consolidated statements of change in shareholders' equity as of 31 March 2018 comparatively with the 31 March 2017 financial statements. Where necessary, comparative figures have been reclassified to conform to the changes in presentation in the current period.

Reclassifications made on the consolidated interim statements of profit or loss and other comprehensive income for the three-month period ended 31 March 2017 are presented as below:

- Expenses previously presented under marketing expenses amounting to TRY 6,331,641 have been reclassified to other income and expenses from main operations, expenses amounting to TRY 87,104 have been reclassified to cost of sales.

2. BASIS OF PRESENTATION OF CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

2.4 Offsetting

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

2.5 Summary of Significant Accounting Policies

Except as described below, the accounting policies applied in these interim condensed financial statements are the same as those applied in the Group's consolidated financial statements as at and for the year ended 31 December 2017.

2.5.1 <u>TFRS 15 Revenue from Contracts with Customers</u>

TFRS 15 establishes a comprehensive framework for determining whether, how much and when revenue is recognised. It replaced TAS 18 Revenue, TAS 11 Construction Contracts and related interpretations.

The Group has adopted TFRS 15 using the cumulative effect method (without practical expedients), with the effect of initially applying this standard recognised at the date of initial application (1 January 2018). Accordingly, the information presented for 2017 has not been restated – in other words it is presented, as previously reported, under TAS 18, TAS 11 and related interpretations.

The details of the new significant accounting policies and the nature of the changes to previous accounting policies in relation to the Group's various goods and services are set out below.

i) Retail sales revenues

The Group's retail sales revenues are recognised when a customer obtains control of the goods or services. Determining the timing of the transfer of control – at a point in time or over time – requires judgement. Since the Group generally carries out retail sales with cash or credit cards and customers obtain control of the goods as sales are realized, revenue is recognized at the time of sale.

TFRS 15 did not have a significant effect on the recognition of the Group's retail sales revenues.

ii) Turnover premiums and supplier discounts

The Group turnover premiums income from supplier contracts and supplier discounts are accounted for on accrual basis in the period of the services of the vendors and associated with the cost of goods sold.

TFRS 15 did not have a significant effect on the recognition of the Group's turnover premiums and supplier discounts.

iii) Revenues from trade centers

The Group's revenues from trade centers consists of rental income arising from rent contracts with tenants. Such rental income from investment properties is recognized on a straight-line basis over the term of the relevant lease.

TFRS 15 did not have a significant effect on the recognition of the Group's revenue from trade centers.

iv) Costumer royalty programme

The Group operates a loyalty programme where customers accumulate points for purchases made which entitle them to discounts on future purchases. The reward points are recognised as a separately identifiable component of the initial sale transaction, by allocating the fair value of the consideration received between the award points and the other components of the sale such that the reward points are initially recognised as deferred income at their fair value. Revenue from the reward points is recognised when the points are redeemed. Breakage is recognised as reward points are redeemed based upon expected redemption rates.

TFRS 15 did not have a significant effect on the recognition of the Group's Consumer royalty programmes.

2. BASIS OF PRESENTATION OF CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

2.5 Summary of Significant Accounting Policies (continued)

2.5.2 TFRS 9 Financial Instruments

TFRS 9 sets out requirements for recognising and measuring financial assets, financial liabilities and some contracts to buy or sell non-financial items. This standard replaces TAS 39 Financial Instruments: Recognition and Measurement.

The details of new significant accounting policies and the nature and effect of the changes to previous accounting policies are set out below

i. Classification and measurement of financial assets and financial liabilities

TFRS 9 largely retains the existing requirements in TAS 39 for the classification and measurement of financial liabilities. However, it eliminates the previous TAS 39 categories for financial assets of held to maturity, loans and receivables and available for sale.

The adoption of TFRS 9 has not had a significant effect on the Group's accounting policies related to financial liabilities and derivative financial instruments.

Detailed information on how the Group classifies, measures and recognizes the related income and expenses in accordance with TFRS 9 is presented below.

Under TFRS 9, on initial recognition, a financial asset is classified as measured at: amortised cost; fair value through other comprehensive income ("FVOCI") – debt investment; FVOCI – equity investment; or fair value through profit or loss ("FVTPL"). The classification of financial assets under TFRS 9 is generally based on the business model in which a financial asset is managed and its contractual cash flow characteristics. Derivatives embedded in contracts where the host is a financial asset in the scope of the standard are never separated. Instead, the hybrid financial instrument as a whole is assessed for classification.

A financial asset is measured at amortised cost if it meets both of the following conditions and is not designated as at FVTPL:

- it is held within a business model whose objective is to hold assets to collect contractual cash flows; and

- its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

A debt investment is measured at FVOCI if it meets both of the following conditions and is not designated as at FVTPL:

- it is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets; and

- its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

All financial assets not classified as measured at amortised cost or FVOCI as described above are measured at FVTPL. This includes all derivative financial assets. On initial recognition, the Group may irrevocably designate a financial asset that otherwise meets the requirements to be measured at amortised cost or at FVOCI as at FVTPL if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise.

A financial asset (unless it is a trade receivable without a significant financing component that is initially measured at the transaction price) is initially measured at fair value plus, for an item not at FVTPL, transaction costs that are directly attributable to its acquisition.

(Amounts expressed in Turkish Lira ("TRY") unless otherwise indicated.)

2. BASIS OF PRESENTATION OF CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

2.5 Summary of Significant Accounting Policies (continued)

2.5.2 TFRS 9 Financial Instruments (continued)

The following accounting policies apply to the subsequent measurement of financial assets.

Financial assets at FVTPL	These assets are subsequently measured at fair value. Net gains and losses, including any interest or dividend income, are recognised in profit or loss.
Financial assets at amortised cost	These assets are subsequently measured at amortised cost using the effective interest method. The amortised cost is reduced by impairment losses. Interest income, foreign exchange gains and losses and impairment are recognised in profit or loss. Any gain or loss on derecognition is recognised in profit or loss.

The effect of adopting TFRS 9 on the carrying amounts of financial assets at 1 January 2018 has no significant impacts, as described further below.

The adoption of TFRS 9 on 1 January 2018 does not have a significant effect on the carrying amounts of financial assets, as explained in more detail below

The following table and the accompanying notes below explain the original measurement categories under TAS 39 and the new measurement categories under TFRS 9 for each class of the Group's financial assets as at 1 January 2018.

	Original classification under TAS 39	**New classification under TFRS 9**	**Original carrying amount under TAS 39**	**New carrying amount under TFRS 9**
Financial assets				
Cash and cash equivalents	Loans and receivables	Amortised cost	511,632,900	511,632,900
Trade receivables	Loans and receivables	Amortised cost	56,025,587	56,025,587
Other receivables	Loans and receivables	Amortised cost	64,852,076	64,852,076

ii. Impairment of financial assets

TFRS 9 replaces the "incurred loss" model in TAS 39 with an "expected credit loss" model. The new impairment model applies to financial assets measured at amortised cost and contract assets but not to investments in equity instruments.

The financial assets at amortised cost consist of trade receivables, other receivables and cash and cash equivalents.

The Group recognizes loss allowances for the expected credit losses of the following items under TFRS 9:

- financial assets measured at amortized cost;

The Group measures loss allowances at an amount equal to lifetime expected credit losses, except for the following, which are measured as 12-month expected credit losses:

- bank balances for which credit risk has not increased significantly since initial recognition.

2. BASIS OF PRESENTATION OF CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

2.5 Summary of Significant Accounting Policies (continued)

2.5.2 TFRS 9 Financial Instruments (continued)

Loss allowances for trade receivables, other receivables, other assets and contract assets are always measured at an amount equal to lifetime expected credit losses.

When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating expected credit losses, the Group considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis, based on the Group's historical experience and informed credit assessment and including forward-looking information.

The Group assumes that the credit risk on a financial asset has increased significantly if it is more than 90 days past due.

The Group considers a financial asset to be in default when:

- the borrower is unlikely to pay its obligations arising from rent contracts to the Group in full, without recourse by the Group to actions such as realizing security (if any is held); or the financial asset is more than 90 days past due.

- the borrower is unlikely to pay its obligations arising from retail sales and turnover premium contracts to the Group in full, without recourse by the Group to actions such as realizing security (if any is held); or the financial asset is more than 360 days past due.

The Group considers bank balances to have low credit risk when its credit risk rating is equivalent to the globally understood definition of 'investment grade'.

Lifetime expected credit losses are that result from all possible default events over the expected life of a financial instrument.

12-month expected credit losses are that result from possible default events within the 12 months after the reporting date.

The maximum period considered when estimating expected credit losses is the maximum contractual period over which the Group is exposed to credit risk.

Measurement of expected credit losses:

Expected credit losses are a probability-weighted estimate of credit losses. Credit losses are measured as the present value of all cash shortfalls.

Expected credit losses are discounted at the effective interest rate of the financial asset.

For trade receivables, other receivables, other assets and contract assets the Group applies the simplified approach to providing for expected credit losses (TFRS 9 requires the use of the lifetime expected loss provision for all trade receivables). The Group performed the calculation of expected credit losses rates separately for receivables arising from retail sales, turnover premium contracts and rent contracts. The expected credit losses were calculated based on actual credit loss experience over the past years.

Exposures within each group were segmented based on common credit risk characteristics such as delinquency status.

Actual credit loss experience was adjusted to reflect differences between economic conditions during the period over which the historical data was collected, current conditions and the Group's view of economic conditions over the expected lives of the receivables. Future collection performance of receivables are estimated by considering general economic conditions to incorporate forward looking information to the expected credit loss calculations.

Credit-impaired financial assets

At each reporting date, the Group assesses whether financial assets carried at amortized cost are credit-impaired. A financial asset is 'credit-impaired' when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred.

2. BASIS OF PRESENTATION OF CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

2.5 Summary of Significant Accounting Policies (continued)

2.5.2 <u>TFRS 9 Financial Instruments (continued)</u>

Evidence that a financial asset is credit-impaired includes the following observable data:

- significant financial difficulty of the borrower or issuer;
- a breach of contract such as a default or being more than 90 days past due;
- the restructuring of a loan or advance by the Group on terms that the Group would not consider otherwise;
- it is probable that the borrower will enter bankruptcy or other financial re-organization; or
- the disappearance of an active market for a security because of financial difficulties.

Presentation of impairment in the statement of financial position

Loss allowances for financial assets measured at amortized cost are deducted from the gross carrying amount of the assets.

Impairment losses related to trade and other receivables, including contract assets, are presented separately in the statement of profit or loss. As a result, the Group reclassified impairment losses amounting to TRY 1,511,058, recognized under TAS 39, from 'general administrative expenses and cost of goods sold' to "Impairment gain and reversal of impairment loss (impairment loss) determined in accordance with TFRS 9 " in the interim condensed consolidated statement of profit or loss for the three months period ended 31 March 2017.

Write-off

The gross carrying amount of a financial asset is written off (either partially or in full) to the extent that there is no realistic prospect of recovery. This is generally the case when the Group determines that the debtor does not have assets or sources of income that could generate sufficient cash flows to repay the amounts subject to the write-off. However, financial assets that are written off could still be subject to enforcement activities in order to comply with the Group's procedures for recovery of amounts due.

Financial assets are written off when there is no reasonable expectation of recovery (such as a debtor failing to engage in a repayment plan with the Group). Where trade receivables, other receivables, other assets and contract assets have been written off, the Group continues to engage in enforcement activity to attempt to recover the receivable due. Where recoveries are made, these are recognized in profit or loss.

Impact of the new impairment model

As of 1 January 2018, there is no significant impact on the provision for impairment of the new model in accordance with TFRS 9.

(Amounts expressed in Turkish Lira ("TRY") unless otherwise indicated.)

2. BASIS OF PRESENTATION OF CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

2.6 Significant Accounting Estimates and Assumptions

The preparation of condensed consolidated financial statements requires the Group management to make estimates and assumptions that affect certain reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting year. Actual results could differ from those estimates. Those estimates are reviewed periodically, and necessary adjustments are recognized in profit or loss in which they are realized.

Significant estimates used in the preparation of these consolidated financial statements and the significant judgments with the most significant effect on amounts recognized in the consolidated financial statements are as follows:

2.6.1 Employee Benefits/ Retirement Pay Provision

Under Turkish law and union agreements, lump sum payments are made to employees retiring or involuntarily leaving the Group. Such payments are considered as being part of defined retirement benefit plan as per Turkish Accounting Standard 19 (revised) "Employee Benefits" ("TAS 19").

The retirement benefit obligation recognized in the balance sheet represents the net present value of the total due to retirement of all employees. Actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions are charged or credited to equity in other comprehensive income in the period in which they arise.

The liability is not funded, as there is no funding requirement.

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

	31 March 2018	**31 December 2017**
Discount rate per annum (%)	4.14	4.14
Probability of retirement for / head-quarter (%)	95.23	97.66
Probability of retirement for / stores (%)	96.30	96.88

The Group has changed its assumptions since from 1 January 2018 related to use of the probability of retirement entitlement used in calculation of retirement allowance provision. As a result of this change, the probability of retirement entitlement for headquarter employees has been determined as 95.23% and for store employees it has been determined as 96.30%.

The principal assumption is that 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 semi-annually, the maximum amount of TRY 5,001.76 (1 January 2017: TRY 4,426.16) which is effective from 1 January 2018, has been taken into consideration in calculating the Group's provision for employment termination benefits.

2.6.2 Provisions

Provisions are recognized when the Group has a present obligation as a result of a past event, and it is probable that the Group will be required to settle that obligation and a reliable estimate can be made of the amount of the obligation. In that scope, as of 31 March 2018 and 31 December 2017 the Group evaluated the current risks and booked related provisions.

2. BASIS OF PRESENTATION OF CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

2.6 Significant Accounting Estimates and Assumptions (continued)

2.6.3 Deferred Tax Asset

The Group recognizes deferred tax asset and liability on the differences between the carrying amounts of assets and liabilities in the financial statements prepared in accordance with TAS and the corresponding tax bases which is used in the computation of taxable profit. Under current circumstances, the partial or complete recoverable amounts of deferred tax assets are predicted. During the evaluation, future profit projections, current year's losses, unused losses and the expiration dates of other tax assets, and if necessary tax planning strategies are considered. Based on the data obtained, if the Group's taxable profit, which will be obtained in the future, is not enough to fulfill the deferred tax assets, a provision is provided either for the whole or for a certain part of the deferred tax asset. As of 31 March 2018 and 31 December 2017, after the necessary evaluations, the deferred tax assets are fully accounted because of expectation of taxable profit in the future.

Under the Turkish taxation system, tax losses can be carried forward to offset against future taxable income for up to 5 years. Tax losses cannot be carried back to offset profits from previous periods. The Group estimates that it will be able to utilize the deductible carry forward tax losses using the estimated profits in the following years.

2.6.4 Evaluation of financial position

The Group has recognized TRY 53,099,914 loss as of and for the period ended 31 March 2018 and current year loss together with accumulated losses has reached to TRY 822,763,120. As of 31 March 2018, the Group's total equity is TRY 24,296,699.

Accordingly, in accordance with the second paragraph of Article 376 of the TCC, it has been determined that two-thirds of the Group's capital and legal reserves are unrequited. Therefore a special purpose financial statement ("TTK 376 balance sheet") which based on probable selling prices of land and buildings and investment properties, has been prepared in accordance with the CMB's principle decision dated 10 April 2014 and numbered 11/352 (principle decision no 2014/11).

Aforementioned special purpose financial statement has been prepared based on the Company's balance sheet which is in compliance with Turkish Tax Legislation.

The market value of the Company's lands and buildings has been determined as TRY 1,206,140,000 according to the valuation report issued by real estate valuation company accredited by CMB. As a result, the equity amount of the Company recognised in the Special Purpose Financial Statement (TTK 376 balance sheet) is TRY 706,075,393. This amount indicates that the Group has retained its paid capital amounting to TRY 700,000,000.

Additionally, the Group made material event disclosure in accordance with CMB's principle decision numbered 11/352 as explained in Note 28.

In addition, the Group management has closed certain stores with the period of 2018 by taking into consideration the profitability criteria for the future, took efforts to reduce rental costs, took necessary precautions to reduce the head office expenses and reflected the expenses incurred in these consolidated financial statements and allocated necessary provisions. The Group will continue its operations with existing stores in the following periods in anticipation of future profit projections and the related strategies will continue to be evaluated by management in order to ensure financial sufficiency.

2. BASIS OF PRESENTATION OF CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

2.7 Summary of significant accounting policies

The condensed consolidated interim financial statements for the period ended 31 March 2018 have been prepared in accordance with TAS 34 regarding to interim financial statements of TAS. The accounting policies used in the preparation of these condensed consolidated interim financial statements for the period ended 31 March 2018 are consistent with those used in the preparation of annual consolidated financial statements for the year ended 31 December 2017. Accordingly, these condensed consolidated interim financial statements should be considered with the annual consolidated financial statements as of and for the year ended 31 December 2017.

2.8 Amendments in Turkish Financial Reporting Standards

New standards, interpretations and amendments to existing standards are not effective at reporting date and earlier application is permitted; however the Group has not early adopted are as follows. The Group will make the necessary changes if not indicated otherwise, which will be affecting the consolidated financial statements and disclosures, after the new standards and interpretations become in effect.

On December 2017, POA has issued amendments to TFRS 9 to clarify that financial assets containing prepayment features with negative compensation can now be measured at amortised cost or at fair value through other comprehensive income (FVOCI) if they meet the other relevant requirements of TFRS 9. Under TFRS 9, a prepayment option in a financial asset meets this criterion if the prepayment amount substantially represents unpaid amounts of principal and interest, which may include 'reasonable additional compensation' for early termination of the contract. The amendments are effective for periods beginning on or after 1 January 2019, with earlier application permitted.

The Group is assessing the potential impact on its consolidated financial statements resulting from the application of the amendments to TFRS 9.

- Amendments to TAS 28- Long-term *Interests in Associates and Joint Ventures,* On December 2017, POA has issued amendments to TAS 28 to clarify that entities also apply TFRS 9 to other financial instruments in an associate or joint venture to which the equity method is not applied. These include long-term interests that, in substance, form part of the entity's net investment in an associate or joint venture. An entity applies IFRS 9 to such long-term interests before it applies related paragraphs of TAS 28. In applying TFRS 9, the entity does not take account of any adjustments to the carrying amount of long-term interests that arise from applying TAS 28. The amendments are effective for periods beginning on or after 1 January 2019, with earlier application permitted.

The Group is assessing the potential impact on its consolidated financial statements resulting from the application of the amendments to TAS 28.

The new standards, amendments and interpretations that are issued by the International Accounting Standards Board (IASB) but not issued by POA

The following standards, interpretations and amendments to existing IFRS standards are issued by the IASB but these standards, interpretations and amendments to existing IFRS standards are not yet adapted/issued to TFRS by the POA, thus they do not constitute part of TFRS. Such standards, interpretations and amendments that are issued by the IASB but not yet issued by the POA are referred to as IFRS or IAS. The Group will make the necessary changes to its consolidated financial statements after the new standards and interpretations are issued and become effective under TFRS.

-IFRS 16 Leases, On 13 January 2016, IASB issued the new leasing standard which will replace IAS 17 Leases, IFRIC 4 Determining Whether an Arrangement Contains a Lease, SIC 15 Operating Leases – Incentives, and SIC 27 Evaluating the Substance of Transactions Involving the Legal Form of a Lease and consequently changes to IAS 40 Investment Properties. IFRS 16 Leases eliminates the current dual accounting model for lessees, which distinguishes between on-balance sheet finance leases and off-balance sheet operating leases. Instead, there is a single, on-balance sheet accounting model that is similar to current finance lease accounting. Lessor accounting remains similar to current practice. The standard is effective for annual periods beginning on or after 1 January 2019, with early adoption permitted provided that an entity also adopts IFRS 15 Revenue from Contracts with Customers. The Group is assessing the potential impact on its consolidated financial statements resulting from the application of IFRS 16.

2. BASIS OF PRESENTATION OF CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

2.8 Amendments in Turkish Financial Reporting Standards (continued)

-IFRIC 23 –Uncertainty Over Income Tax Treatments, On 17 June 2017, IASB issued IFRIC 23 Uncertainty over Income Tax Treatments to specify how to reflect uncertainty in accounting for income taxes. It may be unclear how tax law applies to a particular transaction or circumstance, or whether a taxation authority will accept a company's tax treatment. IAS 12 Income Taxes specifies how to account for current and deferred tax, but not how to reflect the effects of uncertainty. IFRIC 23 provides requirements that add to the requirements in IAS 12 by specifying how to reflect the effects of uncertainty in accounting for income taxes. The Interpretation is effective from 1 January 2019 with earlier application is permitted. The Group is assessing the potential impact on its consolidated financial statements resulting from the application of IFRIC 23.

Annual Improvements to IFRSs 2015-2017 Cycle

Improvements to IFRSs

IASB issued Annual Improvements to IFRSs - 2015–2017 Cycle. The amendments are effective as of 1 January 2019. Earlier application is permitted. The Group does not expect that application of these improvements to IFRSs will have significant impact on its consolidated financial statements.

- *IFRS 3 Business Combinations* and *IFRS 11 Joint Arrangements,* IFRS 3 and IFRS 11 are amended to clarify how a company accounts for increasing its interest in a joint operation that meets the definition of a business. If a party obtains control, then the transaction is a business combination achieved in stages and the acquiring party remeasures the previously held interest at fair value. If a party maintains (or obtains) joint control, then the previously held interest is not remeasured.

- *IAS 12 Income Taxes,* IAS 12 is amended to clarify that all income tax consequences of dividends (including payments on financial instruments classified as equity) are recognised consistently with the transactions that generated the distributable profits – i.e. in profit or loss, other comprehensive income (OCI) or equity.

- *IAS 23 Borrowing Costs,* IAS 23 is amended to clarify that the general borrowings pool used to calculate eligible borrowing costs excludes only borrowings that specifically finance qualifying assets that are still under development or construction. Borrowings that were intended to specifically finance qualifying assets that are now ready for their intended use or sale – or any non-qualifying assets – are included in that general pool.

Amendments to IAS 19 - Plan Amendment, Curtailment or Settlement -

On 7 February 2018, IASB issued Plan Amendment, Curtailment or Settlement (Amendments to IAS 19). The amendments clarify the accounting when a plan amendment, curtailment or settlement occurs. A company now uses updated actuarial assumptions to determine its current service cost and net interest for the period; and the effect of the asset ceiling is disregarded when calculating the gain or loss on any settlement of the plan and is dealt with separately in other comprehensive income (OCI). The amendments are effective for periods beginning on or after 1 January 2019, with earlier application permitted.

The Group does not expect that application of these amendments to IAS 19 will have significant impact on its consolidated financial statements.

(Amounts expressed in Turkish Lira ("TRY") unless otherwise indicated.)

2. BASIS OF PRESENTATION OF CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

2.8 Amendments in Turkish Financial Reporting Standards (continued)

The Revised Conceptual Framework

The Revised Conceptual Framework issued on 28 March 2018 by the IASB. The Conceptual Framework sets out the fundamental concepts for financial reporting that guide the Board in developing IFRS Standards. It helps to ensure that the Standards are conceptually consistent and that similar transactions are treated the same way, so as to provide useful information for investors, lenders and other creditors. The Conceptual Framework also assists companies in developing accounting policies when no IFRS Standard applies to a particular transaction, and more broadly, helps stakeholders to understand and interpret the Standards. The revised Framework is more comprehensive than the old one – its aim is to provide the Board with the full set of tools for standard setting. It covers all aspects of standard setting from the objective of financial reporting, to presentation and disclosures. For companies that use the Conceptual Framework to develop accounting policies when no IFRS Standard applies to a particular transaction, the revised Conceptual Framework is effective for annual reporting periods beginning on or after 1 January 2020, with earlier application permitted.

IFRS 17 –Insurance Contracts

On 18 May 2017, IASB issued IFRS 17 Insurance Contracts. This first truly globally accepted standard for insurance contracts will help investors and others better understand insurers' risk exposure, profitability and financial position. IFRS 17 replaces IFRS 4, which was brought in as an interim Standard in 2004. IFRS 4 has given companies dispensation to carry on accounting for insurance contracts using national accounting standards, resulting in a multitude of different approaches. As a consequence, it is difficult for investors to compare and contrast the financial performance of otherwise similar companies. IFRS 17 solves the comparison problems created by IFRS 4 by requiring all insurance contracts to be accounted for in a consistent manner, benefiting both investors and insurance companies. Insurance obligations will be accounted for using current values – instead of historical cost. The information will be updated regularly, providing more useful information to users of financial statements. IFRS 17 has an effective date of 1 January 2021 but companies can apply it earlier.

The Group does not expect that application of IFRS 17 will have significant impact on its consolidated financial statements.

3. CASH AND CASH EQUIVALENTS

	31 March 2018	31 December 2017
Cash on hand	16.522.549	32.496.463
Cash in transit (*)	10.666.815	14.285.870
Credit card receivables	209.331.037	249.704.941
Banks		
Time deposit	8.888.774	197.802.448
Demand deposit	16.298.354	17.341.935
Other	1.111.750	1.243
	262.819.279	511.632.900

(*) Cash in transit consists of bank balances that has not been reflected into deposit accounts due to value-date difference.

Related party balances in cash and cash equivalents are stated in Note 26.

(Amounts expressed in Turkish Lira ("TRY") unless otherwise indicated.)

3. CASH AND CASH EQUIVALENTS (Continued)

As at 31 December 2018 time deposits are as follows:

Currency	Interest rate	Maturity	31 March 2018
USD	3.85%	4 June 2018	8,885,025
		Interest accrual	3,749
			8,888,774

As at 31 December 2017 time deposits are as follows:

Currency	Interest rate	Maturity	31 December 2017
USD	3.90%	17 January 2018	8,222,742
TRY	13.80%	2 January 2018	189,350,000
		Interest accrual	229,706
			197,802,448

The Group does not have any blocked deposits as at 31 December 2018 and 31 December 2017.

The Group's exposure to currency and interest rate risks and relevant sensitivities for cash and cash equivalents are disclosed in Note 27.

(Amounts expressed in Turkish Lira ("TRY") unless otherwise indicated.)

4. FINANCIAL LIABILITIES

Short Term Financial Liabilities	31 March 2018	31 December 2017
Short Term Financial Liabilities from Related Parties		
Bank loans (*)	444,149,978	405,373,639
Other Short Term Financial Liabilities		
Bank loans (*)	482,444,134	535,893,975
	926,594,112	941,267,614

Short Term Portion of Long Term Liabilities	31 March 2018	31 December 2017
Short Term Portion of Long Term Financial Liabilities from Related Parties		
Finance lease payables	27,099,251	30,377,887
Other Short Term Portion of Long Term Financial Liabilities		
Bank loans (**)	192,235,763	347,644,121
Finance lease payables	1,576,280	1,597,822
	220,911,294	379,619,830

Long Term Financial Liabilities		
Long Term Financial Liabilities from Related Parties		
Finance lease payables	26,827,631	29,421,926
Other Long Term Financial Liabilities		
Bank loans (**)	307,207,428	311,039,753
Finance lease payables	28,818,630	25,738,324
	362,853,689	366,200,003

(Amounts expressed in Turkish Lira ("TRY") unless otherwise indicated.)

4. FINANCIAL LIABILITIES (Continued)

(*) As at 31 March 2018 and 31 December 2017 the details of short term bank loans are as follows:

Currency	Interest Rate	31 March 2018
TRY	15.91%	862,731,000
	Interest accrual	63,863,112
		926,594,112

Currency	Interest Rate	31 December 2017
TRY	15.86%	907,720,500
	Interest accrual	33,547,114
		941,267,614

(**) As at 31 March 2018 and 31 December 2017 the details of long term bank loans are as follows:

Currency	Interest Rate	31 March 2018
TRY	14.79%	415,000,000
USD	4.50%	84,443,191
		499,443,191

Currency	Interest Rate	31 December 2017
TRY	14.25%	565,000,000
USD	4.50%	93,683,874
		658,683,874

Group's financial liabilities due to related parties are stated in Note 26.

(Amounts expressed in Turkish Lira ("TRY") unless otherwise indicated.)

4. FINANCIAL LIABILITIES (Continued)

Finance lease payables consist of the followings:

Finance lease payables	Present value of minimum lease payments	
	31 March 2018	31 December 2017
Within one year	29,240,711	32,809,779
Less: Future finance charges	(565,180)	(834,070)
Present value of finance lease obligations	28,675,531	31,975,709
Within two years and after	61,245,097	61,012,303
Less: Future finance charges	(5,598,836)	(5,852,053)
Present value of finance lease obligations	55,646,261	55,160,250

The Group's finance lease payables represent the present value of the future payables of the buildings and machinery and equipment that are rented by the third parties through their useful lives.

The details of property, plant and equipment acquired by finance lease as of 31 March 2018 and 2017 are disclosed at Note 9.

The repayment schedule of long-term borrowings as of 31 March 2018 and 31 December 2017 in TRY equivalent as at balance sheet date is as stated below:

	31 March 2018	31 December 2017
2019	296,425,643	304,854,093
2020	38,743,487	37,000,935
2021	1,471,676	1,294,129
2022 and after	26,212,882	23,050,846
	362,853,688	366,200,003

As of 31 March 2018 and 2017, the reconciliation of the Group's obligations arising from its financing activities is as follows:

	31 March 2018	31 March 2017
1 January bank loans and financial lease liabilities	1,687,087,447	1,372,493,243
current period additions	22,731,000	207,293,401
interest and capital repayments	(274,839,545)	(284,874,386)
current period interest accruals	63,863,112	64,037,673
effect of changes in foreign exchange	11,517,081	12,803,343
31 March borrowings and financial lease liabilities	1,510,359,095	1,371,753,274

As of 31 March 2018 and 31 December 2017, there are no guarantees given related to the financial borrowings.

The Group's exposure to foreign exchange risk related to borrowings is disclosed in Note 27.

(Amounts expressed in Turkish Lira ("TRY") unless otherwise indicated.)

5. TRADE RECEIVABLES AND PAYABLES

Other Trade Receivables	31 March 2018	31 December 2017
Other trade receivables	41,092,298	49,545,645
Shopping mall receivables	19,092,883	17,448,381
Provision for doubtful trade receivables	(29,518,764)	(29,481,378)
	30,666,417	37,512,648
Due from related parties (Note 26)	17,203,517	18,512,939
Trade receivables	47,869,934	56,025,587

The movement of the allowance for doubtful receivables for the periods ended 31 March 2018 and 2017 is as follows:

	31 March 2018	31 March 2017
Opening balance	29,481,378	24,417,128
Collections / reversals	(1,535,502)	(661,829)
Charge for the period	1,572,888	2,172,887
Closing balance	29,518,764	25,928,186

Trade receivables due dates vary depending on the sector and entity and the average due dates are lower than three months. The Group evaluates the credibility of the receivable and the movement between the creation time of the receivable and reporting date when considering the collectability of its receivables. Due to the Group is working with a large number of clients, credit risk of the Group has been scattered and there is no concentrated credit risk.

The guarantees received for the Group's trade receivables are as follows:

	31 March 2018	31 December 2017
Letters of guarantee received for shopping mall receivables	25,947,113	21,649,862
	25,947,113	21,649,862

Short Term Trade Payables	31 March 2018	31 December 2017
Trade payables	1,144,041,066	1,226,930,467
Due to related parties (Note 26)	35,779,010	30,677,456
	1,179,820,076	1,257,607,923

Average payment terms of commodity purchase are varying depending on sector and suppliers. Average payment terms in grocery sector is less than a month, in other sectors average payment term is less than three months.

The exchange rate risk for the Group's trade receivables and payables is disclosed in Note 27.

6. DERIVATIVES

Derivative Instruments	31 March 2018	31 December 2017
Assets:		
Short term commitment - hedging assets	38,095,150	37,024,056
	38,095,150	37,024,056

The Group's policy is to prevent all material foreign currency exchange risk related to commitments denominated US Dollar.

In accordance with the Group's foreign exchange risk management strategy, foreign currency exchange risks arising from future lease receivables in US Dollar are hedged with the borrowings in US Dollar. The type of hedging relationship is fair value hedging.

As of 31 March 2018, TRY 208,381,261 equivalent of USD 35,124,356 (USD 34,989,138 principal and accrued interest of USD 135,218) has been subjected to hedge accounting (31 December 2017: TRY 153,852,565 equivalent of USD 40,789,142 (USD 40,632,115 principal and accrued interest of USD 157,027)).

7. INVENTORIES

	31 March 2018	31 December 2017
Trade goods	654,982,091	608,433,263
Impairment of inventories	(7,010,134)	(6,062,815)
	647,971,957	602,370,448

The movement of allowance for impairment on inventory for the periods ended 31 March 2018 and 2017 are as follows:

	31 March 2018	31 March 2017
Opening balance	6,062,815	16,789,199
Charge for the period	1,468,207	212,657
Reversal of current period	(520,888)	(9,149,877)
Closing balance	7,010,134	7,851,979

Allowance for impairment on inventory for the years ended 31 March 2018 and 2017 is recognized in cost of sales (Note 17).

As of 31 March 2018, cost of inventory recognized in income statement is TRY 857,966,915. (31 March 2017: TRY 781,167,913).

(Amounts expressed in Turkish Lira ("TRY") unless otherwise indicated.)

8. INVESTMENT PROPERTIES

	Land	Buildings	Machinery and Equipment	Total
Cost				
Opening balance at 1 January 2018	80,691,369	171,238,543	38,241,115	290,171,027
Additions			2,989	2,989
Disposals	(19,960,148)	(24,073,184)	(12,207,246)	(56,240,578)
Closing balance at 31 March 2018	60,731,221	147,165,359	26,036,858	233,933,438
Accumulated depreciation				
Opening balance at 1 January 2018	-	(43,336,768)	(25,470,795)	(68,807,563)
Depreciation charge of the period	-	(884,574)	(496,528)	(1,381,102)
Disposals (*)	-	11,250,713	12,014,133	23,264,846
Closing balance at 31 March 2018	-	(32,970,629)	(13,953,190)	(46,923,819)
Net book value as of 31 March 2018	**60,731,221**	**114,194,730**	**12,083,668**	**187,009,619**

(*) The Group sold one real estate located in Istanbul in February 2018.

The Group receives rent income amounting to TRY 18,656,845 (31 March 2017: TRY 19,767,118) from investment properties. Operating costs related with investment properties including the depreciation charge for the period are amounting to TRY 5,414,185 (31 March 2017: TRY 4,107,844).

As at 31 March 2018, total insurance amount over investment properties is TRY 171,293,236 (31 December 2017: TRY 311,607,029). As at 31 March 2018 and 31 December 2017 there is no mortgage on investment properties.

The fair value of the investment properties owned by the Group is determined by a real estate appraisal company registered with the CMB and on the list of "Real Estate Appraisal Companies" approved by the CMB and there is no impairment on investment properties based on their fair values (Note 2.6.4).

(Amounts expressed in Turkish Lira ("TRY") unless otherwise indicated.)

8. INVESTMENT PROPERTIES (Continued)

	Land	Buildings	Machinery and Equipment	Total
Cost				
Opening balance at 1 January 2017	80,691,369	170,182,602	37,474,777	288,348,748
Additions			180,000	180,000
Closing balance at 31 March 2017	80,691,369	170,182,602	37,654,777	288,528,748
Accumulated depreciation				
Opening balance at 1 January 2017	-	(39,476,634)	(23,446,370)	(62,923,004)
Depreciation charge of the period	-	(961,936)	(505,849)	(1,467,785)
Closing balance at 31 March 2017	-	(40,438,570)	(23,952,219)	(64,390,789)
Net book value as of 31 March 2017	**80,691,369**	**129,744,032**	**13,702,558**	**224,137,959**

(Amounts expressed in Turkish Lira ("TRY") unless otherwise indicated.)

9. PROPERTY, PLANT AND EQUIPMENT

	Land	Buildings	Buildings Purchased by Finance Lease	Machinery and Equipment	Other Tangible Assets	Construction in Progress	Total
Cost							
Opening balance at 1 January 2018	179,603,604	297,673,221	20,512,454	1,011,544,267	23,763,995	1,453,321	1,534,550,862
Additions	-	730,193	-	10,077,496	137,231	1,301,356	12,246,276
Transfers	-	1,063,333	-	(140,693)	725	(971,477)	(48,112)
Disposals (*)	(25,367,118)	(34,397,513)	-	(55,620,617)	(2,133,655)	(16,258)	(117,535,161)
Closing balance at 31 March 2018	154,236,486	265,069,234	20,512,454	965,860,453	21,768,296	1,766,942	1,429,213,865
Accumulated depreciation							
Opening balance at 1 January 2018	-	(132,164,072)	(7,296,398)	(615,831,162)	(12,678,153)	-	(767,969,785)
Depreciation charge of the period	-	(2,239,709)	(100,110)	(23,059,902)	(643,667)	-	(26,043,388)
Disposals (*)	-	15,739,219	-	40,196,675	826,761	-	56,762,655
Closing balance at 31 March 2018	-	(118,664,562)	(7,396,508)	(598,694,389)	(12,495,059)	-	(737,250,518)
Net book value as of 31 March 2018	**154,236,486**	**146,404,672**	**13,115,946**	**367,166,064**	**9,273,237**	**1,766,942**	**691,963,347**

From depreciation and amortization expenses, TRY 27,491,216 (31 March 2017: TRY 19,078,309) is included in marketing expenses and TRY 8,046,240 (31 March 2017: TRY 7,528,859) is included in general administrative expenses.

(*) The Group sold one real estate located in Istanbul in February 2018. It also includes the disposals belonging to the stores that were closed during the period.

As at 31 March 2018, total insurance amount over property, plant and equipment is TRY 1,233,062,917 (31 December 2017: TRY 1,347,017,013). As at 31 March 2018 and 31 December 2017 there is no mortgage on property, plant and equipment.

(Amounts expressed in Turkish Lira ("TRY") unless otherwise indicated.)

9. PROPERTY, PLANT AND EQUIPMENsT (Continued)

	Land	Buildings	Buildings Purchased by Finance Lease	Machinery and Equipment	Other Tangible Assets	Construction in Progress	Total
Cost							
Opening balance at 1 January 2017	195,684,581	287,195,242	20,512,454	902,568,179	23,761,344	5,804,798	1,435,526,598
Additions	-	93,941	-	1,865,793	4,763	1,688,785	3,653,282
Transfers (Note 10)	-	58,000	-	713,000	-	(771,000)	-
Disposals	(16,510,977)	(10,211,074)	-	(5,760,346)	(139,079)	-	(32,621,476)
Closing balance at 31 March 2017	179,173,604	277,136,109	20,512,454	899,386,626	23,627,028	6,722,583	1,406,558,404
Accumulated depreciation							
Opening balance at 1 January 2017	-	(134,122,240)	(6,895,957)	(613,846,279)	(15,143,012)	-	(770,007,488)
Depreciation charge of the period	-	(1,683,056)	(100,110)	(16,427,868)	(449,387)	-	(18,660,421)
Impairment	-	490	-	939,300	22,282	-	962,072
Disposals (*)	-	2,863,322	-	3,657,011	91,013	-	6,611,346
Closing balance at 31 March 2017	-	(132,941,484)	(6,996,067)	(625,677,836)	(15,479,104)	-	(781,094,491)
Net book value as of 31 March 2017	**179,173,604**	**144,194,625**	**13,516,387**	**273,708,790**	**8,147,924**	**6,722,583**	**625,463,913**

(i) The Group reversed impairment provision for loss making stores amounting to TRY 962,072 as it is no longer required. The impairment provision no longer required is recognized in Other Income from Main Operations.

(*) The Group sold one real estate located in Istanbul in March 2017. It also includes the disposals belonging to the stores that were closed during the period.

(Amounts expressed in Turkish Lira ("TRY") unless otherwise indicated.)

10. INTANGIBLE ASSETS

Other Intangible Assets

Cost	**Total**
Opening balance at 1 January 2018	195,907,791
Additions	2,837,825
Transfers	45,123
Disposals	(1,559,578)
Closing balance at 31 March 2018	197,231,161
Accumulated amortization	
Opening balance at 1 January 2018	(112,567,820)
Charge for the period	(8,112,966)
Impairment (i)	-
Disposals	775,700
Closing balance at 31 March 2018	(119,905,086)
Net book value as of 31 March 2018	77,326,075

Cost	**Total**
Opening balance at 1 January 2017	161,986,946
Additions	3,789,900
Transfers	-
Disposals	(55,432)
Closing balance at 31 March 2017	165,721,414
Accumulated amortization	
Opening balance at 1 January 2017	(86,653,963)
Charge for the period	(6,478,962)
Impairment (i)	73,432
Disposals	19,688
Closing balance at 31 March 2017	(93,039,805)
Net book value as of 31 March 2017	72,681,609

(i) As of 31 March 2017, the Group reversed impairment provision for intangible assets amounting to TRY 73,432 as it is no longer required.

The intangible assets are mainly consisting of excess cash paid for asset acquisitions and software programs.

(Amounts expressed in Turkish Lira ("TRY") unless otherwise indicated.)

11. GOODWILL

Goodwill amount is consisted of following investments:

Investments:	31 March 2018	31 December 2017
Kiler Alışveriş	404,218,260	404,218,260
Gima	180,159,453	180,159,453
Alpark	48,301,156	48,301,156
	632,678,869	632,678,869

12. SHORT AND LONG TERM PROVISIONS

Provisions for short term liabilities as of 31 March 2018 and 31 December 2017 are as follows:

Short Term Provisions	31 March 2018	31 December 2017
Provision for other, risk, litigations and onerous contracts	57,510,605	74,209,141
Provision for personnel and social security	770,000	770,000
Other	21,437,909	32,949,764
	79,718,514	107,928,905

Movements of provision for short term liabilities as of 31 March 2018 and 2017 are as follows:

	Provision for other, risk, litigations and onerous contracts	Provision for personnel and social security	Other	Total
Opening balance, 1 January 2018	74,209,141	770,000	32,949,764	107,928,905
Charge of the period	8,140,110	-	-	8,140,110
Current period reversal / charge	(24,838,646)	-	(11,511,855)	(36,350,501)
Closing balance, 31 March 2018	57,510,605	770,000	21,437,909	79,718,514

	Provision for other, risk, litigations and onerous contracts	Provision for personnel and social security	Other	Total
Opening balance, 1 January 2017	112,359,339	1,350,000	13,683,586	127,392,925
Charge of the period	9,150,435	-	-	9,150,435
Current period reversal / charge	(30,148,476)	-	(8,284,545)	(38,433,021)
Closing balance, 31 March 2017	91,361,298	1,350,000	5,399,041	98,110,339

(Amounts expressed in Turkish Lira ("TRY") unless otherwise indicated.)

12. SHORT AND LONG TERM PROVISIONS (Continued)

Contingent Assets and Liabilities

There are lawsuits which are filed against the Group and continuing as at balance sheet date. Primary lawsuits consist of the cases with Social Security Institution about the premiums of foreign employees working in Turkey, debt, rent and labor cases. At each balance sheet date, the management of the Group evaluates the probable results of those cases and accordingly provisions are provided.

Provisions for employment benefits as of 31 March 2018 and 31 December 2017 are as follows:

Short Term Employment Benefits	31 March 2018	31 December 2017
Unused vacation provision	9,573,802	8,247,818
	9,573,802	8,247,818

Long Term Employment Benefits	31 March 2018	31 December 2017
Employment termination benefit provision	44,299,238	51,336,450
	44,299,238	51,336,450

Movement for employment termination benefit provision for 31 March 2018 and 2017 are as follows:

	31 March 2018	31 March 2017
Opening balance at 1 January	51.336.450	48.120.758
Service cost	9.459.949	11.661.541
Interest cost	524.054	1.693.851
Paid compansation during the period (*)	(6.014.081)	(12.087.513)
Actuarial gain / (loss)	(11.007.134)	-
Closing balance at 31 March	44.299.238	49.388.637

(*) The Group management has made compensation payment as part of restructuring.

(Amounts expressed in Turkish Lira ("TRY") unless otherwise indicated.)

13. LETTER OF GUARANTEES, PLEDGES AND MORTGAGES

GPM given by the Group

	31 March 2018	31 December 2017
A. GPM given on behalf of its own legal entity	85,622,139	80,665,380
B. GPM given on behalf of consolidated subsidiaries	-	-
C. Total amount of GPM given on behalf of other third parties' debt	-	-
D. Other GPM	-	-
i. Total amount of GPM given on behalf of the Parent	-	-
ii. Total amount of GPM given on behalf of other group companies not covered in B and C	-	-
iii. Total amount of GPM given on behalf of third parties not covered in C	-	-
	85,622,139	80,665,380

31 March 2018	Total TRY	TRY	USD (TRY Equivalents)	EUR (TRY Equivalents)
Letter of guarantees	85,622,139	81,755,043	1,354,398	2,512,699
	85,622,139	81,755,043	1,354,398	2,512,699

31 December 2017	Total TRY	TRY	USD (TRY Equivalents)	EUR (TRY Equivalents)
Letter of guarantees	80,665,380	77,657,723	952,726	2,054,931
	80,665,380	77,657,723	952,726	2,054,931

(Amounts expressed in Turkish Lira ("TRY") unless otherwise indicated.)

14. EMPLOYMENT BENEFITS

Employee Benefit Liabilities	31 March 2018	31 December 2017
Payables to personnel and Social Security Premium payables	28,988,044	24,795,358
Personnel salary and premium payables	27,573,593	995,629
	56,561,637	25,790,987

15. OTHER LIABILITIES

Other short term liabilities as of 31 March 2018 and 31 December 2017 are as follows:

Other Current Liabilities	31 March 2018	31 December 2017
Unearned income	11,558,595	12,030,514
Accrued expenses	807,463	555,881
Liabilities for shopping cheques	86,339	675,608
	12,452,397	13,262,003

16. SHAREHOLDERS' EQUITY

a) Capital

Shareholder structure as of 31 March 2018 and 31 December 2017 is stated below:

Shareholders	(%)	31 March 2018	(%)	31 March 2017
Hacı Ömer Sabancı Holding A.Ş.	50.61	354,239,053	50.61	354,239,053
Carrefour Nederland BV	46.02	322,129,074	46.02	322,129,074
Shares publicly held	2.54	17,827,391	2.54	17,827,391
Other	0.83	5,804,482	0.83	5,804,482
Nominal share capital	100.00	700,000,000	100.00	700,000,000

The issued capital of the Group is TRY 700,000,000 (31 December 2017: TRY 700,000,000) as of 31 March 2018 with a nominal value of 1 KR of 70,000,000,000 shares (31 December 2017: 70,000,000,000 shares). The Company's registered capital ceiling is TRY 1,500,000,000 and the registered capital ceiling is valid between the years 2017 and 2020 (5 years).

(Amounts expressed in Turkish Lira ("TRY") unless otherwise indicated.)

16. SHAREHOLDERS' EQUITY (Continued)

The inflation adjustment on share capital as of 31 March 2018 and 31 December 2017 are as follows:

	31 March 2018	31 March 2017
Inflation adjustment to share capital	91,845,783	91,845,783
	91,845,783	91,845,783

b) Retained Losses

	31 March 2018	31 March 2017
Retained losses	(769,663,206)	(463,854,309)
	(769,663,206)	(463,854,309)

Publicly listed companies distribute dividends in accordance with the requirements of CMB as explained below: In accordance with the CMB's decree issued on 23 January 2014, in relation to the profit distribution of earnings derived from the operations, minimum profit distribution is not required for listed companies, and accordingly, profit distribution should be made based on the requirements set out in the CMB's Communiqué Serial:II, No: 19.1 "Principles of Dividend Advance Distribution of Companies That Are Subject To The CMB Regulations", terms of articles of association and profit distribution policies publicly disclosed by the companies.

Furthermore, based on the afore-mentioned decree, companies that are required to prepare consolidated financial statements should calculate their net distributable profits, to the extent that they can be recovered from equity in their statutory records, by considering the net profit for the period in the consolidated financial statements which are prepared and disclosed in accordance with the Communiqué Serial: XI, No: 29.

The inflation adjustment differences from the valuation studies for TFRS purposes for those as of the balance sheet date that have not been subject to profit distribution or capital increase have been presented under retained earnings.

With respect to the Corporate Tax Law ("CTL") 5/1-e article, the Group has to keep restricted reserves amounting to TRY 117,833,009 which is related to property sales in 2014 and 2015 and TRY 37,034,036 which is related Kiler acquisition, in its corporate tax base financial statements for 5 years.

c) Restricted Reserves

	31 March 2018	31 March 2017
Legal reserves	12,318,358	12,318,358
	12,318,358	12,318,358

Restricted reserves appropriated from profit are composed of legal reserves. Legal reserves comprise of first and second legal reserves, appropriated in accordance with the Turkish Commercial Code. The first legal reserve is appropriated out of statutory profits at the rate of 5% per annum, until the total reserve reaches 20% of the historical paid-in share capital. The second legal reserve is appropriated after the first legal reserve and dividends, at the rate of 10% per annum of all cash dividend distributions. According to the Turkish Commercial Code, legal reserves can be only used to offset losses unless they exceed the 50% of paid-in capital. Other than that, legal reserves must not be used whatsoever.

(Amounts expressed in Turkish Lira ("TRY") unless otherwise indicated.)

16. SHAREHOLDERS' EQUITY (Continued)

CMB's Communiqué II-14 and other related CMB's announcements, "Paid-in capital", "Restricted reserves" and "Premium in excess of par" should be carried at their registered amounts in statutory records. Restatement differences (e.g. inflation restatement differences) arising from the application of the Decree should be associated with:

- "Capital restatement differences" account, following the "Paid-in capital" line item in the financial statements, if such differences are arising from "Paid-in Capital" and not added to capital;

- "Retained earnings/Accumulated loss", if such differences are arising from "Restricted reserves" and "Premium in excess of par" and has not been subject to profit distribution or capital increase.

Capital restatement differences can only be included in capital.

d) Other Comprehensive Income / Expense not to be Reclassified to Profit and Loss

	31 March 2018	31 December 2017
Actuarial losses	8,204,369	(601,338)
	8,204,369	(601,338)

17. REVENUE AND COST OF SALES

NET SALES	1 January - 31 March 2018	1 January - 31 March 2017
Revenue from retail operations	1,134,894,295	1,031,580,878
Loyalty program discounts	(1,207,425)	(1,808,984)
Sales returns	(7,211,475)	(6,674,912)
Sales discount	(550,743)	(486,192)
Rent income	22,467,407	25,351,534
	1,148,392,059	1,047,962,324

COST OF SALES	1 January - 31 March 2018	1 January - 31 March 2017
Opening balance of inventories	(602.370.448)	(559.601.568)
Purchases	(904.128.351)	(786.859.632)
Closing balance of inventories	647.971.957	574.356.333
Shopping mall general expenses	(5.378.779)	(4.169.137)
	(863.905.621)	(776.274.004)

(Amounts expressed in Turkish Lira ("TRY") unless otherwise indicated.)

18. MARKETING AND GENERAL ADMINISTRATIVE EXPENSES

Operating expenses for the periods ended 31 March 2018 and 2017 are as follows:

OPERATING EXPENSES	1 January - 31 March 2018	1 January - 31 March 2017
Marketing expenses	(287,741,615)	(246,039,614)
General administrative expenses	(44,821,748)	(27,855,096)
	(332,563,363)	(273,894,710)

19. EXPENSES BY NATURE

	1 January - 31 March 2018	1 January - 31 March 2017
Personnel expenses	(147,794,524)	(120,023,160)
Rent expenses	(66,653,812)	(57,447,857)
Depreciation and amortization expenses	(35,537,457)	(26,607,168)
Overhead expenses	(19,911,779)	(17,630,147)
Repair and maintenance expenses	(12,592,462)	(10,239,128)
Advertising expenses	(10,812,428)	(11,970,443)
Outsourced expenses	(10,454,996)	(9,499,750)
Consultancy expenses	(6,018,848)	(2,149,404)
Stationery consumption expenses	(5,545,808)	(5,434,851)
Taxation and other expenses	(2,218,952)	(2,075,970)
Travel expenses	(2,094,767)	(2,131,653)
Insurance expenses	(1,697,390)	(1,585,509)
Decoration material expenses	(648,863)	(699,539)
Communication expenses	(426,378)	(496,024)
Other	(10,154,899)	(5,904,107)
	(332,563,363)	(273,894,710)

(Amounts expressed in Turkish Lira ("TRY") unless otherwise indicated.)

20. OTHER INCOME AND EXPENSES FROM MAIN OPERATIONS

Other operating income/expenses from main operations for the periods ended 31 March 2018 and 2017 are as follows:

Other operating income	1 January - 31 March 2018	1 January - 31 March 2017
Provisions no longer required (i)	15,000,000	20,913,550
Foreign exchange gain from operational activities	1,451,413	2,490,330
Impairments no longer required (ii)	-	1,035,504
Interest income from time deposit less than 3 months	-	22,544
Other income	945,340	1,429,996
	17,396,753	25,891,924

(i) Provision no longer required consists of releases of provisions provided for matters in dispute and risks in previous periods.

(ii) As of 31 March 2017 the Group reversed the impairment provision amounting to TRY 1,035,504 which was provided for loss making stores in previous periods, as it was no longer required.

Other operating expenses (-)	1 January - 31 March 2018	1 January - 31 March 2017
Interest expenses from purchases via credit	(17,919,371)	(12,509,602)
Provision expenses (i)	(2,863,955)	(8,485,641)
Foreign exchange losses from operational activities	(4,083,654)	(4,620,400)
Interest expenses from operational activities	-	(154,595)
Other expenses and losses	(8,502,388)	(13,949,735)
	(33,369,368)	(39,719,973)

(i) The provision expenses are mainly consisting of risk and legal provisions.

21. INCOME AND EXPENSES FROM INVESTMENT ACTIVITIES

	1 January - 31 March 2018	1 January - 31 March 2017
Gain on sale of property, plant and equipment (*)	51,087,415	21,289,283
	51,087,415	21,289,283

(*) In February 2018, the Group management sold one trade center located in the province of Istanbul with a price of TRY 145.000.000 including VAT.

(Amounts expressed in Turkish Lira ("TRY") unless otherwise indicated.)

22. FINANCIAL INCOME

Financial incomes for the periods ended 31 March 2018 and 2017 are as follows:

Finance Income	31 March 2018	31 March 2017
Interest Income	3,385,470	-
	3,385,470	-

23. FINANCIAL EXPENSES

Financial expenses for the periods ended 31 March 2018 and 2017 are as follows:

Financial Expenses	1 January - 31 March 2018	1 January - 31 March 2017
Interest expenses	(58,239,852)	(38,867,416)
Credit card commision expenses	(1,011,931)	(1,064,152)
	(59,251,783)	(39,931,568)

24. TAX ASSETS AND LIABILITIES

Tax Expense of the Period	1 January - 31 March 2018	1 January - 31 March 2017
Corporate tax expense of the period	-	-
Deferred tax income	15,765,910	13,297,543
Tax income from continuing operations	15,765,910	13,297,543

Corporate tax:

The Group is subject to taxation in accordance with the tax regulation and the tax legislation effective in Turkey. Required provisions are made in the accompanying consolidated financial statements for the estimated tax charge based on the Group's results for the current period. In Turkey, the tax legislation does not permit a parent company and its subsidiaries to file a corporate tax return. Therefore, provision for taxes, as reflected in the consolidated financial statements, has been calculated on a separate-entity basis.

Corporate tax is applied to the total income, after adjusting for certain disallowable expenses and exempt income.

In Turkey, corporate tax rate is 22% as of 31 Mach 2018 (2017: 20%). However, according to the Article 91 of the Law numbered 7061 "Legislation on Amendment of Certain Tax Legislation and Other Certain Legislation" which was published on the Official Gazette numbered 30261 on 5 December 2017 and according to the provisional clause 10 added to the Corporate Tax Law numbered 5520; corporate tax rate for the taxation periods of 2018, 2019 and 2020 is amended to 22%, which would later be applied as 20% at the end of these periods. During these periods, Council of Ministers is entitled to decrease the corporate tax rate of 22% to 20%.

24. TAX ASSETS AND LIABILITIES (Continued)

The tax legislation provides for a temporary tax of 22% (2017: 20%) to be calculated and paid based on earnings generated for each quarter for the three month period ended 31 March 2018. The amounts thus calculated and paid are offset against the final corporate tax liability for the year. With the amendment to the Law, corporate rate is set to 22% for the years 2018, 2019 and 2020.

In Turkey, temporary corporate tax is calculated and filed quarterly. Losses can be carried forward for a maximum period of five years to offset against future taxable income. However, losses cannot be carried back to offset profits from previous periods.

In Turkey, there is no procedure for a final and definitive agreement on tax assessments. Companies file their tax returns between 1-25 April following the close of the accounting year to which they relate. Tax authorities may, however, inspect tax returns and the related accounting records and may revise assessments within five years.

Exemption from corporate tax:

75% of the income derived by entities from the sale of participation shares, immovable property, preferential rights, founders' shares and redeemed shares which are carried in assets at least for two years is exempt from corporate tax as of 31 December 2017. However, according to the amendments by Law numbered 7061, this rate is reduced from 75% to 50% and tax declarations starting from 2018 will be calculated using 50%.

In order to be able to benefit from the exemption, the relevant income should be kept under a fund account in the liabilities and should not be withdrawn from the enterprise for 5 years. The sales amount should be collected by the end of the second calendar year following the year of sale.

Income withholding tax:

In addition to corporate taxes, companies should also calculate income withholding tax surcharge on any dividends distributed, except for resident companies in Turkey which include this dividend income in their taxable profit for the related period and Turkish branches of foreign companies. The rate of income withholding tax is 10% starting from 24 April 2003.

This rate was changed to 15% with the resolution of Council of Ministers on 23 July 2006. Undistributed dividends incorporated in share capital are not subject to income withholding taxes.

Withholding tax at the rate of 19.8% is still applied to investment allowances relating to investment incentive certificates obtained prior to April 24, 2003. Subsequent to this date, companies can deduct 40% of their investment expenditures from the taxable income, within the scope of the investment incentive certificate and that are directly related to production facilities. The investments without investment incentive certificates do not qualify for tax allowance.

As of 31 March 2018 and 31 December 2017, the Group has no income tax liabilities.

The Group recognizes deferred tax assets and liabilities based upon temporary differences arising between the financial statements as reported for TAS purposes and financial statements prepared in accordance with the tax legislation. These differences arise from the differences in accounting periods for the recognition of income and expenses in accordance with TAS and tax legislation.

(Amounts expressed in Turkish Lira ("TRY") unless otherwise indicated.)

24. TAX ASSETS AND LIABILITIES (Continued)

Deferred tax calculation for the periods ended 31 March 2018 and 31 December 2017 is as follows:

The basis for deferred tax timing differences:	31 March 2018	31 December 2017
Reserve for onerous contract and other contingencies	78,343,131	100,745,621
Provision for impairment in fixed assets	1,313,208	9,281,756
Inventory valuation differences	98,216,166	93,426,989
Other current assets	(24,552,877)	(29,259,614)
Provision for employment termination benefit	44,299,238	51,336,450
Tangible and intangible fixed assets	(138,872,464)	(150,908,186)
Other short term liabilities	1,353,404	10,691,543
Finance lease obligations	30,928,872	27,928,436
Carry forward tax losses	1,050,354,539	958,101,773
Other	198,699	198,552
	1,141,581,916	1,071,543,320

Deferred tax assets / (liabilities):	31 March 2018	31 December 2017
Reserve for onerous contract and other contingencies	17,235,489	22,164,037
Provision for impairment in fixed assets	262,642	1,856,351
Inventory valuation differences	21,607,556	20,553,938
Other current assets	(5,401,633)	(6,437,115)
Provision for employment termination benefit	8,859,848	10,267,290
Tangible and intangible fixed assets	(27,308,221)	(29,717,920)
Other short term liabilities	297,749	2,352,139
Finance lease obligations	6,196,454	5,597,533
Carry forward tax losses	210,655,896	192,205,342
Other	43,980	43,682
	232,449,760	218,885,277

(Amounts expressed in Turkish Lira ("TRY") unless otherwise indicated.)

24. TAX ASSETS AND LIABILITIES (Continued)

Carry forward tax losses

In accordance with the Turkish taxation legislation, tax losses can be carried forward to offset against future taxable income for up to 5 years. Tax losses cannot be carried back to offset profits from previous periods. The Group estimates that it will be able to utilize the deductible carry forward tax losses using the estimated profits in the following years. The expiration dates of such carry forward tax losses are as follows:

	31 March 2018	31 December 2017
2019	11,238,173	11,238,173
2020	18,011,218	18,011,218
2021	584,715,820	584,715,820
2022	344,159,070	344,136,562
2023	92,230,258	-
	1,050,354,539	958,101,773

The movements of deferred tax asset and liability as of 31 March 2018 and 2017 are as follows:

Deferred tax asset movements:	31 March 2018	31 March 2017
Openning balance at 1 January	218,885,277	218,885,277
Current period income	15,765,910	13,297,543
Acquired deferred tax asset with business combination	(2,201,427)	
Closing balance at 31 March	232,449,760	232,182,820

25. EARNINGS PER SHARE

Weighted average number of shares and basic earnings per share for the periods ended 31 March 2018 and 2017 are as follows:

	31 March 2018	31 March 2017
Opening, number of shares - Beginning of period (Note 16)	70,000,000,000	11,383,930,257
Share addition	-	58,616,069,743
Closing, number of shares - End of period (total)	70,000,000,000	70,000,000,000
Weighted average number of shares (Note 16)	70,000,000,000	70,000,000,000
Net loss for the period (TL)	(53,099,914)	(22,890,239)
Loss per share gain (Kr)	(0.0759)	(0.0327)

(Amounts expressed in Turkish Lira ("TRY") unless otherwise indicated.)

26. TRANSACTIONS AND BALANCES WITH RELATED PARTIES

Cash and cash equivalents (Note 3)	31 March 2018	31 December 2017
Akbank T.A.Ş.	58,740,932	57,480,754
	58,740,932	57,480,754

Trade receivables from related parties-trade (Note 5)	31 March 2018	31 December 2017
Carrefour World Trade	14,921,104	16,810,710
Akbank T.A.Ş.	1,215,119	598,918
Socomo S.A.	311,285	-
Carrefour Romania	304,887	577,516
Carrefour Nederland BV	245,964	181,708
Carrefour Global Sourcing Asia	67,696	120,095
Ak Finansal Kiralama A.Ş.	36,918	36,918
Other	100,544	187,074
	17,203,517	18,512,939

Financial liabilities (Note 4)	31 March 2018	31 December 2017
Akbank T.A.Ş.	444,149,978	405,373,639
Ak Finansal Kiralama A.Ş.	53,926,882	59,799,813
	498,076,860	465,173,452

Trade payables to related parties (Note 5)	31 March 2018	31 December 2017
Philip Morris Sabancı Sigara ve Tütüncülük Sanayi ve Tic. A.Ş.	12,976,234	14,553,352
Aksigorta A.Ş.	9,873,415	230,692
Enerjisa İstanbul Anadolu Yakası Elektrik Perakende Satış A.Ş.	6,598,802	6,217,631
Bimsa Uluslararası İş, Bilgi ve Yönetim Sistemleri A.Ş.	4,714,988	7,517,857
Teknosa İç ve Dış Ticaret A.Ş.	1,128,117	1,145,500
Brisa-Bridgestone Sabancı Lastik Sanayi ve Ticaret A.Ş.	79,100	71,988
Other	408,354	940,436
	35,779,010	30,677,456

(Amounts expressed in Turkish Lira ("TRY") unless otherwise indicated.)

26. TRANSACTIONS AND BALANCES WITH RELATED PARTIES (Continued)

Other short term payables to related parties	31 March 2018	31 December 2017
Hacı Ömer Sabancı Holding A.Ş.	4,490,411	4,695,126
Carrefour Partenariat International	2,791,864	3,196,695
	7,282,275	7,891,821

Purchases from related parties (goods)	1 January - 31 March 2018	1 January - 31 March 2017
Philip Morris Sabancı Sigara ve Tütüncülük Sanayi ve Tic. A.Ş.	45,895,075	39,195,164
Brisa Bridgestone Sabancı Lastik Sanayi ve Ticaret A.Ş.	-	38,803
	45,895,075	39,233,967
Purchases from related parties (services)		
Enerjisa İstanbul Anadolu Yakası Elektrik Perakende Satış A.Ş.	15,240,968	13,890,407
Aksigorta A.Ş.	1,891,979	1,754,231
Bimsa Uluslararası İş, Bilgi ve Yönetim Sistemleri A.Ş.	1,830,901	1,491,563
Enerjisa Elektrik Enerjisi Toptan Satış A.Ş.	-	671,573
Teknosa İç ve Dış Ticaret A.Ş.	25,302	90,314
Other	1,314	144,678
	18,990,464	18,042,766
Rent income from related parties		
Teknosa İç ve Dış Ticaret A.Ş.	1,419,135	1,103,596
Akbank T.A.Ş.	536,170	423,837
	1,955,305	1,527,433
Rebates and other income from related parties		
Carrefour World Trade	5,019,174	4,834,521
Philip Morris Sabancı Sigara ve Tütüncülük Sanayi ve Ticaret A.Ş.	1,046,167	803,873
Akbank T.A.Ş.	709,845	486,673
Carrefour Romania	344,397	293,846
Socomo S.A.	331,028	-
Carrefour Global Sourcing Asia	217,127	169,861
Kordsa Teknik Tekstil A.Ş.	128,266	114,816
Carrefour Nederland BV	64,256	85,590
Akçansa Çimento Sanayi ve Ticaret A.Ş.	46,360	92,221
Çimsa Çimento Sanayi ve Ticaret A.Ş.	46,320	-
Teknosa İç ve Dış Ticaret A.Ş.	20,218	42
Temsa Ulaşım Araçları Sanayi ve Ticaret A.Ş.	15,696	30,816
Ak Yatırım Menkul Değerler A.Ş.	7,485	49,171
Avivasa Emeklilik ve Hayat A.Ş.	2,784	1,776
Brisa-Bridgestone Sabancı Lastik Sanayi ve Ticaret A.Ş.	-	67,683
Other	20,370	20,561
	8,019,493	7,051,450

(Amounts expressed in Turkish Lira ("TRY") unless otherwise indicated.)

26. TRANSACTIONS AND BALANCES WITH RELATED PARTIES (Continued)

Other expense to related parties	1 January - 31 March 2018	1 January - 31 March 2017
Hacı Ömer Sabancı Holding A.Ş.	3,819,405	3,495,440
Carrefour Partenariat International	2,791,864	2,559,972
	6,611,269	6,055,412

	1 January - 31 March 2018	1 January - 31 March 2017
Interest income from related parties		
Akbank T.A.Ş.	66,040	2,378
Interest expense and credit card commission to related parties		
Akbank T.A.Ş.	16,988,886	3,793,483

The Group key management consists of executive board and board of directors. The total amount of benefits for the key management personnel in the current period is as follows:

	1 January - 31 March 2018	1 January - 31 March 2017
Salaries and other short term benefits	2,077,476	2,805,958
Other long term benefits	83,438	62,231
	2,160,914	2,868,189

(Amounts expressed in Turkish Lira ("TRY") unless otherwise indicated.)

27. FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT

Foreign Currency Risk

Foreign currency denominated transactions create foreign exchange risks. The Group uses derivative financial instruments to avoid financial risks occurs from operations, financial agreements and cash flows.

The foreign currency denominated assets and liabilities of monetary items are as follows:

	31 March 2018		
	TL Equivalents (Functional currency)	**USD**	**EUR**
1. Trade receivables	20,672,737	17,327	4,233,212
2. Liquid assets	16,273,932	2,309,283	1,469,974
3. CURRENT ASSETS	36,946,669	2,326,610	5,703,186
4. Other	30,756,199	6,740,863	850,000
5. NON-CURRENT ASSETS	30,756,199	6,740,863	850,000
6. TOTAL ASSETS	67,702,868	9,067,473	6,553,186
7. Trade payables	9,739,873	1,513,846	772,882
8. Other payables	2,791,864	-	573,596
9. Financial liabilities	1,576,280	-	323,851
10. Non-monetary other liabilities	2,640,935	667,003	1,440
11. CURRENT LIABILITIES	16,748,952	2,180,849	1,671,769
12. Financial liabilities	28,819,042	-	5,920,950
13. NON-CURRENT LIABILITIES	28,819,042	-	5,920,950
14. TOTAL LIABILITIES	45,567,994	2,180,849	7,592,719
15. Net foreign currency asset-liability position	22,134,874	6,886,624	(1,039,533)
16. Net monetary foreign currency asset / liability position	27,206,796	812,764	4,930,304
17. Fair value of financial instruments uses for foreign currency hedge	-	-	-
18. Hedged amount of foreign currency denominated assets	-	-	-
19. Import	2,301,799	92,806	416,580

27. FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT (Continued)

Foreign Currency Risk (Continued)

	31 December 2017		
	TL Equivalents (Functional currency)	USD	EUR
1. Trade receivables	19,372,197	188,958	4,132,315
2. Liquid assets	9,089,549	2,350,888	49,216
3. CURRENT ASSETS	28,461,746	2,539,846	4,181,531
4. Other	31,866,157	7,430,733	850,000
5. NON-CURRENT ASSETS	31,866,157	7,430,733	850,000
6. TOTAL ASSETS	60,327,903	9,970,579	5,031,531
7. Trade payables	21,472,617	1,984,159	3,097,900
8. Other payables	3,196,695	-	707,938
9. Financial liabilities	1,597,822	-	353,853
10. Non-monetary other liabilities	2,485,466	657,219	1,440
11. CURRENT LIABILITIES	28,752,600	2,641,378	4,161,131
12. Financial liabilities	25,738,735	-	5,700,085
13. NON-CURRENT LIABILITIES	25,738,735	-	5,700,085
14. TOTAL LIABILITIES	54,491,335	2,641,378	9,861,216
15. Net foreign currency liability position	5,836,568	7,329,201	(4,829,685)
16. Net monetary foreign currency asset / liability position	6,989,129	555,687	1,083,631
17. Fair value of financial instruments uses for foreign currency hedge	-	-	-
18. Hedged amount of foreign currency denominated assets	-	-	-
19. Import	5,062,240	267,317	897,785

Foreign currency sensitivity

The Group is exposed to foreign exchange risk arising primarily from USD and EUR. The following table demonstrates the sensitivity of the Group to a possible change of 10% in US dollar and EUR rates. 10% is a reasonable rate as it is limited with 10% share capital commitment. Sensitivity analysis based on the foreign exchange risk at the reporting date, is identified with the changes at the beginning of the fiscal year and kept constant during the fiscal period. Negative value implies the effect of 10% increase in USD and in EUR foreign currency rates against TRY on the decrease in the net profit.

(Amounts expressed in Turkish Lira ("TRY") unless otherwise indicated.)

27. FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT (Continued)

Foreign Currency Risk (Continued)

	31 March 2018			
	Income / Expense		Equity	
	Appreciation of foreign currency	Depreciation of foreign currency	Appreciation of foreign currency	Depreciation of foreign currency
	In case of 10% appreciation of USD against TL			
1 - US Dollar net asset / liability	2,719,459	(2,719,459)	-	-
2- Part of hedged from US Dollar risk (-)	-	-	-	-
3- US Dollar net effect (1 +2)	2,719,459	(2,719,459)	-	-
	In case of 10% appreciation of EUR against TL			
4 - Euro net asset / liability	(505,972)	505,972	-	-
5 - Part of hedged from Euro risk (-)	-	-	-	-
6- Euro net effect (4 +5)	(505,972)	505,972	-	-
TOTAL (3 + 6)	2,213,487	(2,213,487)	-	-

	31 December 2017			
	Income / Expense		Equity	
	Appreciation of foreign currency	Depreciation of foreign currency	Appreciation of foreign currency	Depreciation of foreign currency
	In case of 10% appreciation of USD against TL			
1 - US Dollar net asset / liability	2,764,501	(2,764,501)	-	-
2- Part of hedged from US Dollar risk (-)	-	-	-	-
3- US Dollar net effect (1 +2)	2,764,501	(2,764,501)	-	-
	In case of 10% appreciation of EUR against TL			
4 - Euro net asset / liability	(2,180,844)	2,180,844	-	-
5 - Part of hedged from Euro risk (-)	-	-	-	-
6- Euro net effect (4 +5)	(2,180,844)	2,180,844	-	-
TOTAL (3 + 6)	583,657	(583,657)	-	-

27. FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT (Continued)

Fair value

The principles used in determining the fair values of financial assets and liabilities are as follows:

Financial assets

Cash and cash equivalents are presented on cost basis and are assumed to reflect their fair values as they are liquid and classified as current assets.

Trade receivables are presented netted off related doubtful portion of the receivable and are assumed to reflect their fair value.

Derivative financial assets reflect their fair vales as they includes fair value hedge transactions. The classification of the data used in determining fair value of derivative financial assets are level 2.

Financial liabilities

Short term TRY denominated and fixed interest rate bank borrowings are assumed to converge to its fair value, as their drawdown date close to the balance sheet date.

Long term foreign currency denominated bank borrowings and finance lease payables are assumed to converge to its fair value fair value.

The carrying amount of long term TRY denominated bank borrowing are not significantly different from its fair value when considering current market borrowing costs.

Since trade payables are short-term, they are assumed to reflect their fair values.

Classification regarding fair value measurement

"TFRS 7 – Financial Instruments: Disclosure" requires the companies to disclose the classification and hierarchy of the data used in determining the fair values of the financial instruments. The basis for the hierarchy is dependent on whether the data used in fair value calculation is observable or not. Observable inputs mean that the Group using market inputs derived from independent sources and unobservable inputs mean that the Group using market expectation and assumptions. This distinction leads to classifications presented as below:

Level 1: quoted prices (unadjusted) in active markets for identical assets and liabilities;

Level 2: inputs other than quoted prices included within Level 1 that are observable for the assets and liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices);

Level 3: inputs for the asset or liability that are not based on observable market. (unobservable inputs).

28. EVENTS AFTER THE BALANCE SHEET DATE

On 24 April 2018, the Group made the following material event disclosure at Public Disclosure Platform in accordance with CMB's principle decision dated 10 April 2014 and numbered 11/352.

Our Company has issued consolidated financial statements in accordance with CMB regulations dated 31 March 2018. According to the second paragraph of Article 376 of the Turkish Commercial Code, two-thirds of the Group's capital and legal reserves were unrequited in these consolidated financial statements. The Special Purpose Financial Statement (TTK 376 balance sheet) has been prepared and presented in accordance with the CMB decision dated 10 April 2014 and numbered 11/352 based on the probable selling prices of the land and buildings. In this Special Purpose Financial Statement of the Company (TTK 376 balance sheet), the shareholders' equity is determined as TRY 706,075,393. This amount indicates that our Company has retained its paid capital amounting to TRY 700,000,000.

………………………………………………………..