

**CARREFOURSA CARREFOUR
SABANCI TİCARET MERKEZİ A.Ş.**

**CONVENIENCE TRANSLATION INTO ENGLISH OF
CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
FOR THE INTERIM PERIOD 1 JANUARY - 31 DECEMBER 2017
TOGETHER WITH INDEPENDENT AUDITOR'S REVIEW REPORT**

(ORIGINALLY ISSUED IN TURKISH)



© 1997 AT&T Knowledge Ventures

AT&T Knowledge Ventures, All Rights Reserved



Other Matter

The consolidated financial statements of the Group for the year ended 31 December 2016, were audited by another auditor who expressed an unmodified opinion on those consolidated financial statements on 17 February 2017.

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

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

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

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

Responsibilities of auditors in an audit are as follows:

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with standards on auditing issued by the CMB and Standards on Auditing issued by POA. Misstatements can arise from fraud or error. They are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with the standards on auditing issued by the CMB and Standards on Auditing issued by POA, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.



- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
 - Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

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

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



B) Report on Other Legal and Regulatory Requirements

1) Pursuant to the fourth paragraph of Article 398 of Turkish Commercial Code ("TCC") no. 6102; Auditors' Report on System and Committee of Early Identification of Risks is presented to the Board of Directors of the Group on 16 February 2018.

2) Pursuant to the fourth paragraph of Article 402 of the TCC; no significant matter has come to our attention that causes us to believe that for the period 1 January - 31 December 2017, the Group's bookkeeping activities and consolidated financial statements are not in compliance with TCC and provisions of the Group's articles of association in relation to financial reporting.

3) Pursuant to the fourth paragraph of Article 402 of the TCC; the Board of Directors provided us the necessary explanations and required documents in connection with the audit.

KPMG Bağımsız Denetim ve Serbest Muhasebeci Mali Müşavirlik Anonim Şirketi
A member of KPMG International Cooperative

ORIGINALLY ISSUED IN TURKISH

Ruşen Fikret Selamet, SMMM
Partner
16 February 2018
İstanbul, Turkey

CONTENTS	PAGE(S)
CONSOLIDATED BALANCE SHEET.....	1-2
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME.....	3
CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY	4
CONSOLIDATED STATEMENTS OF CASH FLOWS	5-6
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS.....	7-64
NOTE 1 ORGANISATION AND NATURE OF OPERATIONS.....	7
NOTE 2 BASIS OF PRESENTATION OF CONSOLIDATED FINANCIAL STATEMENTS	8-24
NOTE 3 CASH AND CASH EQUIVALENTS	25
NOTE 4 FINANCIAL LIABILITIES	26-28
NOTE 5 TRADE RECEIVABLES AND PAYABLES.....	29
NOTE 6 OTHER RECEIVABLES AND PAYABLES.....	30
NOTE 7 DERIVATIVES	31
NOTE 8 INVENTORIES	31
NOTE 9 PREPAID EXPENSES	31
NOTE 10 INVESTMENT PROPERTIES	32
NOTE 11 PROPERTY, PLANT AND EQUIPMENT	33-34
NOTE 12 INTANGIBLE ASSETS	35
NOTE 13 GOODWILL AND BUSINESS COMBINATIONS	36
NOTE 14 SHORT AND LONG TERM PROVISIONS	36-37
NOTE 15 LETTER OF GUARANTEES, PLEDGES AND MORTGAGES	38
NOTE 16 EMPLOYMENT BENEFITS.....	38
NOTE 17 OTHER ASSET AND LIABILITIES	49
NOTE 18 SHAREHOLDERS' EQUITY	39-41
NOTE 19 REVENUE AND COST OF SALES	41
NOTE 20 SELLING AND MARKETING AND GENERAL ADMINISTRATIVE EXPENSES	42
NOTE 21 EXPENSES BY NATURE	42
NOTE 22 OTHER INCOME AND EXPENSES FROM MAIN OPERATIONS.....	43
NOTE 23 INCOME AND EXPENSES FROM INVESTMENT ACTIVITIES	43
NOTE 24 FINANCIAL INCOME.....	44
NOTE 25 FINANCIAL EXPENSES.....	44
NOTE 26 TAX ASSETS AND LIABILITIES	44-47
NOTE 27 EARNINGS / (LOSS) PER SHARE.....	48
NOTE 28 TRANSACTIONS AND BALANCES WITH RELATED PARTIES	49-51
NOTE 29 FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT	52-62
NOTE 30 FINANCIAL INSTRUMENTS (FAIR VALUE EXPLANATIONS AND DISCLOSURES WITHIN THE FRAMEWORK OF HEDGE ACCOUNTING)	63-64
NOTE 31 EVENTS AFTER THE BALANCE SHEET DATE.....	64

CONVENIENCE TRANSLATION INTO ENGLISH OF FINANCIAL STATEMENTS
ORIGINALLY ISSUED IN TURKISH

CARREFOURSA CARREFOUR SABANCI TİCARET MERKEZİ A.Ş.

CONSOLIDATED BALANCE SHEETS AS AT 31 DECEMBER 2017 AND 2016

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

	Notes	31 December 2017	31 December 2016
ASSETS			
Current Assets		1,258,935,703	1,039,890,473
Cash and Cash Equivalents	3	511,632,900	274,877,489
Trade Receivables			
Due From Related Parties	5, 28	18,512,939	13,502,779
Other Trade Receivables	5	37,512,648	24,596,252
Other Receivables			
Other Receivables	6	16,341,311	84,971,036
Derivative Financial Assets	7	37,024,056	40,242,872
Inventories	8	602,370,448	559,601,568
Prepaid Expenses	9	35,541,401	42,098,477
Non-Current Assets		1,986,373,944	1,983,364,513
Other Receivables			
Other Receivables	6	48,510,765	52,417,311
Investment Properties	10	221,363,464	225,425,744
Property, Plant and Equipment	11	766,581,077	665,519,110
Intangible Assets			
Goodwill	13	632,678,869	774,396,869
Other Intangible Assets	12	83,339,971	75,332,983
Prepaid Expenses	9	15,014,521	17,853,489
Deferred Tax Assets	26	218,885,277	172,419,007
TOTAL ASSETS		3,245,309,647	3,023,254,986

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

CARREFOURSA CARREFOUR SABANCI TİCARET MERKEZİ A.Ş.

CONSOLIDATED BALANCE SHEETS AS AT 31 DECEMBER 2017 AND 2016

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

	Notes	31 December 2017	31 December 2016
LIABILITIES			
Current Liabilities		2,759,182,288	2,124,996,601
Financial Liabilities			
Short Term Financial Liabilities from Related Parties	4, 28	405,373,639	69,138,308
Other Short Term Financial Liabilities	4	535,893,975	740,834,609
Short Term Portion of Long Term Financial Liabilities			
Short Term Portion of Long Term			
Financial Liabilities from Related Parties	4, 28	30,377,887	34,916,359
Other Short Term Portion of Long Term Financial Liabilities	4	349,241,943	51,978,707
Trade Payables			
Due to Related Parties	5, 28	30,677,456	25,206,812
Other Trade Payables	5	1,226,930,467	1,005,444,420
Employee Benefit Liabilities	16	25,790,987	25,402,105
Other Payables			
Due to Related Parties	6, 28	7,891,821	7,127,364
Other Short Term Payables	6	17,565,387	15,304,792
Short Term Provisions			
Provisions for Employment Benefits	14	8,247,818	7,660,305
Other Short Term Provisions		107,928,905	127,392,926
Other Current Liabilities	17	13,262,003	14,589,894
Non-Current Liabilities		417,536,453	523,746,018
Long Term Financial Liabilities			
Long Term Financial Liabilities from Related Parties	4, 28	29,421,926	71,159,123
Other Long Term Financial Liabilities	4	336,778,077	404,466,137
Long Term Provisions			
Provisions for Employment Termination Benefits	14	51,336,450	48,120,758
EQUITY		68,590,906	374,512,367
Shareholders' Equity		68,590,906	374,512,367
Share Capital	18	700,000,000	700,000,000
Inflation Adjustment to Share Capital	18	91,845,783	91,845,783
Share Issue Premium		34,691,309	34,691,309
Other Comprehensive Income/ Expense			
Not to be Reclassified to Loss	18	(601,338)	(488,774)
Restricted Reserves	18	12,318,358	12,318,358
Retained Earnings	18	(463,854,309)	(31,687,012)
Net Loss for the Period		(305,808,897)	(432,167,297)
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		3,245,309,647	3,023,254,986

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

CARREFOURSA CARREFOUR SABANCI TİCARET MERKEZİ A.Ş.

**CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME FOR THE YEARS ENDED
31 DECEMBER 2017 AND 2016**

(Amounts expressed in Turkish Lira ("TRY") unless otherwise stated)

	Notes	2017	2016
CONTINUING OPERATIONS			
Revenue	19	4,553,988,754	4,493,874,586
Cost of Sales (-)	19	(3,391,525,594)	(3,479,430,530)
GROSS PROFIT		1,162,463,160	1,014,444,056
Marketing Expenses (-)	20	(1,017,512,243)	(1,043,676,090)
General Administrative Expenses (-)	20	(131,681,241)	(123,127,220)
Other Income From Main Operations	22	92,768,216	86,663,483
Other Expenses From Main Operations (-)	22	(292,879,440)	(380,526,301)
OPERATING LOSS FROM MAIN OPERATIONS		(186,841,548)	(446,222,072)
Income From Investment Activities	23	21,289,283	60,156,642
OPERATING (LOSS) / PROFIT		(165,552,265)	(386,065,430)
Financial Income	24	2,349,557	-
Financial Expenses (-)	25	(189,044,318)	(147,995,085)
LOSS BEFORE TAX		(352,247,026)	(534,060,515)
Tax Income		46,438,129	101,893,218
- Taxes on Income	26	-	-
- Deferred Tax Income	26	46,438,129	101,893,218
NET LOSS FOR THE YEAR		(305,808,897)	(432,167,297)
OTHER COMPREHENSIVE LOSS			
Items not to be Reclassified Under Profit or Loss, After Tax		(112,564)	948,744
Actuarial gain / (loss)	14	(112,564)	948,744
TOTAL COMPREHENSIVE LOSS		(305,921,461)	(431,218,553)
Loss Per Share	27	(0.4369)	(0.6174)

CONVENIENCE TRANSLATION INTO ENGLISH OF FINANCIAL STATEMENTS ORIGINALLY ISSUED IN TURKISH

CARREFOURSA CARREFOUR SABANCI TİCARET MERKEZİ A.Ş.

CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY FOR THE YEARS ENDED 31 DECEMBER 2017 AND 2016

(Amounts expressed in Turkish Lira ("TRY") unless otherwise stated)

	Share Capital	Inflation Adjustment to Share Capital	Share Issue Premium	Actuarial Gain / (Loss)	Restricted Reserves	Retained Earnings	Net Loss for the Period	Total
Balance at 1 January 2016	113,839,303	678,006,480	34,691,309	(1,437,518)	12,318,358	-	(31,687,012)	805,730,920
Transfers	586,160,697	(586,160,697)	-	-	-	(31,687,012)	31,687,012	-
Total Comprehensive Loss	-	-	-	948,744	-	-	(432,167,297)	(431,218,553)
Balances at 31 December 2016	700,000,000	91,845,783	34,691,309	(488,774)	12,318,358	(31,687,012)	(432,167,297)	374,512,367
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 Loss	-	-	-	(112,564)	-	-	(305,808,897)	(305,921,461)
Balances at 31 December 2017	700,000,000	91,845,783	34,691,309	(601,338)	12,318,358	(463,854,309)	(305,808,897)	68,590,906

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

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

CARREFOURSA CARREFOUR SABANCI TİCARET MERKEZİ A.Ş.

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

(Amounts expressed in Turkish Lira ("TRY") unless otherwise stated)

CASH FLOWS FROM OPERATING ACTIVITIES	Notes	1 January- 31 December 2017	1 January- 31 December 2016
Net loss for the period		(305,808,897)	(432,167,297)
Adjustments to reconcile net loss for the period		202,849,118	219,729,686
- Depreciation of investment properties	10	5,884,559	5,860,339
- Depreciation of property, plant and equipment	11	78,009,081	86,597,423
- Amortization of intangible assets	12	28,969,081	22,432,454
- Gain on sale of tangible assets, intangible assets and investment properties	23	(21,289,283)	(60,156,642)
- Risk, lawsuit, personnel, SSI and other provisions	14	(19,464,021)	41,880,401
- Interest accruals	4	33,547,114	57,026,917
- Impairment provision	22	84,523,809	74,143,765
- Change in unused vacation provision and short-term employment termination benefit	14	587,513	422,852
- Provision for employment termination benefit	14	34,043,874	41,595,779
- Allowance for doubtful receivables	5	6,377,821	7,662,882
- Change in inventory impairment	8	(10,726,384)	6,510,688
- Unrealized foreign exchange loss		28,824,083	37,761,135
- Tax (income)/expense	26	(46,438,129)	(101,893,218)
- Tax effect of purchased subsidiary	26	-	(115,089)
Changes in working capital:		257,846,992	108,213,030
- Increase in trade receivables, including collection from doubtful receivables		(19,294,217)	(13,725,325)
- Decrease/(increase) in inventories		(32,042,496)	47,935,476
- Increase due from related parties		(5,010,160)	(1,682,361)
- (Increase) / decrease in other receivables and current assets		75,755,087	(32,372,647)
- Increase/(decrease) in prepaid expenses		9,396,044	(7,943,826)
- Increase/(decrease) in other short term payables		2,260,595	(2,249,879)
- Increase in other trade payables		221,486,047	119,550,825
- Increase in due to related parties		6,235,101	3,520,969
- (Decrease) / increase in employee benefit liabilities		6,235,101	(6,457,388)
- Increase/(decrease) in other short-term liabilities		(1,327,891)	1,637,186
Cash used in operating activities		154,887,213	(104,224,581)
- Employee termination benefits paid	14	(30,968,887)	(41,739,250)
Net cash used in operating activities		123,918,326	(145,963,831)

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

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

CARREFOURSA CARREFOUR SABANCI TİCARET MERKEZİ A.Ş.

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

(Amounts expressed in Turkish Lira ("TRY") unless otherwise stated)

	Notes	1 January- 31 December 2017	1 January- 31 December 2016
CASH FLOWS FROM INVESTING ACTIVITIES			
- Acquisition of property, plant and equipment	11	(157,814,302)	(47,362,668)
- Acquisition of intangible assets	12	(33,994,378)	(19,987,846)
- Acquisition of investment properties	10	(1,822,279)	(616,579)
- Change in goodwill due to revision in fair value of acquired subsidiary		-	(460,350)
- Proceeds from sale of investment properties, tangible assets and intangible assets		54,245,037	44,665,482
Net cash used in investing activities		(139,385,922)	(23,761,961)
CASH FLOWS FROM FINANCING ACTIVITIES			
- Proceeds from bank borrowings		2,005,570,500	752,946,000
- Repayment of borrowings		(1,717,328,046)	(558,151,315)
- Repayment of finance lease payables		(35,298,963)	(23,867,721)
Net cash generated from financing activities		252,943,491	170,926,964
Increase in cash and cash equivalents		237,475,895	1,201,172
Cash and cash equivalents at the beginning of the year		274,877,489	274,088,979
- The impact of change in foreign currency exchange rate over cash and cash equivalents		(720,484)	(412,662)
Cash and cash equivalents at the end of the year	3	511,632,900	274,877,489

In the current year, paid interest is amounting to TRY 207,056,630 and received interest is amounting to TRY 2,394,585 (31 December 2016: paid interest TRY 122,384,495 and received interest TRY 845,947).

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

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

CARREFOURSA CARREFOUR SABANCI TİCARET MERKEZİ A.Ş.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2017

(Amounts expressed in Turkish Lira ("TRY") unless otherwise stated)

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 10,750 as of 31 December 2017 (2016: 10,545).

As of 31 December 2017, the Company has 33 hypermarkets and 592 supermarkets (2016: 37 hypermarkets, 619 supermarkets).

Subsidiary

Adana Gayrimenkul Geliştirme ve İşletme A.Ş. ("Adana Gayrimenkul"), which is 100% owned by the Company, was established at 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 at 27 March 2015 and merged with Adana Gayrimenkul which is the another subsidiary of the Company, with its existing assets and liabilities by acquisition and this transaction has been registered by the 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, of which 15% of its shares are publicly traded in Borsa İstanbul A.Ş., with an amount of TRY 429,574,000 (Note 13). 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 by cash the agreement amount of TRY 429,574,000 to the vendors on the 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 at 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 consolidated financial statements and given authorization for the issuance on 16 February 2018. The General Assembly has the authority to amend the financial statements.

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

CARREFOURSA CARREFOUR SABANCI TİCARET MERKEZİ A.Ş.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2017

(Amounts expressed in Turkish Lira ("TRY") unless otherwise stated)

2. BASIS OF PRESENTATION OF CONSOLIDATED FINANCIAL STATEMENTS

2.1 Basis of the presentation

Principles for Preparation of Consolidated Financial Statements and Significant Accounting Policies

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

The consolidated financial statements and its accompanying notes of the Group are presented in compliance with the formats announced by CMB on 7 June 2013, including its mandatory information.

The Company and its subsidiary maintain their accounting records and prepares its 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. These consolidated financial statements are based on the statutory records, which are maintained under historical cost conversion, except for financial assets and financial liabilities which are carried at fair value, with the required adjustments and reclassifications reflected for the purpose of fair presentation in accordance with the TAS.

The Group's functional and reporting currency is Turkish Lira ("TRY"). Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Monetary assets and liabilities based on foreign currency are translated into the functional currency using the exchange rates prevailing at the balance sheet date. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation are recognized in the consolidated profit or loss.

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 consolidated 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 consolidated financial statements for the accounting year commencing 1 January 2005.

2.3 Comparative Information and Restatement of Prior Periods' 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 condensed consolidated balance sheet as of 31 December 2017 comparatively with the balance sheet as of 31 December 2016; comprehensive consolidated income statements, consolidated statements of cash flow and condensed consolidated statements of change in shareholders' equity as of 31 December 2017 comparatively with the 31 December 2016 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 nine-month period ended 31 December 2016 are presented as below:

- Common area participation income previously presented under marketing expenses amounting to TRY 1,599,706 have been reclassified to revenue.
- Credit card chip points previously presented under revenue amounting to TRY 8,843 have been reclassified to financial expenses.

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

CARREFOURSA CARREFOUR SABANCI TİCARET MERKEZİ A.Ş.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2017

(Amounts expressed in Turkish Lira ("TRY") unless otherwise stated)

2. BASIS OF PRESENTATION OF CONSOLIDATED FINANCIAL STATEMENTS (Continued)

- There of TRY 9,150,594 of total depreciation and amortization expenses previously presented under cost of sales, TRY 7,509,852 have been reclassified to marketing expenses and TRY 1,640,742 to general administrative expenses.

- Service expenses previously presented under marketing expenses amounting to TRY 1,084,361 have been reclassified to cost of sales. Expenses previously presented under marketing expenses amounting to TRY 27,331,188 have been reclassified to other income and expenses from main operations.

2.4 Offsetting

Financial assets and liabilities are offset and the net amount reported in consolidated 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

The consolidated financial statements for the year ended 31 December 2017 are prepared according to TAS.

The accounting policies applied in preparation of the accompanying consolidated financial statements are as follows. These accounting policies were applied in a consistent manner unless otherwise settled.

2.5.1 Basis of consolidation

Subsidiaries are all entities over which the Group has control. The group controls an entity when the group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the group and deconsolidated from the date that control ceases. Inter-group transactions, balances and unrealized gains and losses on transactions between Group companies are eliminated. When necessary, amounts reported by subsidiaries have been adjusted to conform with the Group's accounting policies. Financial statements of the Company and its subsidiary subject to consolidation were prepared as of the same date.

2.5.2 Revenue

Revenue is recognized on accrual basis over the amount obtained or the current value of the amount to be obtained when the delivery is realized, the income can be reliably determined and the inflow of the economic benefits related with the transaction to the Group is reasonably assured. Net sales represent the invoiced value of goods less any sales returns and rebates. Sales premiums and rebates from vendors are accounted for on accrual basis in the period of the services of the vendors and deducted from cost of sales. Retail sales are done generally with cash or credit cards.

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

- The Group has transferred to the buyer all the significant risks and rewards of ownership of the goods;
 - The Group retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;
 - The amount of revenue can be measured reliably;
 - It is probable that the economic benefits associated with the transaction will flow to the entity; and
 - The costs incurred or to be incurred in respect of the transaction can be measured reliably.
- Rent income – Rental income from investment properties is recognized on a straight-line basis over the term of the relevant lease

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.

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

CARREFOURSA CARREFOUR SABANCI TİCARET MERKEZİ A.Ş.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2017

(Amounts expressed in Turkish Lira ("TRY") unless otherwise stated)

2. BASIS OF PRESENTATION OF CONSOLIDATED FINANCIAL STATEMENTS (Continued)

2.5.3 Inventories

Inventories are stated at the lower of cost and net realizable value. Cost is calculated with moving weight average method. Borrowing costs are not included in cost. Net realisable value is the estimated selling price in the ordinary course of business, less applicable variable selling expenses. The Group calculates the impairment of inventory based on the past experience of statistical results of slow-moving inventory.

2.5.4 Investment properties

Investment property, which is property (lands and buildings over 2.500 m²) held not to produce goods and service or held for administration purposes, instead held to earn rentals and/or for capital appreciation, is stated at its fair value at the balance sheet date. Investment property is accounted by acquisition cost less accumulated depreciation. Investment properties (except land) are depreciated on a straight-line basis (Note 10) over the related assets' estimated useful lives and the depreciation costs are reflected in the income statement. The estimated useful lives of these assets are 20 to 49 years.

Investment properties are reviewed whether there is any indication for any impairment loss. If the carrying amount of the investment property is higher than the recoverable amount, then the carrying amount is deducted to recoverable amount by providing impairment provision. The recoverable amount is the higher of net cash inflow from the use of the investment property and the net sales price. Investment properties are derecognized in cases of disposal or become unusable and no future economic benefit is determined from its sale. Profit or loss arising from expiration or disposal of the investment property is included in the income statement in the period which they occurred. Properties that are leased under operating leases are not classified as investment properties.

2.5.5 Plant, property and equipment

Property, plant and equipment which are acquired before 1 January 2005 are carried at their restated cost as of 31 December 2004; and property, plant and equipment which are acquired after 31 December 2004 are carried at their acquisition cost less accumulated depreciation and any accumulated impairment losses. Land is not subject to depreciation and carried at its acquisition cost less any accumulated impairment losses. Expenses arising from replacing a part of a property, plant and equipment can only be capitalized with the maintenance costs if they extend the future economic useful life of the asset.

Properties in the course of construction for production, rental or administrative purposes, or for purposes not yet determined, are carried at cost, less any recognized impairment loss. Legal fees are also included to cost. For qualifying assets, borrowing costs may be capitalized. Such properties are classified to the appropriate categories of property, plant and equipment when they are completed and ready for intended use. Depreciation of these assets, on the same basis as other property assets, commences when assets are ready for their intended use.

Other expenses are accounted under expense items in consolidated income statement in the period in which they are incurred.

Depreciation is recognized on cost values of fixed assets using the straight-line method according to their useful lives, except for land and construction in progress. The estimated useful life, residual value and amortization method are reviewed at the end of each annual reporting period, with the effect of any changes in estimate being accounted for on a prospective basis.

Assets held under finance leases are depreciated over their expected useful lives on the same basis as owned assets. However, when there is no reasonable certainty that ownership will be obtained by the end of the lease term, assets are depreciated over the shorter of the lease term and their useful lives.

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

CARREFOURSA CARREFOUR SABANCI TİCARET MERKEZİ A.Ş.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2017

(Amounts expressed in Turkish Lira ("TRY") unless otherwise stated)

2. BASIS OF PRESENTATION OF CONSOLIDATED FINANCIAL STATEMENTS (Continued)

Based on the average useful lives of property, plant and equipment, the following depreciation rates are determined as stated below:

Buildings	40 years
Land improvements	6-10 years
Machinery and equipment	4-20 years
Other tangible fixed assets	5-10 years

The carrying amount of an item of property, plant and equipment is derecognised on disposal or when no future economic benefits are expected from its use or disposal. The gain or loss arising from the derecognition of an item of property, plant and equipment is included in net income / (loss) and defined as the difference between the sales price and the carrying amount.

2.5.6 Intangible Assets

Intangible assets acquired

Intangible assets include software and other rights. Intangible assets which are acquired before 1 January 2005 are carried at their restated cost as of 31 December 2004; and intangible assets which are acquired after 31 December 2004 are carried at their acquisition cost less accumulated amortization and any accumulated impairment losses.

Intangible assets are amortized on a straight-line basis over the related assets' estimated useful lives and the amortization costs are reflected in the income statement. The estimated useful life and amortization method are reviewed at the end of each annual reporting period, with the effect of any changes in estimate being accounted for on a prospective basis. The estimated useful lives of these assets are 3 to 5 years.

Computer software

Acquired computer software licenses are capitalized on the basis of the costs incurred to acquire and bring to use the specific software. Mentioned costs are amortized over their estimated useful lives.

Costs associated with developing or maintaining computer software programs are recognized as an expense as incurred. Costs that are directly associated with the development of identifiable and unique software products controlled by the Group, and that will probably generate economic benefits exceeding costs beyond one year, are recognized as intangible assets. Costs include the software development employee costs and an appropriate portion of relevant overheads. Computer software development costs recognized as assets are amortized over their estimated useful lives. The estimated useful lives of computer softwares are 3 to 5 years.

Goodwill

Goodwill arises on the acquisition of subsidiaries and represents the excess of the consideration transferred over acquired subsidiary interest in net fair value of the net identifiable assets, liabilities and contingent liabilities of the acquiree and the fair value of the non-controlling interest in the acquiree.

Goodwill acquired in a business combination is allocated to each of the Cash Generating Units ("CGUs"), or groups of CGUs, that is expected to benefit from the synergies of the combination. Each unit or group of units to which the goodwill is allocated represents the lowest level within the entity at which the goodwill is monitored for internal management purposes.

Goodwill impairment reviews are undertaken annually or more frequently if events or changes in circumstances indicate a potential impairment. The carrying value of goodwill is compared to the recoverable amount, which is the higher of value in use and the fair value less costs of disposal. Any impairment is recognised immediately as an expense and is not subsequently reversed.

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

CARREFOURSA CARREFOUR SABANCI TİCARET MERKEZİ A.Ş.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2017

(Amounts expressed in Turkish Lira ("TRY") unless otherwise stated)

2. BASIS OF PRESENTATION OF CONSOLIDATED FINANCIAL STATEMENTS (Continued)

Derecognition of intangible assets

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

2.5.7 Financial Lease Transactions

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are charged to the profit or loss on a straight-line basis over the period of the lease.

The Group leases certain property, plant and equipment. Leases of property, plant and equipment where the Group has substantially all the risks and rewards of ownership are classified as finance leases. Finance leases are capitalised at the lease's commencement at the lower of the fair value of the leased property and the present value of the minimum lease payments.

Each lease payment is allocated between the liability and finance charges. The corresponding rental obligations, net of finance charges, are included in other long-term payables. The interest element of the finance cost is charged to the income statement over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. The property, plant and equipment acquired under finance leases is depreciated over the shorter of the useful life of the asset and the lease term.

2.5.8 Impairment of Assets

Assets that have an indefinite useful life, for example goodwill, are not subject to amortization and are tested annually for impairment. Assets that are subject to amortization are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognized for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are compared at the lowest levels for which there are separately identifiable cash flows (cash-generating units). Non-financial assets other than goodwill that suffered impairment are reviewed for possible reversal of the impairment at each reporting date.

The Group revises carrying amounts of tangible and intangible assets in order to determine any impairment at each balance sheet date. In case of impairment, recoverable amounts of assets are measured, if available, in order to determine the impaired amount. In cases where the recoverable amount cannot be measured, the Group determines the recoverable amount of the cash-generating unit related to that asset. In case of determining a reasonable and consistent basis of allocation, assets of the Group are distributed to cash-generating units. In cases where it is not possible, assets of the Group are distributed to smallest cash-generating units in order to determine a reasonable and consistent basis of allocation.

Intangible assets that have indefinite economic lives or that are not ready to use are tested for impairment at least once a year on in case any impairment indicator exists. The recoverable amount is the higher of fair value of the asset minus sales costs and value in use. Value in use is the present value of expected cash flows from an asset or cash-generating unit. In order to determine the value in use, the discount rate before tax reflecting asset specific risks that are not considered in the calculation of future estimated cash flows is used.

In cases where the recoverable amount of an asset (or a cash-generating unit) is less than its carrying amount, the book value is decreased to its recoverable amount. The impairment loss is accounted for under profit/loss directly where the related asset is not measured at its revalued amount. In this case, the impairment loss is considered as revaluation loss.

The Group performs impairment test for stores in each reporting period and the difference between cash generating units' carrying amount and recoverable amount is accounted as impairment expense (Note 11).

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

CARREFOURSA CARREFOUR SABANCI TİCARET MERKEZİ A.Ş.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2017

(Amounts expressed in Turkish Lira ("TRY") unless otherwise stated)

2. BASIS OF PRESENTATION OF CONSOLIDATED FINANCIAL STATEMENTS (Continued)

In cases of annulment of the revaluation loss during the following periods, book value of the asset (or cash-generating unit) is increased to coincide with the revised estimated recoverable amount. The increased book value should not exceed the amount if it had not been impaired. Annulment of the revaluation loss is accounted for under profit/loss directly, unless the asset is not presented with a revalued amount. Annulment of impairment of a revalued asset is considered as revaluation gain.

2.5.9 Borrowing Costs

Borrowing costs directly or indirectly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalization.

All other borrowing costs are recognized in profit or loss in the period in which they are incurred.

2.5.10 Financial Instruments

i) Classification

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

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for maturities greater than 12 months after the end of the reporting period. These are classified as non-current assets. The group's loans and receivables comprise trade receivables and cash and cash equivalents in the consolidated balance sheet.

ii) Recognition and measurement

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

iii) Impairment of financial assets

The Group assesses at the end of each reporting period whether there is objective evidence that a financial asset or group of financial assets is impaired. A financial asset or a group of financial assets is impaired and impairment losses are incurred only if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a "loss event") and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated.

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

CARREFOURSA CARREFOUR SABANCI TİCARET MERKEZİ A.Ş.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2017

(Amounts expressed in Turkish Lira ("TRY") unless otherwise stated)

2. BASIS OF PRESENTATION OF CONSOLIDATED FINANCIAL STATEMENTS (Continued)

Evidence of impairment may include indications that the debtors or a group of debtors is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganisation, and where observable data indicate that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

For loans and receivables category, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. The carrying amount of the asset is reduced and the amount of the loss is recognised in the consolidated income statement. If a loan or held-to-maturity investment has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate determined under the contract. As a practical expedient, the Group may measure impairment on the basis of an instrument's fair value using an observable market price.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised (such as an improvement in the debtor's credit rating), the reversal of the previously recognised impairment loss is recognised in the consolidated income statement.

For financial assets presented at amortized cost, if the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognized impairment loss is cancelled in income statement, however it could not exceed the amortized cost of the asset at the date impairment cancelled.

For available-for-sale equity instruments, any impairment loss recognized in income statement in prior periods could not be reversed in income statement. The fair value gain arising from impairment loss is accounted for in other comprehensive income and is classified under the heading of revaluation provision related to investments. Impairment loss on available-for-sale debt securities is reversed in income statement in subsequent periods if the increase in the fair value of the investment is attributable to an event occurring after the impairment loss is recognized.

iv) Cash and cash equivalents

Cash and cash equivalents comprise cash on hand and demand deposits, and other short-term highly liquid investments which their maturities are three months or less from date of acquisition and that are readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value.

v) Offsetting financial instruments

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

vi) Derecognition of financial assets

The Group derecognizes a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another party. If the Group neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Group recognizes its retained interest in the asset and an associated liability for amounts it may have to pay. If the Group retains substantially all the risks and rewards of ownership of a transferred financial asset, the Group continues to recognize the financial asset and also recognizes a collateralized borrowing for the proceeds received.

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

CARREFOURSA CARREFOUR SABANCI TİCARET MERKEZİ A.Ş.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2017

(Amounts expressed in Turkish Lira ("TRY") unless otherwise stated)

2. BASIS OF PRESENTATION OF CONSOLIDATED FINANCIAL STATEMENTS (Continued)

vii) Financial liabilities

Financial liabilities and equity instruments issued by the Group are classified according to the substance of the contractual arrangements entered into and the definitions of a financial liability and an equity instrument. An equity instrument is any contract that evidences a residual interest in the assets of the Group after deducting all of its liabilities. The accounting policies adopted for specific financial liabilities and equity instruments are set out below.

Financial liabilities are classified as either financial liabilities at FVTPL or other financial liabilities.

viii) Financial liabilities at fair value through profit or loss

Financial liabilities at fair value through profit or loss are recorded with their fair value and evaluated with fair value as of balance sheet date. Change in the fair value is recognized in consolidated income statement. Recognized income or loss includes the paid interest for the financial liabilities. As of the balance sheet date, the Group does not have any financial liabilities at fair value through profit or loss.

ix) Other financial liabilities

Other financial liabilities are initially measured at fair value, net of transaction costs.

Other financial liabilities are subsequently measured at amortized cost using the effective interest method, with interest expense recognized on an effective yield basis.

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments through the expected life of the financial liability, or, where appropriate, a shorter period.

x) Derivative financial instruments

The Group enters into transactions with forward derivative instruments in the foreign exchange market. Most of those derivative transactions are considered as effective economic hedges under the Group's risk management policies; however since they do not qualify for hedge accounting as per TAS 39 (Measurement of Financial Assets), they are treated as derivatives held-for-trading. Derivative financial instruments are initially recognized at fair value on the date which a derivative contract is entered into and subsequently remeasured at fair value. Any gains or losses arising from changes in fair value on derivatives that do not qualify for hedge accounting are recognized in income statement.

Fair values are determined from quoted market prices in active markets as possible, or by discounted cash flows and option pricing models that fit in. Derivatives with positive fair value are recognized as assets and derivatives with negative fair value are recognized as liabilities in the balance sheet. As of the balance sheet date, the Group does not have any derivative financial instruments.

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

CARREFOURSA CARREFOUR SABANCI TİCARET MERKEZİ A.Ş.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2017

(Amounts expressed in Turkish Lira ("TRY") unless otherwise stated)

2. BASIS OF PRESENTATION OF CONSOLIDATED FINANCIAL STATEMENTS (Continued)

2.5.11 Business Combinations

The Group applies the acquisition method to account for business combinations. The consideration transferred for the acquisition of a subsidiary is the fair values of the assets transferred, the liabilities incurred to the former owners of the acquiree and the equity interests issued by the group. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. The group recognises any non-controlling interest in the acquiree on an acquisition-by-acquisition basis, either at fair value or at the non-controlling interest's proportionate share of the recognised amounts of acquiree's identifiable net assets.

Acquisition-related costs are expensed as incurred.

If the business combination is achieved in stages, the acquisition date carrying value of the acquirer's previously held equity interest in the acquiree is re-measured to fair value at the acquisition date; any gains or losses arising from such re-measurement are recognised in profit or loss.

Any contingent consideration to be transferred by the Group is recognised at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration that is deemed to be an asset or liability is recognised in accordance with TAS 39 either in profit or loss or as a change to other comprehensive income. Contingent consideration that is classified as equity is not re-measured, and its subsequent settlement is accounted for within equity.

The excess of the consideration transferred, the amount of any non-controlling interest in the acquiree and the acquisition-date fair value of any previous equity interest in the acquiree over the fair value of the identifiable net assets acquired is recorded as goodwill. If the total of consideration transferred, non-controlling interest recognised and previously held interest measured is less than the fair value of the net assets of the subsidiary acquired in the case of a bargain purchase, the difference is recognised directly in the income statement (Note 2.6.1).

Inter-company transactions, balances and unrealised gains on transactions between group companies are eliminated. Unrealised losses are also eliminated. When necessary, amounts reported by subsidiaries have been adjusted to conform with the group's accounting policies.

2.5.12 Foreign Currency Transactions

In the statutory accounts of the Group, transactions in foreign currencies (currencies other than Turkish Lira) are translated into Turkish Lira at the rates of exchange ruling at the transaction dates. Assets and liabilities denominated in foreign currencies are translated at the exchange rate ruling at the balance sheet date. Gains and losses arising on settlement and translation of foreign currency items are included in the statements of income.

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

CARREFOURSA CARREFOUR SABANCI TİCARET MERKEZİ A.Ş.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2017

(Amounts expressed in Turkish Lira ("TRY") unless otherwise stated)

2. BASIS OF PRESENTATION OF CONSOLIDATED FINANCIAL STATEMENTS (Continued)

2.5.13 Fair Value Hedge Accounting

The Company is engaged in shopping mall management besides operating in retail sector. The company has long-term foreign currency denominated agreements with leaseholders located shopping mall and contractual receivables denominated in foreign currencies. Risk management strategy of the Group is to use hedging as a instrument for risks arising from changes in foreign exchange rates. Material part of these lease agreements with tenants mentioned above are denominated in US Dollars and exposed to to foreign exchange risk. In order to prevent foreign exchange risk included in the future cash flows from unbilled receivables arising from US Dollar lease agreements, the Group provides debt financing with the same currencies. The Company hedges foreign exchange risk arising from revenues of rental service commitments borrowings denominated in foreign currency.

Details of the fair value hedge accounting are as follows:

- Starting date of the hedge accounting: 1 December 2016
- Nature of the hedge accounting: Fair value hedge accounting
- Hedged item: Future cash flows from contracts denominated in USD
- Hedging instrument: Future cash flows from borrowings denominated in USD
- Features of the hedged risk: The risk of changes in foreign exchange rates

Fair value changes arising from foreign exchange risk of the hedged item has been recognized as "Derivative financial instruments" (Note 7) as an asset or liability in the consolidated balance sheet and related gains or losses are recognized in the consolidated income statement under financial income and expenses. Besides, in every reporting period within the scope of dynamic hedge accounting, the Group ends the hedge relation of previous month and starts a new hedge relation and relates the remaining fair value difference with revenue in accordance with the remaining maturity of the hedged item.

Hedge Accounting

The Group documents the relationship between hedging instruments and hedged items at the beginning of the hedge transaction and risk management objectives and the strategy for performing a variety of hedging transactions. The Group, also documents the assessment whether instruments used in hedging transactions are effective in balancing changes in values of hedged items, at the beginning of hedging transaction and on a regular basis during the hedging transaction.

2.5.14 Earnings/Loss Per Share

Earnings/loss per share is the portion of the net profit or loss that accounts for the common share, which divided by the weighted average unit of common share.

In Turkey, companies, can increase their capitals by the "bonus share" method that they distributed from the prior year profits. This type of "bonus share" distribution, is considered as issued share in the earnings per share calculations. Accordingly, weighted average share amount used in this calculations are computed by considering the prior effects of the distributed shares as well.

2.5.15 Events After Balance Sheet Date

Events after the balance sheet date cover the events which arise between the reporting date and the balance sheet date that have positive or negative effects over the Group. Should any evidence come about events that were prior to the reporting date or should new events come about they will be explained in the relevant footnote.

The Group restates its consolidated financial statements if such subsequent events arise which require to adjust consolidated financial statements.

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

CARREFOURSA CARREFOUR SABANCI TİCARET MERKEZİ A.Ş.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2017

(Amounts expressed in Turkish Lira ("TRY") unless otherwise stated)

2. BASIS OF PRESENTATION OF CONSOLIDATED FINANCIAL STATEMENTS (Continued)

2.5.16 Provisions, Contingent Liabilities, Contingent Assets

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.

The amount recognized as a provision is the best estimate of the consideration required to settle the present obligation at the balance sheet date, taking into account the risks and uncertainties surrounding the obligation.

Where a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows.

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

2.5.17 Restructuring Provisions

A restructuring provision is recognized when the Group has developed a detailed formal plan for the restructuring and has raised a valid expectation in those affected that it will carry out the restructuring by starting to implement the plan or announcing its main features to those affected by it. The measurement of a restructuring provision includes only the direct expenditures arising from the restructuring, which are those amounts that are both necessarily entailed by the restructuring and not associated with the ongoing activities of the entity.

2.5.18 Related Parties

A party is related to an entity if:

(a) Directly, or indirectly through one or more intermediaries, the party:

- (i) Controls, is controlled by, or is under common control with, the entity (this includes parents, subsidiaries and fellow subsidiaries);
- (ii) Has an interest in the entity that gives it significant influence over the entity; or
- (iii) Has joint control over the entity;

(b) The party is an associate of the entity;

(c) The party is a joint venture in which the entity is a venture;

(d) The party is a member of the key management personnel of the entity or its parent;

(e) The party is a close member of the family of any individual referred to in (a) or (d);

(f) The party is an entity that is controlled, jointly controlled or significantly influenced by or for which significant voting power in such entity resides with, directly or indirectly, any individual referred to in (d) or (e); or

(g) The party is a post-employment benefit plan for the benefit of employees of the entity, or of any entity that is a related party of the entity.

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

CARREFOURSA CARREFOUR SABANCI TİCARET MERKEZİ A.Ş.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2017

(Amounts expressed in Turkish Lira ("TRY") unless otherwise stated)

2. BASIS OF PRESENTATION OF CONSOLIDATED FINANCIAL STATEMENTS (Continued)

2.5.19 Current and Deferred Income Tax

The tax expense for the period comprises current and deferred tax. Tax is recognised in the income statement, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case, the tax is also recognised in other comprehensive income or directly in equity, respectively (Note 26).

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the balance sheet date. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

Deferred income tax is recognised on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantively enacted by the balance sheet date and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled. Deferred income tax assets are recognised only to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

The Group calculates deferred tax liability for all taxable temporary differences related to its subsidiaries, if the offset time of taxable temporary differences could be controlled and the offset of taxable temporary differences is probable in a foreseeable future.

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income taxes assets and liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities where there is an intention to settle the balances on a net basis.

2.5.20 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 recognised 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:

	2017	2016
Discount rate per annum (%)	4.14	3.52
Probability of retirement (%)	93.87	93.72

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.

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

CARREFOURSA CARREFOUR SABANCI TİCARET MERKEZİ A.Ş.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2017

(Amounts expressed in Turkish Lira ("TRY") unless otherwise stated)

2. BASIS OF PRESENTATION OF CONSOLIDATED FINANCIAL STATEMENTS (Continued)

2.5.21 Statement of Cash Flow

In statement of cash flow, cash flows are classified according to operating, investment and finance activities.

Cash flows from operating activities reflect cash flows generated from fast-moving consuming goods sales and rent income from trade centers of the Group.

Cash flows from investment activities express cash used in investment activities (direct investments and financial investments) and cash flows generated from investment activities of the Group.

Cash flows relating to finance activities express sources of financial activities and payment schedules of the Group.

2.5.22 Share Capital and Dividends

Common shares are classified as equity. Dividends on common shares are recognized in equity in the period in which they are approved and declared.

2.5.23 Trade Payables

Trade payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Accounts payable are classified as current liabilities if payment is due within one year or less (or in the normal operating cycle of the business if longer). If not, they are presented as non-current liabilities. The Group and its several vendors entered into supplier finance arrangements with several banks. Since the terms of payables are not substantially modified, payables are continued to be recognised as trade payables.

Trade payables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

2.6 Significant Accounting Estimates and Assumptions

The preparation of 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 as adjustments become necessary they are reported in earnings in the periods in which they become known.

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 Impairment Test of Goodwill

As mentioned in Note 2.5.6 and Note 2.5.8, goodwill is reviewed for the impairment by the management. The recoverable amount of such cash-generating units is calculated by using carrying amount. The calculation of carrying amount includes discounted cash flow projections in TRY. The related projections are based on the long term plans including years between 2018-2022, which are approved by the management. In long-term growth plans, growth rate of 7% was taken into consideration (31 December 2016: 6.5%). The discount rate as of 31 December 2017, used for the calculation of carrying amount is 13.7% (31 December 2016: 13.5%). That discount rate is after tax discount rate and includes specific risks of the Group (Note 13).

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

CARREFOURSA CARREFOUR SABANCI TİCARET MERKEZİ A.Ş.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2017

(Amounts expressed in Turkish Lira ("TRY") unless otherwise stated)

2. BASIS OF PRESENTATION OF CONSOLIDATED FINANCIAL STATEMENTS (Continued)

2.6.2 Provisions

As mentioned in Note 2.5.16, 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 December 2017 the Group evaluated the current risks and booked related provisions (Note 14).

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 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 December 2017 and 2016, 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 305,808,897 loss as of and for the year ended 31 December 2017 and current year loss together with accumulated losses has reached to TRY 769,663,206. As of 31 December 2017, the Group's total equity is TRY 68,590,906.

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 1,339,830,000 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 842,744,453. 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 31.

In addition, in 2017, the Group management has closed certain stores 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.

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

CARREFOURSA CARREFOUR SABANCI TİCARET MERKEZİ A.Ş.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2017

(Amounts expressed in Turkish Lira ("TRY") unless otherwise stated)

2. BASIS OF PRESENTATION OF CONSOLIDATED FINANCIAL STATEMENTS (Continued)

2.7 Changes in Turkish Financial Reporting Standards

New standards, interpretations and amendments to existing standards are not effective at reporting date but 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.

- As issued in September 2016 by POA, the new standard replaces existing TFRS guidance and introduces a new control-based revenue recognition model for contracts with customers. In the new standard, total consideration measured will be the amount to which companies to be entitled, rather than fair value and new guidance have been introduced on separating performance obligations for goods and services in a contract and recognition of revenue over time. TFRS 15 is effective for annual periods beginning on or after 1 January 2018, with early adoption permitted.

According to the Group's assessment of TFRS 15 effects, the Group expect that revenues generated from later income transactions with suppliers will be affected. The Group has performed an initial assessment on these transactions and does not expect that there will be a significant impact on its consolidated financial statements resulting from the application of TFRS 15.

- TFRS 9 Financial Instruments, has been published by POA in January 2017, replaces the existing guidance in TAS 39 Financial Instruments: Recognition and Measurement. It also carries forward the guidance on recognition, classification, measurement and derecognition of financial instruments from TAS 39 to TFRS 9. The last version of TFRS 9 includes a new expected credit loss model for calculating impairment on financial assets, and new general hedge accounting requirements and also includes guidance issued in previous versions of TFRS 9. The Standard is effective for annual reporting periods beginning on or after 1 January 2018, with early adoption permitted.

The Group has performed an assessment about the possibility of impairment on its post dated receivables due to the application of expected credit loss model for those receivables and does not expect that there will be a significant impact on its consolidated financial statements resulting from the application of TFRS 9.

- TFRS Interpretation 22 "Foreign Currency Transactions and Advance Consideration" has been published by POA in December 2017 to clarify the accounting for transactions that include the receipt or payment of advance consideration in a foreign currency. The Interpretation covers foreign currency transactions when an entity recognizes a non-monetary asset or non-monetary liability arising from the payment or receipt of advance consideration before the entity recognizes the related asset, expense or income. The date of the transaction, for the purpose of determining the exchange rate, is the date of initial recognition of the non-monetary prepayment asset or deferred income liability. If there are multiple payments or receipts in advance, a date of transaction is established for each payment or receipt. This Interpretation is effective for annual reporting periods beginning on or after 1 January 2018 with earlier application is permitted. The Group does not expect that application of TFRS Interpretation 22 will have significant impact on its consolidated financial statements.

- POA has issued amendments to TFRS 2 Share-Based Payment in December 2017 to improving consistency and resolve some long-standing ambiguities in share-based payment accounting. The amendments cover three accounting areas: i) measurement of cash-settled share-based payments, ii) classification of share-based payments settled net of tax withholdings; and iii) accounting for modification of a share-based payment from cash-settled to equity-settled. Also, same approach has been adopted for the measurement of cash-settled share-based payments as equity-settled share-based payments. If certain conditions are met, share-based payments settled net of tax withholdings are accounted for as equity-settled share-based payments. The amendments are effective for periods beginning on or after 1 January 2018, with earlier application permitted. The Group does not expect that application of these amendments to TFRS 2 will have impact on its consolidated financial statements.

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

CARREFOURSA CARREFOUR SABANCI TİCARET MERKEZİ A.Ş.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2017

(Amounts expressed in Turkish Lira ("TRY") unless otherwise stated)

2. BASIS OF PRESENTATION OF CONSOLIDATED FINANCIAL STATEMENTS (Continued)

- Amendments to TAS 40 - Transfers of Investment Property issued by POA in December 2017 have been made to clarify uncertainty about that provide evidence of transfer of /from investment property to other asset groups. A change in management's intentions for the use of property does not provide evidence of a change in intended use. Therefore, when an entity decides to dispose of an investment property without development, it continues to treat the property as an investment property until it is derecognized (eliminated from the statement of consolidated financial position) and does not reclassify it as inventory. Similarly, if an entity begins to redevelop an existing investment property for continued future use as investment property, the property remains an investment property and is not reclassified as owner-occupied property during the redevelopment. The amendment is effective for annual reporting periods beginning on or after 1 January 2018 with earlier application is permitted. The Group does not expect that application of these amendments to TAS 40 will have significant impact on its consolidated financial statements.

Improvements to TFRSs

POA has issued Annual Improvements to TFRSs - 2014–2016 Cycle for applicable standards. The amendments are effective as of 1 January 2018. Earlier application is permitted. The Group does not expect that application of these improvements to TFRSs will have significant impact on its consolidated financial statements.

Annual Improvements to TFRSs 2014-2016 Cycle

- TFRS 1 "First Time Adoption of International Financial Reporting Standards", TFRS 1 is amended to removing of the outdated short-term exemptions for first-time adopters within the context of 'Annual Improvements to TFRSs 2012-2014 Cycle' related to disclosures for financial instruments, employee benefits and consolidation of investment entities.
- TAS 28 "Investments in Associates and Joint Ventures", The amendment enable when an investment in an associate or a joint venture is held by, or is held indirectly through, an entity that is a venture capital organization, or a mutual fund, unit trust and similar entities including investment-linked insurance funds, the entity may elect to measure that investment at fair value through profit or loss in accordance with TFRS 9.

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.
- 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.

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

CARREFOURSA CARREFOUR SABANCI TİCARET MERKEZİ A.Ş.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2017

(Amounts expressed in Turkish Lira ("TRY") unless otherwise stated)

2. BASIS OF PRESENTATION OF CONSOLIDATED FINANCIAL STATEMENTS (Continued)

Annual Improvements to TFRSs 2015-2017 Cycle

Improvements to TFRSs

IASB issued Annual Improvements to TFRSs - 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 28- Long-term interests in Associates and Joint Ventures, On 12 October 2017, IASB has issued amendments to IAS 28 to clarify that entities also apply IFRS 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 IAS 28. In applying IFRS 9, the entity does not take account of any adjustments to the carrying amount of long-term interests that arise from applying IAS 28. The amendments are effective for periods beginning on or after 1 January 2019, with earlier application permitted.

- Amendments to IFRS 9 - Prepayment features with negative compensation, On 12 October 2017, IASB has issued amendments to IFRS 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 IFRS 9. Under IFRS 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.

- IFRS 17 –Insurance Contracts, On 18 May 2017, IASB issued IFRS 17 Insurance Contracts. This first truly international 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.

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

CARREFOURSA CARREFOUR SABANCI TİCARET MERKEZİ A.Ş.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2017

(Amounts expressed in Turkish Lira ("TRY") unless otherwise stated)

3. CASH AND CASH EQUIVALENTS

	<u>31 December 2017</u>	<u>31 December 2016</u>
Cash on hand	32,496,463	26,254,077
Cash in transit (*)	14,285,870	12,695,038
Credit card receivables	249,704,941	219,195,656
Banks		
Time deposit	197,802,448	-
Demand deposit	17,341,935	16,054,678
Other	1,243	678,040
	<u>511,632,900</u>	<u>274,877,489</u>

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

Related party balances in cash and cash equivalents are stated in Note 28.

As at 31 December 2017 time deposits are as follows:

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

The Group does not have any blocked deposits as at 31 December 2017 and 2016.

The Group's exposure to currency and interest rate risks and relevant sensitivities for cash and cash equivalents are disclosed in Note 29.

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

CARREFOURSA CARREFOUR SABANCI TİCARET MERKEZİ A.Ş.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2017

(Amounts expressed in Turkish Lira ("TRY") unless otherwise stated)

4. FINANCIAL LIABILITIES

<u>Short Term Financial Liabilities</u>	<u>31 December 2017</u>	<u>31 December 2016</u>
Short Term Financial Liabilities from Related Parties		
Bank loans (*)	405,373,639	69,138,308
Other Short Term Financial Liabilities		
Bank loans (*)	535,893,975	740,834,609
	<u>941,267,614</u>	<u>809,972,917</u>
 <u>Short Term Portion of Long Term Financial Liabilities</u>	 <u>31 December 2017</u>	 <u>31 December 2016</u>
Short Term Portion of Long Term Financial Liabilities from Related Parties		
Bank loans (**)	-	4,905,363
Finance lease payables	30,377,887	30,010,996
Other Short Term Portion of Long Term Financial Liabilities		
Bank loans (**)	347,644,121	50,822,076
Finance lease payables	1,597,822	1,156,631
	<u>379,619,830</u>	<u>86,895,066</u>
 <u>Long Term Financial Liabilities</u>	 <u>31 December 2017</u>	 <u>31 December 2016</u>
Long Term Financial Liabilities from Related Parties		
Bank loans (**)	-	15,574,066
Finance lease payables	29,421,926	55,585,057
Other Long Term Financial Liabilities		
Bank loans (**)	311,039,753	383,342,597
Finance lease payables	25,738,324	21,123,540
	<u>366,200,003</u>	<u>475,625,260</u>

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

CARREFOURSA CARREFOUR SABANCI TİCARET MERKEZİ A.Ş.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2017

(Amounts expressed in Turkish Lira ("TRY") unless otherwise stated)

4. FINANCIAL LIABILITIES (Continued)

(*) As at 31 December 2017 and 2016 the details of short term bank loans are as follows:

Currency	Interest Rate	31 December 2017
TRY	15.86%	907,720,500
	Interest accrual	33,547,114
		<u>941,267,614</u>
Currency	Interest Rate	31 December 2016
TRY	11.65%	735,350,000
USD	3.50%	17,596,000
	Interest accrual	57,026,917
		<u>809,972,917</u>

(**) As at 31 December 2017 and 2016 the details of long term bank loans are as follows:

Currency	Interest Rate	31 December 2017
TRY	14.25%	565,000,000
USD	4.50%	93,683,874
		<u>658,683,874</u>
Currency	Interest Rate	31 December 2016
TRY	12.75%	300,000,000
USD	4.50%	134,164,674
EUR	3.50%	20,479,428
		<u>454,644,102</u>

The Group's financial borrowing due to related parties are stated in Note 28.

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

CARREFOURSA CARREFOUR SABANCI TİCARET MERKEZİ A.Ş.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2017

(Amounts expressed in Turkish Lira ("TRY") unless otherwise stated)

4. FINANCIAL LIABILITIES (Continued)

Finance lease payables consist of the followings:

Finance lease payables	Present value of minimum lease payments	
	31 December 2017	31 December 2016
Within one year	32,809,779	34,606,971
Less : Future finance charges	(834,070)	(3,439,344)
Present value of finance lease obligations	<u>31,975,709</u>	<u>31,167,627</u>
Two years and after	61,012,303	82,497,865
Less : Future finance charges	(5,852,053)	(5,789,268)
Present value of finance lease obligations	<u>55,160,250</u>	<u>76,708,597</u>

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 December 2017 and 2016 are disclosed at Note 11.

The repayment schedule of long-term borrowings as of 31 December 2017 and 2016 in TRY equivalent as at balance sheet date is as stated below:

	31 December 2017	31 December 2016
2018	-	375,255,202
2019	304,854,093	42,167,316
2020	37,000,935	40,145,832
2021	1,294,129	955,276
2022 and after	23,050,846	17,101,634
	<u>366,200,003</u>	<u>475,625,260</u>

As of 31 December 2017 and 2016, there are no guarantees given related to the financial borrowings.

	31 December 2017	31 December 2016
1 January bank loans and financial lease liabilities	1,372,493,243	1,101,176,175
Current period additions	2,005,570,500	752,946,000
Interest and capital repayments	(1,752,627,009)	(582,019,036)
Current period interest accruals	33,547,114	57,026,917
Effect of changes in foreign exchange	28,103,600	43,363,187
31 December borrowings and financial lease liabilities	<u>1,687,087,447</u>	<u>1,372,493,243</u>

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

CARREFOURSA CARREFOUR SABANCI TİCARET MERKEZİ A.Ş.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2017

(Amounts expressed in Turkish Lira ("TRY") unless otherwise stated)

5. TRADE RECEIVABLES AND PAYABLES

<u>Trade Receivables</u>	<u>31 December 2017</u>	<u>31 December 2016</u>
Other trade receivables	49,545,645	34,419,497
Shopping mall receivables	17,448,381	14,593,883
Provision for doubtful trade receivables	<u>(29,481,378)</u>	<u>(24,417,128)</u>
	<u>37,512,648</u>	<u>24,596,252</u>
Due from related parties (Note 28)	18,512,939	13,502,779
	<u>56,025,587</u>	<u>38,099,031</u>

The movement of the allowance for doubtful receivables for the years ended 31 December 2017 and 2016 is as follows:

	<u>31 December 2017</u>	<u>31 December 2016</u>
Opening balance	24,417,128	19,417,078
Collections / reversals	(1,313,571)	(2,662,832)
Charge for the period	<u>6,377,821</u>	<u>7,662,882</u>
Closing balance	<u>29,481,378</u>	<u>24,417,128</u>

Trade receivables due dates vary depending on the sector and company 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 Group's exposure to credit and foreign currency risk and impairment for trade receivables are disclosed in Note 29.

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

	<u>31 December 2017</u>	<u>31 December 2016</u>
Letters of guarantee received for shopping mall receivables	<u>21,649,862</u>	<u>21,173,831</u>
	<u>21,649,862</u>	<u>21,173,831</u>

<u>Short Term Trade Payables</u>	<u>31 December 2017</u>	<u>31 December 2016</u>
Trade payables	1,226,930,467	1,005,444,420
Due to related parties (Note 28)	<u>30,677,456</u>	<u>25,206,812</u>
	<u>1,257,607,923</u>	<u>1,030,651,232</u>

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

The Group's exposure to liquidity and foreign currency risk for trade payables are disclosed in Note 29.

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

CARREFOURSA CARREFOUR SABANCI TİCARET MERKEZİ A.Ş.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2017

(Amounts expressed in Turkish Lira ("TRY") unless otherwise stated)

6. OTHER RECEIVABLES AND PAYABLES

Other Short Term Receivables	31 December 2017	31 December 2016
Receivables from personnel	468,836	871,836
VAT receivables	13,333,868	-
Other receivables (*)	2,538,607	84,099,200
	16,341,311	84,971,036

(*) As of 31 December 2016, receivable from the sale of a shopping mall amounting to TRY 80,346,116 is included in other receivables.

Other Long Term Receivables	31 December 2017	31 December 2016
Deposits given	33,700,732	37,458,546
VAT receivables	14,810,033	14,958,765
	48,510,765	52,417,311

Other Short Term Payables	31 December 2017	31 December 2016
Taxes payables	14,382,378	12,549,798
Advances and deposits received	3,183,009	2,753,003
Other payables	-	1,991
	17,565,387	15,304,792
Due to related parties (Not 28)	7,891,821	7,127,364
	25,457,208	22,432,156

The Group's exposure to liquidity and foreign currency risk for other payables are disclosed in Note 29.

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

CARREFOURSA CARREFOUR SABANCI TİCARET MERKEZİ A.Ş.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2017

(Amounts expressed in Turkish Lira ("TRY") unless otherwise stated)

7. DERIVATIVES

<u>Derivative Instruments</u>	<u>31 December 2017</u>	<u>31 December 2016</u>
Assets:		
Short term commitment - hedging assets	37,024,056	40,242,872
	<u>37,024,056</u>	<u>40,242,872</u>

The Group's policy is to prevent all material foreign currency exchange risk related to commitments denominated by 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 December 2017, TRY 153,852,565 equivalent of USD 40,789,142 (USD 40,632,115 principal and accrued interest of USD 157,027) has been subjected to hedge accounting (31 December 2016: TRY 240,831,303 equivalent of USD 62,596,332 (USD 62,355,351 principle and accrued interest of USD 240,981) and EUR 5,537,155 (EUR 5,520,249 principle and accrued interest of EUR 16,906)).

8. INVENTORIES

	<u>31 December 2017</u>	<u>31 December 2016</u>
Trade goods	608,433,263	576,390,767
Impairment of inventories	(6,062,815)	(16,789,199)
	<u>602,370,448</u>	<u>559,601,568</u>

Allowance for impairment on inventory for the years ended 31 December 2017 and 2016 is recognized in cost of sales (Note 19).

As of 31 December 2017, cost of inventory recognized in income statement is TRY 3,385,086,186. (31 December 2016: TRY 3,457,230,722) (Note 19).

The movements of allowance for impairment on inventory for the periods ended 31 December 2017 and 2016 are below:

	<u>31 December 2017</u>	<u>31 December 2016</u>
Opening balance	16,789,199	10,278,511
Charge of the period	854,476	59,316,631
Current year reversal	(11,580,860)	(52,805,943)
Closing balance	<u>6,062,815</u>	<u>16,789,199</u>

9. PREPAID EXPENSES

<u>Sort Term Prepaid Expenses</u>	<u>31 December 2017</u>	<u>31 December 2016</u>
Prepaid expenses	25,973,010	33,425,147
Advances given	9,500,879	8,663,590
Prepaid taxes and dues	67,512	9,740
	<u>35,541,401</u>	<u>42,098,477</u>
<u>Long Term Prepaid Expenses</u>	<u>31 December 2017</u>	<u>31 December 2016</u>
Prepaid expenses	13,176,141	15,204,313
Advances given for tangible assets	1,838,380	2,649,176
	<u>15,014,521</u>	<u>17,853,489</u>

CONVENIENCE TRANSLATION INTO ENGLISH OF FINANCIAL STATEMENTS
ORIGINALLY ISSUED IN TURKISH

CARREFOURSA CARREFOUR SABANCI TİCARET MERKEZİ A.Ş.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2017

(Amounts expressed in Turkish Lira ("TRY") unless otherwise stated)

10. INVESTMENT PROPERTIES

	<u>Land</u>	<u>Buildings</u>	<u>Machinery and Equipment</u>	<u>Total</u>
<u>Cost</u>				
Opening balance, 1 January 2017	80,691,369	170,182,602	37,474,777	288,348,748
Additions	-	1,055,941	766,338	1,822,279
Closing balance, 31 December 2017	<u>80,691,369</u>	<u>171,238,543</u>	<u>38,241,115</u>	<u>290,171,027</u>
<u>Accumulated depreciation</u>				
Opening balance, 1 January 2017	-	(39,476,634)	(23,446,370)	(62,923,004)
Depreciation charge of the period	-	(3,860,134)	(2,024,425)	(5,884,559)
Closing balance, 31 December 2017	<u>-</u>	<u>(43,336,768)</u>	<u>(25,470,795)</u>	<u>(68,807,563)</u>
Net book value, 31 December 2017	<u>80,691,369</u>	<u>127,901,775</u>	<u>12,770,320</u>	<u>221,363,464</u>

The Group receives rent income amounting to TRY 75,291,394 (2016: TRY 84,681,706) from investment properties. Operating costs related with investment properties including the depreciation charge for the period are amounting to TRY 16,794,456 (2016: TRY 15,115,856).

As at 31 December 2017, total insurance amount over investment properties is TRY 311,607,029 (31 December 2016: TRY 308,840,526). As at 31 December 2017 and 31 December 2016 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).

	<u>Land</u>	<u>Buildings</u>	<u>Machinery and Equipment</u>	<u>Total</u>
<u>Cost</u>				
Opening balance, 1 January 2016	80,691,369	170,084,111	37,291,748	288,067,228
Additions	-	113,591	502,988	616,579
Disposals	-	(15,100)	(319,959)	(335,059)
Closing balance, 31 December 2016	<u>80,691,369</u>	<u>170,182,602</u>	<u>37,474,777</u>	<u>288,348,748</u>
<u>Accumulated depreciation</u>				
Opening balance, 1 January 2016	-	(35,631,099)	(21,665,180)	(57,296,279)
Depreciation charge of the period	-	(3,846,712)	(2,013,627)	(5,860,339)
Disposals	-	1,177	232,437	233,614
Closing balance, 31 December 2016	<u>-</u>	<u>(39,476,634)</u>	<u>(23,446,370)</u>	<u>(62,923,004)</u>
Net book value, 31 December 2016	<u>80,691,369</u>	<u>130,705,968</u>	<u>14,028,407</u>	<u>225,425,744</u>

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

CARREFOURSA CARREFOUR SABANCI TİCARET MERKEZİ A.Ş.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2017

(Amounts expressed in Turkish Lira ("TRY") unless otherwise stated)

11. PROPERTY, PLANT AND EQUIPMENT

	Land	Buildings	Buildings Purchased by Finance Lease	Machinery and Equipment	Other Tangible Assets	Construction in Progress	Total
<u>Cost</u>							
Opening balance, 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	430,000	20,697,453	-	134,763,088	776,029	1,147,732	157,814,302
Transfers (Note 12)	-	58,000	-	5,040,504	-	(5,108,504)	(10,000)
Disposals (*)	(16,510,977)	(10,277,474)	-	(30,827,504)	(773,378)	(390,705)	(58,780,038)
Closing balance, 31 December 2017	<u>179,603,604</u>	<u>297,673,221</u>	<u>20,512,454</u>	<u>1,011,544,267</u>	<u>23,763,995</u>	<u>1,453,321</u>	<u>1,534,550,862</u>
<u>Accumulated depreciation</u>							
Opening balance, 1 January 2017	-	(134,122,240)	(6,895,957)	(613,846,279)	(15,143,012)	-	(770,007,488)
Depreciation charge of the period	-	(7,971,578)	(400,441)	(66,829,917)	(2,807,145)	-	(78,009,081)
Impairments (i)	-	7,061,757	-	42,477,023	4,673,649	-	54,212,429
Disposals	-	2,867,989	-	22,368,011	598,355	-	25,834,355
Closing balance, 31 December 2017	<u>-</u>	<u>(132,164,072)</u>	<u>(7,296,398)</u>	<u>(615,831,162)</u>	<u>(12,678,153)</u>	<u>-</u>	<u>(767,969,785)</u>
Net book value, 31 December 2017	<u>179,603,604</u>	<u>165,509,149</u>	<u>13,216,056</u>	<u>395,713,105</u>	<u>11,085,842</u>	<u>1,453,321</u>	<u>766,581,077</u>

From depreciation and amortization expenses, TRY 81,756,080 (2016: TRY 91,129,959) is included in marketing expenses and TRY 31,106,641 (2016: TRY 23,760,257) is included in general administrative expenses.

(i) The Group unrecognized impairment provision for loss making stores amounting to TRY 54,212,429. Related impairment reversals were recognized in other income from main operations (2016: The Group recognized impairment provision for loss making stores amounting to TRY 69,491,711 and related impairment charges were recognized in other expenses from main operations).

(*) The group sold one property located in Istanbul in March 2017. It also includes the disposals belonging to the stores that were closed during the year.

As at 31 December 2017, total insurance amount over property, plant and equipment is TRY 1,347,017,013 (31 December 2016: TRY 1,427,901,682). As at 31 December 2017 and 31 December 2016 there is no mortgage on property, plant and equipment.

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

CARREFOURSA CARREFOUR SABANCI TİCARET MERKEZİ A.Ş.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2017

(Amounts expressed in Turkish Lira ("TRY") unless otherwise stated)

11. PROPERTY, PLANT AND EQUIPMENT (Continued)

	<u>Land</u>	<u>Buildings</u>	<u>Buildings Purchased by Finance Lease</u>	<u>Machinery and Equipment</u>	<u>Other Tangible Assets</u>	<u>Construction in Progress</u>	<u>Total</u>
<u>Cost</u>							
Opening balance, 1 January 2016	205,473,861	304,072,359	20,512,454	894,588,938	24,921,232	23,552,233	1,473,121,077
Additions	-	1,618,384	-	40,258,981	372,955	5,112,348	47,362,668
Transfers (Note 12)	-	(7,316,500)	-	25,154,864	3,605	(21,241,785)	(3,399,816)
Disposals (*)	(9,789,280)	(11,179,002)	-	(57,434,604)	(1,536,448)	(1,617,998)	(81,557,332)
Closing balance, 31 December 2016	<u>195,684,581</u>	<u>287,195,241</u>	<u>20,512,454</u>	<u>902,568,179</u>	<u>23,761,344</u>	<u>5,804,798</u>	<u>1,435,526,597</u>
<u>Accumulated depreciation</u>							
Opening balance, 1 January 2016	-	(122,377,290)	(6,495,516)	(502,727,538)	(6,834,957)	-	(638,435,301)
Depreciation charge of the period	-	(8,299,624)	(400,441)	(75,164,216)	(2,733,142)	-	(86,597,423)
Impairment	-	(7,132,048)	-	(56,394,958)	(5,964,705)	-	(69,491,711)
Disposals	-	3,686,723	-	20,440,433	389,793	-	24,516,949
Closing balance, 31 December 2016	<u>-</u>	<u>(134,122,239)</u>	<u>(6,895,957)</u>	<u>(613,846,279)</u>	<u>(15,143,011)</u>	<u>-</u>	<u>(770,007,487)</u>
Net book value, 31 December 2016	<u>195,684,581</u>	<u>153,073,002</u>	<u>13,616,497</u>	<u>288,721,900</u>	<u>8,618,333</u>	<u>5,804,798</u>	<u>665,519,110</u>

(*)The group sold one shopping mall located in Istanbul in December 2016. It also includes the disposals belonging to the stores that were closed during the year.

CONVENIENCE TRANSLATION INTO ENGLISH OF FINANCIAL STATEMENTS
ORIGINALLY ISSUED IN TURKISH

CARREFOURSA CARREFOUR SABANCI TİCARET MERKEZİ A.Ş.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2017

(Amounts expressed in Turkish Lira ("TRY") unless otherwise stated)

12. INTANGIBLE ASSETS

Intangible Assets

<u>Cost</u>	<u>Total</u>
Opening balance, 1 January 2017	161,986,946
Additions	33,994,378
Transfers (Note 11)	10,000
Disposals	(83,533)
Closing balance, 31 December 2017	195,907,791
<u>Accumulated amortization</u>	
Opening balance, 1 January 2017	(86,653,963)
Charge for the period	(28,969,081)
Impairment (i)	2,981,762
Disposals	73,462
Closing balance, 31 December 2017	(112,567,820)
Net book value, 31 December 2017	83,339,971

<u>Cost</u>	<u>Total</u>
Opening balance, 1 January 2016	150,259,084
Additions	19,987,846
Transfers	3,399,816
Disposals	(11,659,800)
Closing balance, 31 December 2016	161,986,946
<u>Accumulated amortization</u>	
Opening balance, 1 January 2016	(63,516,127)
Charge for the period	(22,432,454)
Impairment (i)	(4,652,054)
Disposals	3,946,672
Closing balance, 31 December 2016	(86,653,963)
Net book value, 31 December 2016	75,332,983

(i) The Group unrecognized impairment provision for intangible assets amounting to TRY 2,981,762 (31 December 2016: Due to no future cash flow can be created, the Group has recognized impairment provision for intangible assets amounting TRY 4,652,054).

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

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

CARREFOURSA CARREFOUR SABANCI TİCARET MERKEZİ A.Ş.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2017

(Amounts expressed in Turkish Lira ("TRY") unless otherwise stated)

13. GOODWILL AND BUSINESS COMBINATIONS

Goodwill amount is consisted of following investments:

<u>Investments:</u>	<u>31 December 2017</u>	<u>31 December 2016</u>
Kiler Alışveriş	404,218,260	545,936,260
Gima	180,159,453	180,159,453
Alpark	48,301,156	48,301,156
	<u>632,678,869</u>	<u>774,396,869</u>

The Group recognized goodwill impairment for loss making stores of "Kiler Alışveriş" amounting to TRY 141,718,000. Related impairment charges were recognized in other expenses from main operations.

If the after tax discount rate and long term growth rate applied to cash flow forecasts would be 1% higher than the management's estimates, the Group would recognize impairment loss in consolidated financial statements amounting to TRY 14,749,520.

14. SHORT AND LONG TERM PROVISIONS

Provisions for short term liabilities as of 31 December 2017 and 2016 are as follows:

<u>Short Term Provisions</u>	<u>31 December 2017</u>	<u>31 December 2016</u>
Provision for other, risk, litigations and onerous contracts	74,209,141	112,359,339
Provision for personnel and social security	770,000	1,350,000
Other (*)	32,949,764	13,683,587
	<u>107,928,905</u>	<u>127,392,926</u>

(*) It contains provisions for restructuring and reorganizations.

Movements of provision for short term liabilities as of 31 December 2017 and 2016 are as follows:

	<u>Provision for other risks, litigations and onerous contracts</u>	<u>Provision for personnel and social security</u>	<u>Other</u>	<u>Total</u>
Opening balance, 1 January 2017	112,359,339	1,350,000	13,683,587	127,392,926
Charge of the period	14,801,450	170,000	30,789,404	45,760,854
Current year reversal / charge	(52,951,648)	(750,000)	(11,523,227)	(65,224,875)
Closing balance, 31 December 2017	<u>74,209,141</u>	<u>770,000</u>	<u>32,949,764</u>	<u>107,928,905</u>

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

CARREFOURSA CARREFOUR SABANCI TİCARET MERKEZİ A.Ş.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2017

(Amounts expressed in Turkish Lira ("TRY") unless otherwise stated)

14. SHORT AND LONG TERM PROVISIONS (Continued)

	Provision for other risks, litigations and onerous contracts	Provision for personnel and social security	Other	Total
Opening balance, 1 January 2016	72,127,309	1,350,000	12,035,216	85,512,525
Charge of the period	65,522,970	-	43,870,162	109,393,132
Current year reversal / charge	(25,290,940)	-	(42,221,791)	(67,512,731)
Closing balance, 31 December 2016	<u>112,359,339</u>	<u>1,350,000</u>	<u>13,683,587</u>	<u>127,392,926</u>

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, 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 December 2017 and 2016 are as follows:

<u>Short Term Employment Benefits</u>	<u>31 December 2017</u>	<u>31 December 2016</u>
Unused vacation provision	8,247,818	7,660,305
	<u>8,247,818</u>	<u>7,660,305</u>

<u>Long Term Employment Benefits</u>	<u>31 December 2017</u>	<u>31 December 2016</u>
Employment termination benefit provision	51,336,450	48,120,758
	<u>51,336,450</u>	<u>48,120,758</u>

Movement for employment termination benefit provision for 31 December 2017 and 2016 are as follows:

	<u>2017</u>	<u>31 December 2016</u>
Opening balance, 1 January	48,120,758	47,451,671
Service cost	32,350,023	42,043,267
Interest cost	1,693,851	1,551,000
Actuarial (gain) / loss	140,705	(1,185,930)
Paid compensation during the year (*)	(30,968,887)	(41,739,250)
Closing balance, 31 December	<u>51,336,450</u>	<u>48,120,758</u>

(*) The Group's management has made compensation payments within the scope of restructuring.

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

CARREFOURSA CARREFOUR SABANCI TİCARET MERKEZİ A.Ş.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2017

(Amounts expressed in Turkish Lira ("TRY") unless otherwise stated)

15. LETTER OF GUARANTEES, PLEDGES AND MORTGAGES

GPM given by the Group

	<u>31 December 2017</u>	<u>31 December 2016</u>
A. GPM given on behalf of its own legal entity	80,665,380	77,683,659
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	-	-
	<u>80,665,380</u>	<u>77,683,659</u>

31 December 2017

	<u>Total TRY</u>	<u>TRY</u>	<u>USD (TRY Equivalents)</u>	<u>EUR (TRY Equivalents)</u>
Letter of guarantees	80,665,380	77,657,723	952,726	2,054,931
	<u>80,665,380</u>	<u>77,657,723</u>	<u>952,726</u>	<u>2,054,931</u>

31 December 2016

	<u>Total TRY</u>	<u>TRY</u>	<u>USD (TRY Equivalents)</u>	<u>EUR (TRY Equivalents)</u>
Letter of guarantees	77,683,659	75,424,244	1,920,178	339,237
	<u>77,683,659</u>	<u>75,424,244</u>	<u>1,920,178</u>	<u>339,237</u>

16. EMPLOYMENT BENEFITS

Employee Benefit Liabilities

	<u>31 December 2017</u>	<u>31 December 2016</u>
Payables to personnel and Social Security Premiums payable	24,795,358	21,297,461
Personnel salary and premium payables	995,629	4,104,644
	<u>25,790,987</u>	<u>25,402,105</u>

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

CARREFOURSA CARREFOUR SABANCI TİCARET MERKEZİ A.Ş.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2017

(Amounts expressed in Turkish Lira ("TRY") unless otherwise stated)

17. OTHER ASSET AND LIABILITIES

Other liabilities as of 31 December 2017 and 2016 are as follows:

<u>Other Current Liabilities</u>	<u>31 December 2017</u>	<u>31 December 2016</u>
Unearned income	12,030,514	12,775,105
Accrued expenses	555,881	1,128,462
Liabilities for shopping cheques	675,608	686,327
	<u>13,262,003</u>	<u>14,589,894</u>

18. SHAREHOLDERS' EQUITY

a) Capital

Shareholder structure as of 31 December 2017 and 2016 is stated below:

<u>Shareholders</u>	<u>(%)</u>	<u>31 December 2017</u>	<u>(%)</u>	<u>31 December 2016</u>
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	<u>100.00</u>	<u>700,000,000</u>	<u>100.00</u>	<u>700,000,000</u>

The issued capital of the Group is TRY 700,000,000 (2016: TRY 700,000,000) as of 31 December 2017 with a nominal value of TRY 0.01 (1 KR) of 70,000,000,000 shares (2016: 70,000,000,000 shares).

With the resolution of the Company's General Assembly held on 24 March 2016 and CMB's approval published on the bulletin dated 10 March 2016 numbered 2016/9, the share capital of the Company increased by issuing bonus shares amounting to TRY 586,160,697. Share capital increase has been registered by Registry of Commerce of İstanbul on 11 April 2016. The related amount has been transferred from inflation adjustment to share capital account. In the same General Assembly, it has been decided to accept registered capital system with CMB's approval numbered 9/273 on 10 March 2016. The registered capital limit would be TRY 1,500,000,000 and registered capital limit permission would be valid between 2016/2020 (5 years).

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

CARREFOURSA CARREFOUR SABANCI TİCARET MERKEZİ A.Ş.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2017

(Amounts expressed in Turkish Lira ("TRY") unless otherwise stated)

18. SHAREHOLDERS' EQUITY (Continued)

The inflation adjustment on share capital as of 31 December 2017 and 2016 are as follows:

	<u>31 December 2017</u>	<u>31 December 2016</u>
Inflation adjustment to share capital	91,845,783	91,845,783
	<u>91,845,783</u>	<u>91,845,783</u>

b) Retained Losses

	<u>31 December 2017</u>	<u>31 December 2016</u>
Retained losses	(463,854,309)	(31,687,012)
	<u>(463,854,309)</u>	<u>(31,687,012)</u>

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 TAS 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 101,923,639 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) Resticted Reserves

	<u>31 December 2017</u>	<u>31 December 2016</u>
Legal reserves	12,318,358	12,318,358
	<u>12,318,358</u>	<u>12,318,358</u>

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.

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

CARREFOURSA CARREFOUR SABANCI TİCARET MERKEZİ A.Ş.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2017

(Amounts expressed in Turkish Lira ("TRY") unless otherwise stated)

18. 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 or Loss

	<u>31 December 2017</u>	<u>31 December 2016</u>
Actuarial (losses) / gains	(601,338)	(488,774)
	<u>(601,338)</u>	<u>(488,774)</u>

19. REVENUE AND COST OF SALES

<u>NET SALES</u>	<u>2017</u>	<u>2016</u>
Revenue from retail operations	4,509,200,666	4,463,886,054
Loyalty program discounts	(10,359,593)	(22,409,689)
Sales returns	(31,982,866)	(40,785,390)
Sales discount	(4,410,624)	(4,823,925)
Rent income	91,541,171	98,007,536
	<u>4,553,988,754</u>	<u>4,493,874,586</u>
<u>COST OF SALES</u>	<u>2017</u>	<u>2016</u>
Opening balance of inventories	(559,601,568)	(614,047,732)
Purchases	(3,427,855,066)	(3,402,784,558)
Change in inventory impairment (Note 8)	10,726,384	(6,510,688)
Closing balance of inventories	602,370,448	559,601,568
Shopping mall general expenses	(17,165,792)	(15,689,120)
	<u>(3,391,525,594)</u>	<u>(3,479,430,530)</u>

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

CARREFOURSA CARREFOUR SABANCI TİCARET MERKEZİ A.Ş.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2017

(Amounts expressed in Turkish Lira ("TRY") unless otherwise stated)

20. SELLING AND MARKETING AND GENERAL ADMINISTRATIVE EXPENSES

Operating expenses for the years ended 31 December 2017 and 2016 are as follows:

<u>OPERATING EXPENSES</u>	<u>2017</u>	<u>2016</u>
Marketing expenses	(1,017,512,243)	(1,043,676,090)
General administrative expenses	(131,681,241)	(123,127,220)
	<u>(1,149,193,484)</u>	<u>(1,166,803,310)</u>

21. EXPENSES BY NATURE

	<u>2017</u>	<u>2016</u>
Personnel expenses	(506,914,377)	(504,747,042)
Rent expenses	(231,156,916)	(248,660,557)
Depreciation and amortization expenses	(112,862,721)	(114,890,216)
Overhead expenses	(76,054,037)	(81,063,440)
Advertising expenses	(49,551,769)	(53,695,250)
Repair and maintenance expenses	(45,523,307)	(39,634,007)
Outsourced expenses	(38,815,077)	(39,277,424)
Stationery consumption expenses	(17,551,699)	(16,407,107)
Consultancy expenses	(11,576,472)	(11,726,485)
Travel expenses	(9,559,593)	(7,946,693)
Taxation and other expenses	(8,289,755)	(9,248,475)
Insurance expenses	(6,314,320)	(6,121,839)
Communication expenses	(5,086,064)	(2,310,516)
Decoration material expenses	(4,152,953)	(2,917,764)
Other	(25,784,424)	(28,156,495)
	<u>(1,149,193,484)</u>	<u>(1,166,803,310)</u>

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

CARREFOURSA CARREFOUR SABANCI TİCARET MERKEZİ A.Ş.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2017

(Amounts expressed in Turkish Lira ("TRY") unless otherwise stated)

22. OTHER INCOME AND EXPENSES FROM MAIN OPERATIONS

Other operating income/expenses from main operations for the years ended 31 December 2017 and 2016 are as follows:

<u>Other Operating Income</u>	<u>2017</u>	<u>2016</u>
Cancellation of impairment (i) (Note 11-12)	57,194,191	-
Provisions no longer required (ii)	22,590,154	2,234,603
Foreign exchange gain from operational activities	4,799,905	80,065,724
Interest income from time deposit less than 3 months	274,734	845,947
Other income	7,909,232	3,517,209
	<u>92,768,216</u>	<u>86,663,483</u>

(i) As of 31 December 2017, the Group reversed impairment provision related to its tangible and intangible assets amounting to TRY 57,194,191.

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

<u>Other Operating Expenses (-)</u>	<u>2017</u>	<u>2016</u>
Goodwill impairment	(141,718,000)	-
Interest expenses from purchases via credit	(59,196,025)	(53,432,433)
Provision expenses (i)	(34,719,620)	(105,330,224)
Foreign exchange losses from operational activities	(9,503,675)	(82,625,359)
Interest expenses from operational activities	(946,428)	(923,926)
Impairment provision (ii)	-	(74,143,765)
Other expenses and losses	(46,795,692)	(64,070,594)
	<u>(292,879,440)</u>	<u>(380,526,301)</u>

(i) Provision expenses are mainly consists of risk and legal provisions.

(ii) As of 31 December 2016 The Group provided impairment provision amounting to TRY 74,143,765 related to loss making stores.

23. INCOME AND EXPENSES FROM INVESTMENT ACTIVITIES

	<u>2017</u>	<u>2016</u>
Gain on sale of investment propoerty and tangible assets	21,289,283	60,156,642
	<u>21,289,283</u>	<u>60,156,642</u>

The Group sold one property located in Istanbul in March 2017.

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

CARREFOURSA CARREFOUR SABANCI TİCARET MERKEZİ A.Ş.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2017

(Amounts expressed in Turkish Lira ("TRY") unless otherwise stated)

24. FINANCIAL INCOME

Financial expenses for the years ended 31 December 2017 and 2016 are as follows:

<u>Finance income</u>	<u>2017</u>	<u>2016</u>
Interest income	2,349,557	-
	<u>2,349,557</u>	<u>-</u>

25. FINANCIAL EXPENSES

Financial expenses for the years ended 31 December 2017 and 2016 are as follows:

<u>Financial expense</u>	<u>2017</u>	<u>2016</u>
Interest expenses	(183,576,827)	(139,841,947)
Credit card commission expenses	(5,467,491)	(8,153,138)
	<u>(189,044,318)</u>	<u>(147,995,085)</u>

26. TAX ASSETS AND LIABILITIES

<u>Tax Expense of the Period</u>	<u>2017</u>	<u>2016</u>
Corporate tax expense of the current period	-	-
Deferred tax income/(expense)	46,438,129	101,893,218
Tax income/(expense) from continuing operations	<u>46,438,129</u>	<u>101,893,218</u>

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 20% as of 31 December 2017 (2016: 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%.

The tax legislation provides for a temporary tax of 20% (2016: 20%) to be calculated and paid based on earnings generated for each quarter for the period ended 31 December 2017. 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.

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

CARREFOURSA CARREFOUR SABANCI TİCARET MERKEZİ A.Ş.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2017

(Amounts expressed in Turkish Lira ("TRY") unless otherwise stated)

26. TAX ASSETS AND LIABILITIES (Continued)

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 December 2017 and 2016, 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.

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

CARREFOURSA CARREFOUR SABANCI TİCARET MERKEZİ A.Ş.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2017

(Amounts expressed in Turkish Lira ("TRY") unless otherwise stated)

26. TAX ASSETS AND LIABILITIES (Continued)

Deferred tax calculation for the periods ending 31 December 2017 and 2016 is as follows:

<u>The basis for deferred tax timing differences:</u>	<u>31 December 2017</u>	<u>31 December 2016</u>
Reserve for onerous contract and other contingencies	100,745,621	130,545,113
Provision for impairment in fixed assets	9,281,756	132,324,275
Inventory valuation differences	93,426,989	87,550,087
Other current assets	(29,259,614)	(11,014,504)
Provision for employment termination benefit	51,336,450	48,120,758
Tangible and intangible fixed assets	(150,908,186)	(167,710,593)
Other short term liabilities	10,691,543	2,634,403
Finance lease payables	27,928,436	23,192,832
Prior year losses	958,101,773	613,656,351
Other	198,552	2,796,321
	<u>1,071,543,320</u>	<u>862,095,043</u>

<u>Deferred tax assets / (liabilities) :</u>	<u>31 December 2017</u>	<u>31 December 2016</u>
Reserve for onerous contract and other contingencies	22,164,037	26,109,023
Provision for impairment in fixed assets	1,856,351	26,464,855
Inventory valuation differences	20,553,938	17,510,017
Other current assets	(6,437,115)	(2,202,901)
Provision for employment termination benefit	10,267,290	9,624,152
Tangible and intangible fixed assets	(29,717,920)	(33,542,119)
Other short term liabilities	2,352,139	526,881
Finance lease payables	5,597,533	4,638,566
Prior year losses	192,205,342	122,731,270
Other	43,682	559,263
	<u>218,885,277</u>	<u>172,419,007</u>

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

CARREFOURSA CARREFOUR SABANCI TİCARET MERKEZİ A.Ş.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2017

(Amounts expressed in Turkish Lira ("TRY") unless otherwise stated)

26. TAX ASSETS AND LIABILITIES (Continued)

Carry forward tax losses

The expiration dates of such carry forward tax losses are as follows:

	<u>31 December 2017</u>	<u>31 December 2016</u>
2019	11,238,173	11,238,173
2020	18,011,218	18,011,218
2021	584,715,820	584,406,960
2022	344,136,562	-
	<u>958,101,773</u>	<u>613,656,351</u>

The movements of deferred tax asset and liability as of 31 December 2017 and 2016 are as follows:

<u>Deferred tax asset / (liability) movements:</u>	<u>2017</u>	<u>2016</u>
Opening balance at 1 January	172,419,007	70,647,886
Current year income/(loss)	46,438,129	101,893,218
Acquired deferred tax asset with business combination	-	115,089
Other comprehensive (loss)/income	28,141	(237,186)
Closing balance at 31 December	<u>218,885,277</u>	<u>172,419,007</u>

<u>Tax reconciliation</u>	<u>2017</u>	<u>2016</u>
Loss before tax	(352,247,026)	(534,060,515)
Effective tax rate	20%	20%
Calculated tax	70,449,405	106,812,103
Disallowable expenses	(5,634,995)	(3,426,303)
Exemptions and discounts	3,188,524	5,284,380
Goodwill impairment not subject to deferred tax calculation	(28,343,600)	-
Current period losses not subject to deferred tax calculation	-	(5,703,590)
Effect of prior years' losses removed in the scope of tax base increase	4,576,586	-
Other	2,202,209	(1,073,372)
	<u>46,438,129</u>	<u>101,893,218</u>

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

CARREFOURSA CARREFOUR SABANCI TİCARET MERKEZİ A.Ş.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2017

(Amounts expressed in Turkish Lira ("TRY") unless otherwise stated)

27. LOSS PER SHARE

Weighted average number of shares and basic earnings per share for the years ended 31 December 2017 and 2016 are as follows:

	<u>31 December 2017</u>	<u>31 December 2016</u>
Opening, number of shares (Note 18)	70,000,000,000	11,383,930,257
Increase with business combination	-	41,767,800
Share addition	-	58,574,301,943
Closing, number of shares (total)	<u>70,000,000,000</u>	<u>70,000,000,000</u>
Weighted average number of shares (Note 18)	70,000,000,000	70,000,000,000
Net loss for the period	<u>(305,808,897)</u>	<u>(432,167,297)</u>
Loss per share (Kr)	<u>(0.4369)</u>	<u>(0.6174)</u>

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

CARREFOURSA CARREFOUR SABANCI TİCARET MERKEZİ A.Ş.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2017

(Amounts expressed in Turkish Lira ("TRY") unless otherwise stated)

28. TRANSACTIONS AND BALANCES WITH RELATED PARTIES

<u>Cash and cash equivalents (Note 3)</u>	<u>31 December 2017</u>	<u>31 December 2016</u>
Akbank T.A.Ş.	57,480,754	83,646,013
	<u>57,480,754</u>	<u>83,646,013</u>
<u>Trade receivables from related parties (Note 5)</u>	<u>31 December 2017</u>	<u>31 December 2016</u>
Carrefour World Trade	16,810,710	11,855,080
Akbank T.A.Ş.	598,918	272,565
Carrefour Romania	577,516	925,878
Carrefour Nederland BV	181,708	178,951
Carrefour Global Sourcing Asia	120,095	48,155
Ak Finansal Kiralama A.Ş.	36,918	36,918
Teknosa İç ve Dış Ticaret A.Ş.	-	96,355
Brisa Bridgestone Sabancı Lastik Sanayi ve Ticaret A.Ş.	-	9,700
Other	187,074	79,177
	<u>18,512,939</u>	<u>13,502,779</u>
<u>Financial Liabilities (Note 4)</u>	<u>31 December 2017</u>	<u>31 December 2016</u>
Akbank T.A.Ş.	405,373,639	89,617,737
Ak Finansal Kiralama A.Ş.	59,799,813	85,596,053
	<u>465,173,452</u>	<u>175,213,790</u>
<u>Trade payables to related parties (Note 5)</u>	<u>31 December 2017</u>	<u>31 December 2016</u>
Philip Morris Sabancı Sigara ve Tütünçülük Sanayi ve Tic. A.Ş.	14,553,352	8,656,362
Bimsa Uluslararası İş, Bilgi ve Yönetim Sistemleri A.Ş.	7,517,857	9,352,909
Enerjisa İstanbul Anadolu Yakası Elektrik Perakende Satış A.Ş.	6,217,631	-
Teknosa İç ve Dış Ticaret A.Ş.	1,145,500	421,447
Aksigorta A.Ş.	230,692	230,909
Brisa Bridgestone Sabancı Lastik Sanayi ve Ticaret A.Ş.	71,988	653,950
Avivasa Emeklilik ve Hayat A.Ş.	60,209	5,949
Enerjisa Elektrik Enerjisi Toptan Satış A.Ş.	-	5,599,019
Other	880,227	286,267
	<u>30,677,456</u>	<u>25,206,812</u>
<u>Other short term payables to related parties (Note 6)</u>	<u>31 December 2017</u>	<u>31 December 2016</u>
Hacı Ömer Sabancı Holding A.Ş.	4,695,126	4,371,040
Carrefour Partenariat International	3,196,695	2,756,324
	<u>7,891,821</u>	<u>7,127,364</u>

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

CARREFOURSA CARREFOUR SABANCI TİCARET MERKEZİ A.Ş.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2017

(Amounts expressed in Turkish Lira ("TRY") unless otherwise stated)

28. TRANSACTIONS AND BALANCES WITH RELATED PARTIES (Continued)

<u>Purchases from related parties (goods)</u>	2017	2016
Philip Morris Sabancı Sigara ve Tütünçülük Sanayi ve Tic. A.Ş.	183,187,747	165,971,136
Teknosa İç ve Dış Ticaret A.Ş.	818,219	1,338,270
Yünsa Yünlü San. Ve Tic.A.Ş.	482,353	-
Brisa Bridgestone Sabancı Lastik Sanayi ve Ticaret A.Ş.	163,998	663,442
	<u>184,652,317</u>	<u>167,972,848</u>
<u>Purchases from related parties (services)</u>	2017	2016
Enerjisa İstanbul Anadolu Yakası Elektrik Perakende Satış A.Ş.	60,396,159	-
Bimsa Uluslararası İş, Bilgi ve Yönetim Sistemleri A.Ş.	10,331,028	5,896,821
Aksigorta A.Ş.	7,621,999	6,958,152
Enerjisa Elektrik Enerjisi Toptan Satış A.Ş.	671,573	57,234,955
Teknosa İç ve Dış Ticaret A.Ş.	628,260	944,928
Other	1,078,806	861,159
	<u>80,727,825</u>	<u>71,896,015</u>
<u>Rent income from related parties</u>	2017	2016
Teknosa İç ve Dış Ticaret A.Ş.	4,826,485	4,648,475
Akbank T.A.Ş.	1,328,611	813,054
	<u>6,155,097</u>	<u>5,461,529</u>
<u>Rebates and other income from related parties</u>	2017	2016
Carrefour World Trade	16,810,710	12,462,818
Philip Morris Sabancı Sigara ve Tütünçülük Sanayi ve Ticaret A.Ş.	3,817,379	3,794,842
Akbank T.A.Ş.	2,265,123	3,516,335
Carrefour Romania	1,562,901	1,674,862
Carrefour Global Sourcing Asia	600,634	3,998,378
Temsa Global Sanayi ve Ticaret A.Ş.	553,357	386,922
Kordsa Global Endüstriyel İplik ve Kord Bezi Sanayi ve Ticaret A.Ş.	497,084	520,163
Carrefour Nederland BV	356,288	345,871
Çimsa Çimento Sanayi ve Ticaret A.Ş.	274,900	135,349
Akçansa Çimento Sanayi ve Ticaret A.Ş.	193,187	189,766
Hacı Ömer Sabancı Holding A.Ş.	186,199	-
Teknosa İç ve Dış Ticaret A.Ş.	149,568	939,761
Ak Yatırım Menkul Değerler A.Ş.	143,184	121,518
Brisa-Bridgestone Sabancı Lastik Sanayi ve Ticaret A.Ş.	126,570	318,969
Avivasa Emeklilik ve Hayat A.Ş.	109,608	209,020
Bimsa Uluslararası İş, Bilgi ve Yönetim Sistemleri A.Ş.	74,089	-
Socomo SA	-	364,800
Aksigorta A.Ş.	-	48,308
Carrefour Partenariat International	-	45,574
Other	51,882	21,588
	<u>27,772,663</u>	<u>29,094,844</u>

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

CARREFOURSA CARREFOUR SABANCI TİCARET MERKEZİ A.Ş.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2017

(Amounts expressed in Turkish Lira ("TRY") unless otherwise stated)

28. TRANSACTIONS AND BALANCES WITH RELATED PARTIES (Continued)

<u>Other expenses to related parties</u>	<u>2017</u>	<u>2016</u>
Hacı Ömer Sabancı Holding A.Ş.	15,267,012	15,190,300
Carrefour Partenariat International	11,360,981	9,989,619
Bimsa Uluslararası İş, Bilgi ve Yönetim Sistemleri A.Ş.	-	111,380
Teknosa İç ve Dış Ticaret A.Ş.	-	14,899
Other	5,875	22,821
	<u>26,633,868</u>	<u>25,329,019</u>

<u>Interest income from related parties</u>	<u>2017</u>	<u>2016</u>
Akbank T.A.Ş.	889,400	671,342

Interest expense and credit card commission to related parties

Akbank T.A.Ş.	16,059,494	21,062,081
---------------	------------	------------

The total amount of benefits for the key management personnel in the current period is as follows:

	<u>2017</u>	<u>2016</u>
Salaries and other short term benefits	7,559,291	7,121,178
Other long term benefits	296,312	282,032
	<u>7,855,603</u>	<u>7,403,210</u>

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

CARREFOURSA CARREFOUR SABANCI TİCARET MERKEZİ A.Ş.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2017

(Amounts expressed in Turkish Lira ("TRY") unless otherwise stated)

29. FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT

Capital risk management

The Group manages its capital to ensure that entities in the Group will be able to continue as a going concern while maximizing the return to stakeholders through the optimization of the debt and equity balance.

The capital structure of the Group consists of debt, which includes the borrowings disclosed in Note 4, cash and cash equivalents disclosed in Note 3 and equity attributable to equity holders of the parent, comprising issued capital, reserves and retained earnings as disclosed in Note 18.

The Board of Directors of the Group examines the capital structure and indebtedness three times a year. During the examinations the Board, together with cost of capital, evaluates all the risks associated with capital owning-class. Based on the recommendations of the Board, the Group tries to balance the capital structure by acquiring new debt or paying back the current debt.

The Group controls its capital with the liability / share capital ratio. Net liability is divided by share capital in this ratio. Cash and cash equivalents are deducted from total loans (including financial debt and liabilities and finance lease payables as presented in the consolidated balance sheet) to calculate the net liability.

Net liability / share capital ratio as of 31 December 2017 and 2016 are as follows:

	<u>31 December 2017</u>	<u>31 December 2016</u>
Total debt	1,687,087,447	1,372,493,243
<u>Less: Cash and cash equivalents</u>	<u>(511,632,900)</u>	<u>(274,877,489)</u>
Net liabilities	1,175,454,547	1,097,615,754
<u>Total share capital</u>	<u>700,000,000</u>	<u>700,000,000</u>
Net liabilities / share capital ratio	167.92%	156.80%

The Group's overall strategy is not changed significantly in the current period.

Financial Risk Factors

The Group's corporate treasury department, besides providing services for operations, also coordinates access to domestic and international markets, monitors and manages the financial risks relating to the operations of the Group through internal risk reports which analyses exposures by degree and magnitude of risk. These risks include market risk (including currency risk, fair value interest rate risk and price risk) credit risk, liquidity risk and cash flow interest rate risk.

The Group has used some derivative financial instruments in order to reduce its financial risks. Although the Group did not use any derivative financial instruments in the current period, some financial instruments are used in the prior periods. The derivative financial instruments used have been identified by using the Group risk management policies which were approved by the Board of Directors. If the Group needs any derivative financial instruments in the future, appropriate financial instruments will be submitted to the approval of the Board. The policies include both interest rate risks and foreign exchange risks. The Group does not enter into or trade financial instruments for speculative purpose and this kind of trading is forbidden by the Group's main shareholders.

The treasury department presents the risk factors and the related risk reducing policies in the monthly reports prepared for the main shareholders and to the Board of Directors in case of their demand.

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

CARREFOURSA CARREFOUR SABANCI TİCARET MERKEZİ A.Ş.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2017

(Amounts expressed in Turkish Lira ("TRY") unless otherwise stated)

29. FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT (Continued)

Credit risk management

Credit risks refer to the risk that counterparty will default on its contractual obligations resulting in financial loss to the Group. Since the Group is in retail sector, there is not any credit risk arising from sales to customers.

The risk raised from the advances and deposits given in order to make investments by the Group, is under control by taking letter of guarantees from various banks. Based on the Group policy, the Group does not pay any advance or deposits without taking a letter of guarantee from counterparty.

The Group takes cash deposits for minimum 3 months rent amount and / or letter of guarantees from tenants in shopping malls, in order to avoid rent receivable risk.

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

CARREFOURSA CARREFOUR SABANCI TİCARET MERKEZİ A.Ş.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2017

(Amounts expressed in Turkish Lira ("TRY") unless otherwise stated)

29. FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT (Continued)

Financial Risk Factors (Continued)

Credit Risk of Financial Instruments

	<u>Receivables</u>				<u>Bank Deposits and Credit Card Receivables</u>
	<u>Trade Receivables</u>		<u>Other Receivables</u>		
<u>31 December 2017</u>	<u>Related Party</u>	<u>Third Party</u>	<u>Related Party</u>	<u>Third Party</u>	
Maximum net credit risk as of balance sheet date (i)	18,512,939	37,512,648	-	64,852,076	479,135,194
- The part of maximum risk under guarantee with collateral etc. (ii)	-	25,249,862	-	-	-
A. Net book value of financial assets that are neither past due nor impaired	18,512,939	12,105,524	-	64,852,076	479,135,194
B. Net book value of financial assets that are renegotiated, if not that will be accepted as past due or impaired	-	-	-	-	-
C. Carrying value of financial assets that are past due but not impaired	-	25,407,124	-	-	-
- The part under guarantee with collateral etc.	-	11,772,976	-	-	-
D. Net book value of impaired assets	-	-	-	-	-
- Past due (gross carrying amount)	-	29,481,378	-	-	-
- Impairment (-)	-	(29,481,378)	-	-	-
- The part of net value under guarantee with collateral etc.	-	4,644,134	-	-	-
- Not past due (gross carrying amount)	-	-	-	-	-
- Impairment (-)	-	-	-	-	-
- The part of net value under guarantee with collateral etc.	-	-	-	-	-
E. Off-balance sheet items with credit risk	-	-	-	-	-

(i) Guarantees received and factors increasing loan reliability are not considered in determining this amount.

(ii) Guarantees consist of letters of guarantee, notes receivable and cheques obtained from customers.

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

CARREFOURSA CARREFOUR SABANCI TİCARET MERKEZİ A.Ş.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2017

(Amounts expressed in Turkish Lira ("TRY") unless otherwise stated)

29. FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT (Continued)

Financial Risk Factors (Continued)

Credit Risk of Financial Instruments

	<u>Receivables</u>					<u>Bank Deposits and Credit Card Receivables</u>
	<u>Trade Receivables</u>		<u>Other Receivables</u>			
	<u>Related Party</u>	<u>Third Party</u>	<u>Related Party</u>	<u>Third Party</u>		
31 December 2016						
Maximum net credit risk as of balance sheet date (i)	13,502,779	24,596,252	-	137,388,347	247,945,372	
- The part of maximum risk under guarantee with collateral etc. (ii)	-	21,823,831	-	-	-	
A. Net book value of financial assets that are neither past due nor impaired	13,502,779	7,773,916	-	137,388,347	247,945,372	
B. Net book value of financial assets that are renegotiated, if not that will be accepted as past due or impaired	-	-	-	-	-	
C. Carrying value of financial assets that are past due but not impaired	-	16,822,336	-	-	-	
- The part under guarantee with collateral etc.	-	11,969,835	-	-	-	
D. Net book value of impaired assets	-	-	-	-	-	
- Past due (gross carrying amount)	-	24,417,128	-	-	-	
- Impairment (-)	-	(24,417,128)	-	-	-	
- The part of net value under guarantee with collateral etc.	-	1,348,355	-	-	-	
- Not past due (gross carrying amount)	-	-	-	-	-	
- Impairment (-)	-	-	-	-	-	
- The part of net value under guarantee with collateral etc.	-	-	-	-	-	
E. Off-balance sheet items with credit risk	-	-	-	-	-	

(i) Guarantees received and factors increasing loan reliability are not considered in determining this amount.

(ii) Guarantees consist of letters of guarantee, notes receivable and cheques obtained from customers.

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

CARREFOURSA CARREFOUR SABANCI TİCARET MERKEZİ A.Ş.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2017

(Amounts expressed in Turkish Lira ("TRY") unless otherwise stated)

29. FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT (Continued)

Credit Risk Management (Continued)

2017	Receivables	
	Trade receivables	Other receivables
Past due 1-30 days	6,377,389	-
Past due 1-3 months	4,123,287	-
Past due 3-12 months	9,586,892	-
Past due 1-5 years	5,319,555	-
Past due more than 5 years	-	-
Total past due receivables	25,407,123	-

2016	Receivables	
	Trade Receivables	Other Receivables
Past due 1-30 days	5,625,540	-
Past due 1-3 months	4,389,400	-
Past due 3-12 months	1,345,991	-
Past due 1-5 years	5,461,405	-
Past due more than 5 years	-	-
Total past due receivables	16,822,336	-

The Group believes that they will collect the passed due receivables for which a provision was not booked.

Liquidity risk management

The Group manages liquidity risk by maintaining adequate reserves, banking facilities and reserve borrowing facilities by continuously monitoring estimated and actual cash flows and matching the maturity profiles of financial assets and liabilities.

Liquidity risk tables

The following table presents the maturity of Company's non-derivative financial liabilities. The Group's liabilities are prepared without subjected to discount and based on the shortest payment date.

The Group's expected due dates and contract due dates and are the same.

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

CARREFOURSA CARREFOUR SABANCI TİCARET MERKEZİ A.Ş.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2017

(Amounts expressed in Turkish Lira ("TRY") unless otherwise stated)

29. FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT (Continued)

31 December 2017

Contractual maturity analysis

	<u>Book value</u>	<u>Total cash outflow according to contract (I+II+III+IV)</u>	<u>Less than 3 months (I)</u>	<u>3-12 months (II)</u>	<u>1-5 years (III)</u>	<u>More than 5 years (IV)</u>
Non-derivative financial liabilities						
Bank loans	1,599,951,488	1,830,870,507	254,300,616	1,215,662,148	360,907,743	-
Financial lease liabilities	87,135,959	93,822,082	9,227,981	23,581,798	39,008,574	22,003,729
Trade payables	1,257,607,923	1,272,045,039	326,246,618	945,798,421	-	-
Other payables	38,719,211	38,719,211	38,719,211	-	-	-
Total liabilities	2,983,414,581	3,235,456,839	628,494,426	2,185,042,367	399,916,317	22,003,729

Derivative financial liabilities

Derivative cash inflow	-	-	-	-	-	-
Derivative cash outflow	-	-	-	-	-	-

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

CARREFOURSA CARREFOUR SABANCI TİCARET MERKEZİ A.Ş.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2017

(Amounts expressed in Turkish Lira ("TRY") unless otherwise stated)

29. FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT (Continued)

Liquidity risk management (Continued)

31 December 2016

Contractual maturity analysis

	<u>Book value</u>	<u>Total cash outflow according to contract (I+II+III+IV)</u>	<u>Less than 3 months (I)</u>	<u>3-12 months (II)</u>	<u>1-5 years (III)</u>	<u>More than 5 years (IV)</u>
Non-derivative financial liabilities						
Bank loans	1,264,617,019	1,364,694,740	220,062,679	703,519,985	441,112,077	-
Financial lease liabilities	107,876,224	117,104,836	8,563,190	26,043,781	64,288,831	18,209,034
Trade payables	1,030,651,232	1,040,269,318	814,721,477	225,547,841	-	-
Other payables	37,022,050	37,022,048	37,022,048	-	-	-
Total liabilities	2,440,166,525	2,559,090,942	1,080,369,394	955,111,607	505,400,908	18,209,034

Derivative financial liabilities

Derivative cash inflow	-	-	-	-	-	-
Derivative cash outflow	-	-	-	-	-	-

Market risk management

The Group is exposed to foreign exchange risk arising from its operations. The Group's policy is to prevent all material foreign currency exchange risk related to commitments denominated by US Dollar. The Group hedged its foreign currency denominated receivables with foreign currency denominated borrowings.

Market risk is measured based on sensitivity analysis.

In current year, the Group's market risk management method or its market risk exposure have not changed compared to prior year.

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

CARREFOURSA CARREFOUR SABANCI TİCARET MERKEZİ A.Ş.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2017

(Amounts expressed in Turkish Lira ("TRY") unless otherwise stated)

29. FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT (Continued)

Foreign currency risk management

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

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

	31 December 2017		
	TRY Equivalent (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	<u>28,461,746</u>	<u>2,539,846</u>	<u>4,181,531</u>
4. Other	31,866,157	7,430,733	850,000
5. NON-CURRENT ASSETS	<u>31,866,157</u>	<u>7,430,733</u>	<u>850,000</u>
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	<u>28,752,600</u>	<u>2,641,378</u>	<u>4,161,131</u>
12. Financial liabilities	25,738,735	-	5,700,085
13. NON-CURRENT LIABILITIES	<u>25,738,735</u>	<u>-</u>	<u>5,700,085</u>
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

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

CARREFOURSA CARREFOUR SABANCI TİCARET MERKEZİ A.Ş.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2017

(Amounts expressed in Turkish Lira ("TRY") unless otherwise stated)

29. FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT (Continued)

Foreign currency risk management (Continued)

	31 December 2016		
	TRY Equivalents (Functional currency)	USD	EUR
1. Trade receivables	16,481,415	809,475	3,674,684
2. Liquid assets	9,237,563	2,291,847	315,937
3. CURRENT ASSETS	25,718,978	3,101,322	3,990,621
4. Other	35,159,142	9,094,603	850,000
5. NON-CURRENT ASSETS	35,159,142	9,094,603	850,000
6. TOTAL ASSETS	60,878,120	12,195,925	4,840,621
7. Trade payables	6,379,548	1,237,721	545,502
8. Other payables	2,756,324	-	742,964
9. Financial liabilities	18,799,334	5,013,271	311,769
10. Non-monetary other liabilities	2,168,182	614,583	1,440
11. CURRENT LIABILITIES	30,103,388	6,865,575	1,601,675
12. Financial liabilities	21,123,952	-	5,693,941
13. NON-CURRENT LIABILITIES	21,123,952	-	5,693,941
14. TOTAL LIABILITIES	51,227,340	6,865,575	7,295,616
15. Net foreign currency liability position	9,650,780	5,330,350	(2,454,995)
16. Net monetary foreign currency asset / liability position	19,339,430	1,863,601	3,445,119
17. Fair value of financial instruments uses for foreign currency hedge	-	-	-
18. Hedged amount of foreign currency denominated assets	-	-	-
19. Import	4,308,279	358,597	821,128

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

CARREFOURSA CARREFOUR SABANCI TİCARET MERKEZİ A.Ş.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2017

(Amounts expressed in Turkish Lira ("TRY") unless otherwise stated)

29. FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT (Continued)

Foreign currency risk management (Continued)

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 the rate 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.

31 December 2017

	<u>Income / Expense</u>		<u>Equity</u>	
	<u>Appreciation of foreign currency</u>	<u>Depreciation of foreign currency</u>	<u>Appreciation of foreign currency</u>	<u>Depreciation of foreign currency</u>
In case of 10% appreciation of USD against TRY				
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 TRY				
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)	-	-

31 December 2016

	<u>Income / Expense</u>		<u>Equity</u>	
	<u>Appreciation of foreign currency</u>	<u>Depreciation of foreign currency</u>	<u>Appreciation of foreign currency</u>	<u>Depreciation of foreign currency</u>
In case of 10% appreciation of USD against TRY				
1 - US Dollar net asset / liability	1,875,857	(1,875,857)	-	-
2- Part of hedged from US Dollar risk (-)	-	-	-	-
3- US Dollar net effect (1 +2)	1,875,857	(1,875,857)	-	-
In case of 10% appreciation of EUR against TRY				
4 - Euro net asset / liability	(910,779)	910,779	-	-
5 - Part of hedged from Euro risk (-)	-	-	-	-
6- Euro net effect (4 +5)	(910,779)	910,779	-	-
TOTAL (3 + 6)	965,078	(965,078)	-	-

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

CARREFOURSA CARREFOUR SABANCI TİCARET MERKEZİ A.Ş.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2017

(Amounts expressed in Turkish Lira ("TRY") unless otherwise stated)

29. FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT (Continued)

Market risk management

The interest rates that the Group is exposed to, regarding its financial liabilities, are given in detail in Note 4.

Interest rate sensitivity

Sensitivity analysis is determined based on the interest rate risk that the non-derivative instruments exposed to on the balance sheet date and is kept fixed during the reporting period.

If Euribor / Libor interest rates had been 0.5% higher and all other variables were held constant:

Income before tax of the Group would have been decreased by TRY 7,999,757 (Income before tax for the period ending 31 December 2016 would have been decreased by TRY 6,323,085). This is mainly attributable to the Group's exposure to interest rates on its variable rate borrowings. In case of 0.5% decrease in Euribor interest rate, the net profit of the Group for the current period would have increased by the same amount.

The Group does not have any interest rate swap contract.

The financial instruments that are sensitive to interest rate are as follows:

Interest Position Table

Instruments with Fixed Rates	31 December 2017	31 December 2016
Financial lease payables	87,135,959	107,876,224
Bank loans	1,599,951,488	1,264,617,019

Other price risks

The Group does not hold any equity investments as of the reporting date.

CONVENIENCE TRANSLATION INTO ENGLISH OF FINANCIAL STATEMENTS
ORIGINALLY ISSUED IN TURKISH

CARREFOURSA CARREFOUR SABANCI TİCARET MERKEZİ A.Ş.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2017

(Amounts expressed in Turkish Lira ("TRY") unless otherwise stated)

30. FINANCIAL INSTRUMENTS (FAIR VALUE EXPLANATIONS AND DISCLOSURES WITHIN THE FRAMEWORK OF HEDGE ACCOUNTING)

31 December 2017	Loans and receivables	Fair value through profit / loss	Financial liabilities at amortized cost	Net book value	Note
<u>Financial assets</u>					
Cash and cash equivalents	511,632,900	-	-	511,632,900	(3)
Trade receivables	37,512,648	-	-	37,512,648	(5)
Due from related parties	18,512,939	-	-	18,512,939	(28)
Other financial assets	64,852,076	-	-	64,852,076	(6)
<u>Financial liabilities</u>					
Borrowings	-	-	1,599,951,488	1,599,951,488	(4)
Financial lease payables	-	-	87,135,959	87,135,959	(4)
Trade payables	-	-	1,226,930,467	1,226,930,467	(5)
Due to related parties	-	-	38,569,277	38,569,277	(28)
Debt provisions	-	-	116,176,723	116,176,723	(14)
Other financial liabilities	-	-	30,827,390	30,827,390	(6)-(17)
31 December 2016					
<u>Financial assets</u>					
Cash and cash equivalents	274,877,489	-	-	274,877,489	(3)
Trade receivables	24,596,252	-	-	24,596,252	(5)
Due from related parties	13,502,779	-	-	13,502,779	(28)
Other financial assets	137,388,347	-	-	137,388,347	(6)
<u>Financial liabilities</u>					
Borrowings	-	-	1,264,617,019	1,264,617,019	(4)
Financial lease payables	-	-	107,876,224	107,876,224	(4)
Trade payables	-	-	1,005,444,420	1,005,444,420	(5)
Due to related parties	-	-	32,334,176	32,334,176	(28)
Debt provisions	-	-	135,053,231	135,053,231	(14)
Other financial liabilities	-	-	29,894,686	29,894,686	(6)-(17)

The Group considers that carrying amounts are reflected their fair values.

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

CARREFOURSA CARREFOUR SABANCI TİCARET MERKEZİ A.Ş.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2017

(Amounts expressed in Turkish Lira ("TRY") unless otherwise stated)

30. FINANCIAL INSTRUMENTS (FAIR VALUE EXPLANATIONS AND DISCLOSURES WITHIN THE FRAMEWORK OF HEDGE ACCOUNTING) (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 values as they include 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.

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

"IFRS 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).

31. EVENTS AFTER THE BALANCE SHEET DATE

On 16 February 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 December 2017. 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 842,744,453. This amount indicates that our Company has retained its paid capital amounting to TRY 700,000,000."