

2017
ANNUAL REPORT &
SUSTAINABILITY REPORT

BOYNER RETAIL AND TEXTILE INVESTMENTS



BOYNERGRUP



BOYNERGRUP

BOYNER RETAIL AND TEXTILE
INVESTMENTS

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CONTENTS

04 FROM THE MANAGEMENT

04 Message from the CEO

06 BOYNER GROUP

07 Boyner Group Companies

08 History

10 2017 Awards

11 Boyner Group Values

12 2017 At a Glance

14 Working Environment

17 Strategies and Projects

20 BOYNER RETAIL AND TEXTILE INVESTMENTS (BRTI)

21 BRTI At a Glance

22 Members of the Board of Directors

24 Partnership Structure

25 Key Indicators

26 BOYNER RETAIL AND TEXTILE INVESTMENTS COMPANIES

28 Boyner Büyük Mağazacılık A.Ş.

44 Beymen Mağazacılık A.Ş.

58 AY Marka Mağazacılık A.Ş.

72 Altınyıldız Tekstil ve Konfeksiyon A.Ş.

80 SUSTAINABILITY REPORT

82 Boyner Group Sustainability Vision

84 Democracy In the Workplace

91 Value Chain

96 Environmental Impact

102 Investing In Society

113 Stakeholders

116 CORPORATE GOVERNANCE PRINCIPLES COMPLIANCE REPORT

130 RISK MANAGEMENT AND INTERNAL AUDIT

130 DONATIONS AND GRANTS

131 DEBT INSTRUMENTS ISSUED IN 2017

132 LEGAL DISCLOSURES

134 AGENDA FOR THE ORDINARY GENERAL ASSEMBLY MEETING FOR 2017

135 Statements of Independent Members for Ordinary General Assembly Meeting for 2017

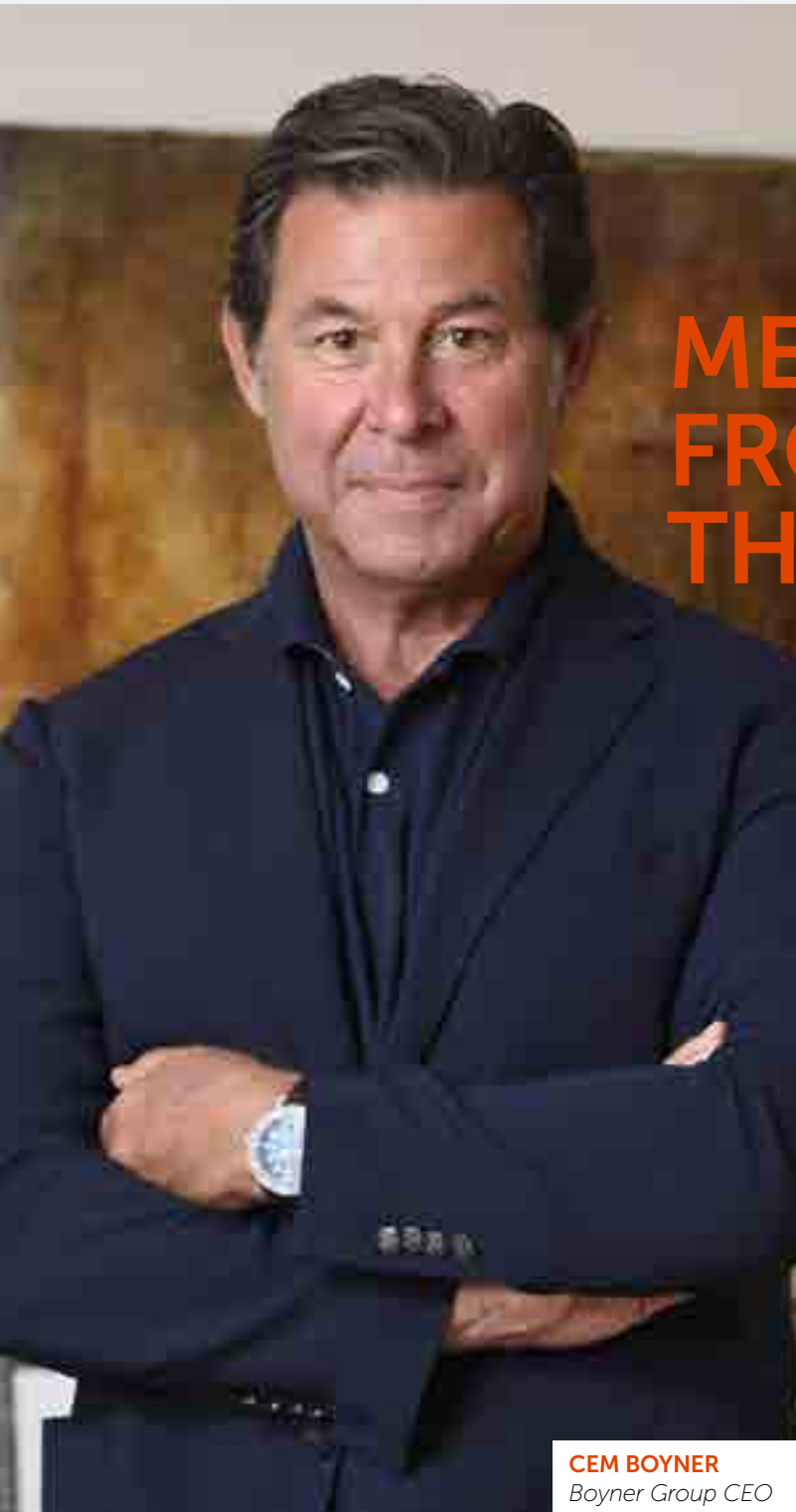
138 Dividend Distribution Proposal and Statement for 2017

140 Remuneration Policy for Board Members and Senior Executives

147 Dividend Distribution Policy

148 INDEPENDENT AUDITOR'S REPORT ON ANNUAL REPORT

152 INDEPENDENT AUDITOR'S REPORT & FINANCIAL STATEMENTS



MESSAGE FROM THE CEO

CEM BOYNER
Boyner Group CEO

In 2017, Turkish economy had a strong growth performance despite the uncertainties in the global economy and the geopolitical crises in our geography. Due to the increased domestic demand and consumption expenditures, the retail sector closed the year with high growth rates in general. In Boyner Group, this positive process was enhanced by our companies' customer, differentiation, growth, and profitability-oriented strategies and our team's great efforts. Thus, 2017 was realized as a successful year during which

we started to benefit from our technology and store investments of previous years and increased our operational and financial efficiency. We completed the year with a strong growth rate by achieving our targets, and even going beyond them in some of our brands. Our BRTI

consolidated revenues reached TRY 4,23 Billion with a 21% growth in 2017. Excluding non-recurring incomes and expenses, our earnings before interest, taxes, depreciation and amortization (EBITDA) exceeded TRY 387 Million and our consolidated EBITDA margin was realized as 9,15%.

The most important financial development related with BRTI in 2017 was our capital increase by 346,62% to the amount of TRY 257.7 Million, which would be fully paid in cash. This transaction supported Boyner Retail's sustainable growth and strengthened its capital structure. The new shares were purchased by our shareholders over their nominal values without restricting the existing shareholders' right to purchase new shares (the preemptive rights). In addition, Boyner Holding sold 12% of its current shares in BRTI to Mayhoola For Investments LLC, without the change of management control in BRTI. Furthermore, a new Executive Committee was established in order to further strengthen our corporate governance structure.

Regarding BRTI companies, Boyner Büyük Mağazacılık successfully achieved a 20% growth in its annual revenues in 2017. After starting to reap the fruits of the projects that we have been working on in the recent years, it achieved over three-fold increase in its EBITDA compared to 2016. The strengthening of our private label brands and 56% increase in online sales made significant contributions in the productivity growth. As for Beymen whose operational excellence taken as a

model by luxury brands, not only in Turkey, but also in the world maintained its high growth rate and closed the year with a 26% growth and an annual revenues of TRY 1,3 Billion. Beymen's largest street store Beymen Suadiye opened its doors to its customers in September. Beymen Club and beymen.com grew by high rates of 49% and 43% respectively, thus contributing in Beymen's success in 2017. Having successfully completed very important operations such as transformation of Fabrika stores into Network, expansion of Network's products and collections, renewal of Divarese stores and collections and repositioning of the brand, AY Marka Mağazacılık increased its revenues to TRY 574 Million. AY Marka Mağazacılık has continued to serve as a model for the entire sector in terms of efficiency with its 53,3% gross profit margin.

Our "all-line retailing" activities that we conducted in order to let our customers experience the "Unconditional Customer Happiness" regardless of their preferred channel and to offer them a unique customer experience with the newest technologies in our physical and digital stores also continued in 2017. Our "Asistanım" (My Assistant) application that made life easier both for our customers and our employees added efficiency to our sales operations. "My Assistant" mobile terminals specially designed for our sales representatives won "Best Digital Customer Experience Initiative" award in the World Retail Awards recognizing the successful applications in the retail sector on a global scale; filling us with pride and encouraging for always targeting the better.

As Boyner Group, we are entering 2018 with the objective of taking a step further in terms of our financial and operational success and efficiency that we achieved last year. Although the macroeconomic and geopolitical risks persist on a global and regional level, we believe that 2018 will be a better year than 2017. Turkey, with its growing population and social dynamics, will continue to be an attractive and profitable market for retail investments.

The year 2018 came with an important decision. Our preparations are still ongoing within the framework of our decision to start the activities for public offering up to 49% of Beymen Mağazacılık A.Ş. in order to strengthen BRTI's current financial structure to support sustainable and profitable growth. Our logistic site investment that will spread on a total area of 110 thousand m2, to be operational in 2019, will also be one of top-priority items on the agenda of 2018. This investment that we will

realize with the state-of-the-art automation systems, in order to offer much more efficient and faster services to our customers through all our online and offline channels, will create a cost and competitive advantage for all Group companies in the upcoming period. In 2018, all our investments and activities will be focused on further improving "customer happiness" that constitutes our most important value. We will further continue and increase the investments and activities to be in the minds and hearts of our customers anywhere and at any point where they will need the products and services that we offer extending from their mobile screens to our stores.

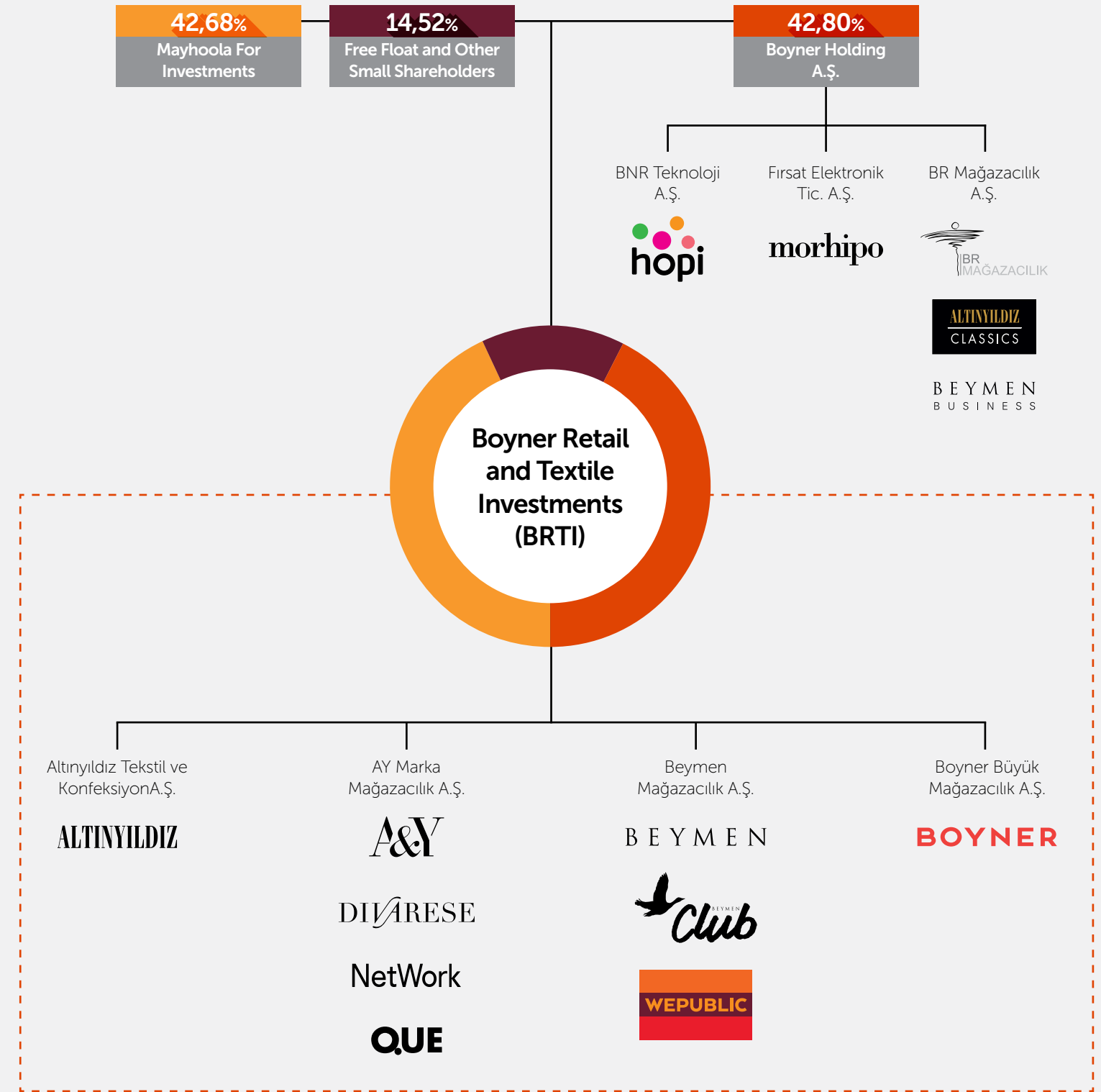
Our employees' self-devotion, teamwork, determination and efforts lie at the bottom of our growth and successes that we have achieved last year. I believe, with our employees' efforts in good faith and the passion to make our customers happy with the best products and services, we can come through any and all uncertainties. We will continue to support all our employees carrying our values into effect and making us a big family and to train successful leaders amongst them in the upcoming years as well.

From production processes to the service in our stores, and from our democracy in the workplace and people-oriented governance approach to our workplace safety applications, we are meticulously following up the economic and social impacts of all our operations. With our 'Sustainability Report', we share with all our stakeholders the activities that we conduct to further increase the awareness on our social and environmental impacts, to which we attach great importance in terms of sustainability of not only our business, but also our planet and the humanity. I would like to separately express my gratitude to our customers and employees supporting "Buluşum" that has breathed life into 14 social entrepreneurship projects in the fields of education, culture, disability rights, and civil society so far and "Askıda İyilik" (Donate Goodness) initiative that has delivered packages of goodness to tens of thousand disadvantaged people for the last 2 years.

I would like to extend my gratitude to all our customers, employees, shareholders and business partners for Boyner Group's success and strong performance in 2017. We will continue to work all together in order to make 2018 a much more successful and better year. I wish this year will be a wonderful year during which we will continue to target the best and the most different for our customers and our country.

BOYNER GROUP

2017



HISTORY



1952

The first step in the industry
Altinyıldız Mensucat ve Konfeksiyon Fabrikaları A.Ş. (Altinyıldız Textile and Apparel Co.) was founded by Boyner family.

ÇARŞI

1981

The first multi-storey department store in Turkey
Çarşı store was opened, bringing the concept of multi-storey department stores and creating a breakthrough in the retail sector in our country.

1991

Altinyıldız went public
Boyner Retail and Textile Investments (then named Altinyıldız Mensucat) held its initial public offering.

advantage

1998

Pioneer of the installment credit card market
With the Advantage Card, Boyner Group became the pioneer of the installment credit card market in Turkey.



2004

Çarşı became Boyner
Boyner Büyük Mağazacılık changed its name Çarşı to Boyner.

BR MAĞAZACILIK

2011

BR Mağazacılık established
Founded with Ran Mağazacılık, BR Mağazacılık became the new choice of the business world with its formal business wear brands Altinyıldız Classics and Beymen Business.



2013

Biggest ready-to-wear clothing store: Beymen Zorlu
Beymen opened both its and Turkey's largest ready-to-wear store with 10 thousand m² shopping space in Zorlu Center Istanbul.

2015

Massive investment to Boyner Group
Boyner Retail and Textile Investments decided to increase its equity up to TRY 885 million. Qatar-based Mayhoola for Investments LLC became Boyner Retail's shareholder.

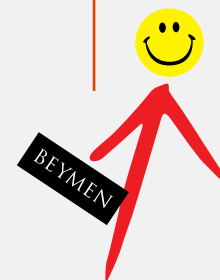
1971

The first Beymen store was opened
Boyner Family entered into ready-to-wear and retail business by introducing Beymen to consumers. The first Beymen store was opened in Nişantaşı.



1987

Unconditional Customer Happiness
Launching the concept of Unconditional Customer Happiness, Boyner Group started a new era for consumers in Turkey. Unconditional Customer Happiness became a unique and registered brand of Boyner Group.



1997

The birth of a brand
One of the largest textile factories of Europe and the producer of "Altinyıldız" branded fabrics, Altinyıldız launched its first retail brand operation, which would later be called as NetWork.

NetWork

2003

7/24 customer support
With the support line Back-up, we brought a brand new service to Turkey and the world.

BACKUP

2011

Hello to e-commerce
Entering e-commerce market with morhipo.com; Boyner Group has, unlike its rivals, gathered under a single umbrella both its seasonal products and daily promotional campaigns.

morhipo

2012

A new family member
YKM, one of the most long-established multi-storey department store companies of our country, was acquired, thus adding a new valuable member to Boyner Group family.

YKM

2015

Hopi, the new invention of Boyner Group
The mobile application Hopi bringing a brand new look in the retail sector met with customers.

hopi

2017

Street became more amusing with Beymen Suadiye
With its gross sales area of nearly 5 thousand m², over 700 global brands and 20 different product categories, Beymen Suadiye 481 became Beymen's largest Street store.



AWARDS IN 2017



BOYNER GROUP VALUES

We are focused on Customer Happiness

We focus on offering creative product, service and experience and providing improvement in every angle that reaches out to our customers. Making our customers feel important and prioritized in every action is essential for us.

We have the ability to explore and implement creative solutions and approaches and projecting and implementing the un-attempted and the undone;
We continuously assess and develop our business manners;
We support the generation of new ideas in our team;
Our ability to ask "Why not?" is our most important trait.
Our source of inspiration for innovativeness is our customers.

We are Creative

We are Courageous

We can take quick decisions, be flexible when necessary, and accept and support change favourably.
Driving change in a timely manner when required is part of our core values.

We work eagerly to be the leader in our business. We create motivational and inspiring environment for our team members; our positive attitude is reflected in our team members; and we focus on objectives and work with passion. Working pleasantly is a key characteristic of Boyner Group employees.

We are Passionate

We Learn Continuously

We are always learning and continuously updating our professional expertise. We not only improve and train others; but also obtain information from various resources and create a vision of how our work can develop.
Teamwork and individual productivity is a prerequisite for all Boyner Group employees.

We contribute and support contributions to society. We believe in being "A good person, a good employee, and a good citizen" with a moral, transparent, accountable and sustainable approach towards our colleagues, business associates, customers and society. Executing business with manners and actions aware of the social, economic and environmental responsibilities is essential for Boyner Group employees.

We are Responsible

We are a Huge Family

We always work with mutual trust, respect, participation, justice and collaboration – like a family. We continuously provide all Boyner Group employees the opportunity to work and get promotions based solely on their merits and performance without any discrimination. We provide an equal opportunity for all employees to develop. Our main principle is to enjoy and share the reliability, warmth, and joy of a family.

2017 AT A GLANCE



Beymen
"Asistanım" (My Assistant) application was launched.
January 2017



Boyner Group
A massive investment from Mayhoola to Boyner Group.
March 2017



Boyner Group
"Asistanım" (My Assistant) received Best Digital Customer Experience Initiative award at World Retail Awards.
April 2017



Boyner Group
In-house entrepreneurship Culture Creation project received "Most successful company award" at PERYÖN People Management Awards.
May 2017



AY Marka
NetWork Australian Open Collection was released.
July 2017



Boyner Büyük Mağazacılık
Boyner Sports was opened in İzmir Mavibahçe.
September 2017



AY Marka
Introduced its new collection through cooperation with designer Derin Mermerci.
October 2017



Boyner Büyük Mağazacılık
Boyner entertained 13 millions of customers during the new year period.
December 2017

Beymen
Beymen Bemoji 2.0 was released.
January 2017



Boyner Group
Advertising Campaign for 8 March Women's Day.
March 2017



Boyner Group
Boyner Group received "Social Gender Equality" award at Golden Compass Turkey Public Relations Awards.
May 2017



Beymen
Beymen and Beymen Club Rixos Land of Legends was opened.
June 2017



Beymen
Beymen's largest street store Beymen Suadiye was opened.
September 2017



Boyner Group
Boyner and Beymen Club opened their new stores in Emaar.
October 2017



AY Marka
The legendary shoes of 50s returned with Divarese.
November 2017



Boyner Group
Boyner Group customers supported goodness through their new year shopping.
December 2017



WORKING ENVIRONMENT

The Human Resources policy at Boyner Group is based on creation and expansion of a performance-based culture. Boyner Group is an ambitious group focused on business results, taking inspiration from its customers and constantly making inventions. In personal remuneration package, performance results are used as a very important indicator; and good performance is always rewarded. In respect of field staffs, direct sales and performance are measured and our staff members are appreciated and rewarded spontaneously in line with the priorities and focus points of Boyner Group. For the headquarter staff, groundbreaking and flexible performance system management is ensured in line with Boyner Group values and supported by continuous feedbacks and spontaneous motivations throughout the year. In addition, there is an incentive program measuring and rewarding the business performance of senior management.

While creating a performance-focused culture, elimination of any obstacles that may affect business results is of top priority. This is supported by the "Democracy in the Workplace" culture put at the heart of the entire management understanding.

At Boyner Group, there is an "open communication" environment allowing all employees to express their own ideas and suggestions freely. Employees are encouraged to share their ideas and suggestions through internal communication channels. Each of the employees may share their opinions, suggestions, and critics related with their own jobs and business processes. It is believed that this will allow the group to go further.

Not only Customers', but also Employees' Happiness are Prioritized

At Boyner Group, the essential understanding of working environment is based on providing trust and happiness of employees. As customers are approached with the principle of "Unconditional Customer Happiness", the same approach is followed in the working environment. In all Boyner Group companies, it is very important to ensure democracy in the workplace and to maintain happiness of employees at the highest level. All businesses are managed with core values and ethical principles printed in their DNAs. Instead of detailed procedures, principles are identified and it is at the discretion of employees to make the right and ethical decisions.

Discrimination is Unacceptable at Boyner Group

At Boyner Group, there is a fair approach in all Human Resources policies and practices such as recruitment, promotion, transfer, rotation, and remuneration. Any discrimination based on the factors such as race, colour, gender, religion, marital status, sexual preference, gender identity, political view or relationship, ethnical identity, health status, familial responsibilities, union activities or membership, physical disability or age is strongly rejected. With this approach of equality far beyond the legal definitions, the principle of equal opportunities to all is adopted in recruitment, employment relationship process, remuneration, participation in trainings, promotion, retirement and all other conditions of employment.

Number of Employees in 2017

Company	Total Number of Employees	Number of Women	Number of Men	Ratio of Women Employment
Boyner Retail	136	57	79	%42
Boyner Büyük Mağazacılık	5.865	2.863	3.002	%49
Beymen	1.850*	814	1.036	%44
AY Marka	1.473	625	848	%42
Altınyıldız	937	339	598	%36
TOTAL	10.261	4.698	5.563	%45

* Excluding Nişantaşı Turistik and Christian Louboutin.

OCCUPATIONAL HEALTH AND SAFETY

Safe occupational and working conditions befitting human dignity is an employee right. The obligation to inform and enlighten employees is fulfilled and expanded through various training campaigns and "Occupational Health and Safety Manuals" providing training and practical tips. Thus, this issue becomes an integral part of business life.

CORPORATE RESPONSIBILITY AND SUSTAINABILITY

Corporate Responsibility and Sustainability is represented at the highest management level in Boyner Group. Aware of the fact that corporate responsibility starts "in the working environment", such practices are conducted hand in hand with human resources. Sustainability is addressed as a comprehensive management approach covering our internal and external stakeholders in structuring of the business strategies and activities.

Under the scope of social performances considered together with economic and environmental activities, there are programs related with occupational health and safety, professional training and development of employees, equality and diversity in the employment policies, freedom of organization, product ownership, customer health and safety, legal compliance and community investment.

Social responsibility projects are managed under the scope of our "Corporate Responsibility and Sustainability" activities. Under the scope of social responsibility activities, they not only provide financial support for solution of the social issues addressed, but also become a part of the change and transformation and take active roles in the process of problem solving.

For detailed information about the activities in the field of Corporate Responsibility and Sustainability, please refer to page 80 and the following pages of the "Sustainability Report".



TALENT MANAGEMENT

Merit-Based Management Approach

As with all practices, Human Resources Management performance is also measured by clearly defined critical success factors, and awards programs and certificates in the field of HR. Assessments are made on a quarterly and yearly basis, using 81 metrics in total displaying performance in the categories such as demographic change, employee turnover, equality, productivity and the efficiency of HR practices. In addition, monthly-based reports are produced in order to examine the detailed and realistic reasons of the employee turnover rate, one of the important issues experienced on field in the retailing.

Innovation Lab

Boyner Group is an ambitious group taking inspiration from its customers, constantly making inventions, and providing its customers with unconditional happiness by always seeking the new. In 2017, they laid the foundations of Boyner Group R&D Center and Boyner Group Design Center, two new establishments called as "Innovation Lab" in line with the creativity and innovation culture. These centers were established for not only making investments in the existing human resources, but also allowing the group to gain and retain very special talents in this field, and adding to Boyner Group team young engineers and creative and innovative designers that have built a career in the fields of e-commerce, software, BIG Data.

Boyner Group Mentoring Program

Difference-making managers are the greatest value of Boyner Group. Boyner Group Mentoring Program is conducted at Boyner Group with the objective to get to know the leaders of the future, to support their development and to expand and strengthen Boyner Group culture.

The high-potential mentees at Boyner Group believed to be prepared in time for future management staff positions were paired up with Boyner Group senior management. The mentors and mentees matched with cross group companies and cross business functions learned from the experiences of each other throughout a year. The mentoring program was constantly supported with BANGOnline (e-learning platform), let's learn from each other meetings, and mini seminars as a part of continuous development.

Development at Boyner Group

In line with the strategy implemented for customers, training and development activities are personalized, flexible and diversified. Through BANGOnline, the mobile and online learning platform accessible by all Boyner Group employees at any time from anywhere, employees can have access to the contents related with

both personal development and professional issues. Every group company continues to use this e-learning platform that they have turned into a brand under their own structure as a means of development and communication.

In-house Entrepreneurship

At Boyner Group, the culture of innovation is addressed with an understanding of free environment provided for employees and democracy in the workplace. It is believed that in-house democracy and open communication channels are not only a possibility, but also a prerequisite for a successful and happy work life. Thanks to such democratic environment, creative and entrepreneurial projects can be easily heard, produced and implemented. Employees are always encouraged to produce creative ideas and to develop themselves in order to allow them to embrace the values of courage, creativity and entrepreneurship printed in Boyner Group DNA and to integrate such values with the daily workflow.

Boyner Group received "Difference-Making Human Resources Award" with their in-house entrepreneurship projects at PERYÖN – People Management awards this year. PERYÖN People Management Awards have been rewarding the "best practices" of companies since 2008. Boyner Group received "HR Practices Making Difference" award with its In-House Entrepreneurship Culture Creation Project in the Innovation Culture Development Category. In fact, the "In-house Entrepreneurship Culture" printed in the DNAs of Boyner Group employees which has led to creation of Advantage Card, T-Box and many other inventions, thus creating difference in competition, has been made sustainable through its systematic expansion and incorporation into daily workflow; and this fact has contributed in the group to receive this award.



STRATEGIES & PROJECTS IN 2017

2017 was completed with a 21% Revenue Growth

The year 2017 was a year during which Boyner Group achieved the growth and profitability rates targeted in all of its retail companies and started to derive benefits from the investments made despite all negative external factors. As with every year, solutions meeting the needs of customers were offered by making great and small innovations and improvements in many fields. In 2017, there has been a 21% increase in the annual revenues of Boyner Retail and Textile Investments (BRTI) companies. Over 100 millions of visitors were entertained in 381 stores throughout the year. Customers are also embracing the changes made and continuing their shopping journey with us. And this gives courage for continuation of such innovation in the year 2018.

Boyner Büyük Mağazacılık is Growing with its New Concept

In 2017, the projects worked on in the recent years were successfully realized at Boyner Büyük Mağazacılık. These projects were also reflected in the financial results. It has been a year during which special production brands gained strength and new store formats met with our customers.

The collections renewed in the Home field also appeared in selected stores. With these innovations, the LFL (like-for-like) growth was recorded as 20% in 2017. Boyner.com.tr has continued to reach much more users by completing this year with a 56% growth. The brand-new and exciting Boyner experience shaped according to the demands received from customers will be continued to be extended in the following years as well.



Throughout BRTI

21% increase in revenues

Throughout BRTI

Over **100** million customers

Boyner

20% increase in revenues

Boyner.com.tr

56% growth

A record-breaking Growth from Beymen

The year 2017 that was closed by Beymen with a 26% growth was crowned with the opening of Suadiye store. Beymen Suadiye store that is Beymen's largest street shop covering an area of 4.663 m² started to entertain its customers.

Beymen Club grew by a very high rate of 49% this year. Beymen.com increased its ratio in total Beymen sales to 9% by displaying a 43% growth.



Firm Steps taken at NetWork and Divarese

It has been a very energetic year for Ay Marka Mağazacılık as well. The process covering the renewal and expansion of NetWork product collections, the transfer of Fabrika brand to Boyner and the transformation of 20 stores to NetWork was completed successfully. NetWork brand received very positive feedbacks from its customers with its renewed collection structure.

The process of change that is still ongoing in Divarese stores is continued through the renewal of stores and collections with the touches reflecting the essence of the brand in Italy. With all these developments, AY Marka recorded a 13,5% growth in total revenues in 2017.

Beymen

26% growth*

*according to IFRS.

Beymen Club

49% growth

Beymen.com

43% growth

AY Marka Mağazacılık

13,5% growth

A Steady Growth with Omnichannel's Power

The growth rates in digital channels are rapidly increasing through continuation of the investments in multi-channel retailing. E-commerce sites have accounted for 5% of Boyner Retail's sales revenues by 2017.

It is believed that especially mobile commerce will continue to grow in the following years. The share of e-commerce in retail sales in the ready-wear clothing sector in Turkey still remains quite below the rates of developed countries on the world. There still exists a very serious growth potential in this field. With this belief, Boyner Group Innovation Center was established in 2017 by further increasing the investments made in this field for years. It is believed that this center that will conduct Boyner Group's e-commerce, multi-channel retailing and digitalization projects with its nearly 50 employees will further improve both the service quality and the speed of innovations.

Strong Field Team with Asistanım (My Assistant)

Thanks to the mobile devices named Asistanım (My Assistant) given to sales representatives at the end of 2016, the technology offered to customers was continued to be extended to the field teams in 2017 as well. With the new features added to mobile assistants, the services like instant inventory inquiry within the stores and receipt of payments are completed quickly; thus, it has become possible to offer better services to customers, removing the boundaries of stores.

In 2017, Asistanım (My Assistant) received the "Best Digital Customer Experience Initiative" award at the World Retail Awards, the most prestigious award given in the retail sector under the scope of the World Retail Congress. The contribution of technological investments in efficiency both in customer-oriented areas and in operational processes will continue to increase gradually.

Shared Warehouse Investment

One of the operational investments started by the Group in 2017 is the warehouse project targeted to be commissioned in 2019. The warehouse, the construction of which was started with automation investments on an area of 110 thousand m² will collect the Group brands under the same structure and create a competitive advantage by allowing for provision of more efficient and speedier services, thus creating a cost advantage for the companies as well.

The Objective is to Know Every Individual Customer

In addition to new products, new formats, and new investments, the CRM activities oriented towards knowing the customers better are continued at full speed. As every customer was known face to face and what they like and want were known in the first store opened in 1971, it is tried to maintain the same relationship with customers in this period during which BRTI has reached

381 stores in general. Major data investments of all group companies were started in 2017; and they will also be continued in 2018 and the following years.

Sustainable Society with Boyner Group Customers

"Askıda İyilik" (Donate Goodness) application that was started in 2016 has continued to grow through wider expansion to Beymen in 2017. Askıda İyilik (Donate Goodness) packages purchased by customers from stores over the prices of TRY 20-30 are being delivered by Boyner Group to needy people. With this project, the details of which are provided in the sustainability report, the donation packages have been delivered to nearly 30 thousand needy people so far.

Moving on with the Vision of Unconditional Customer Happiness

The efforts to present Boyner Group values and understanding created and developed by employees hand in hand with customers since 1952 to customers' taste will also be continued in 2018 by blending them with the new inventions, new excitements, and new experiences. With the principle of Unconditional Customer Happiness, Boyner Group will continue to entertain millions of customers with every brand, store and channel.



BOYNER RETAIL AND TEXTILE INVESTMENTS

BOYNER RETAIL AND TEXTILE INVESTMENTS AT A GLANCE

Turkey's biggest public non-food and non-electronic publicly trading retail company

The title of the company formerly named as Altinyıldız Textile and Apparel Co. was changed as Boyner Retail and Textile Investments in 2014 in order to gather Boyner Group's retail companies under a single structure. Thus, a trade-name covering all of the actual operational areas was created.

Boyner Retail and Textile Investments (Boyner Perakende ve Tekstil Yatırımları A.Ş.) is comprised of the companies such as Altinyıldız Textile A.Ş. that is focused on woolen textile industry; Boyner Büyük Mağazacılık, the leader of multi-storey retailing; Beymen Mağazacılık, the pioneer of luxury retail sector; and AY Marka Mağazacılık holding NetWork, Que and Divarese brands under its structure.

Boyner Büyük Mağazacılık A.Ş. (BBM) that started its operations in 1981, opened its first store in Bakırköy under the name of Çarşı. BBM strengthened its position in the sector by acquiring the majority shares of YKM, one of the strong brands of the sector (Yeni Karamürsel Giyim ve İhtiyaç Maddeleri Ticaret Sanayi A.Ş. and Yeni Karamürsel Giyim ve İhtiyaç Maddeleri Pazarlama A.Ş.) in 2012 and all of the remaining shares in 2013. BBM is providing services with its multi-storey department stores, concept stores specialized in a single category (Boyner Home and Boyner Sports Stores), Outlet Stores and YKM Stores. BBM reached a total sales area of 276.540 m² with its 118 stores in 38 cities across Turkey by the end of 2017.

Having opened its first store in 1971, Beymen Mağazacılık A.Ş. (Beymen) currently has 85 stores representing a variety of retail approaches on a total net sales area of 50.809 m² (excluding Wepublic store with an area of 5.890 m²). Since the very first date of its establishment, Beymen has been among the leading players both in Turkish fashion industry, and in the global luxury retail sector. Today, having over 900 global brands under its umbrella, Beymen is considered to be among the best in its class in the world with its store collections that it has selected.

Having been operating in the wool textile industry since 1952, Altinyıldız has a nearly 40% market share in the domestic wool fabric market.

AY Marka Mağazacılık A.Ş. (AY Marka) was incorporated as a company, acquiring a legal entity status separate from the structure of Altinyıldız Tekstil in October 2008. Today, AY Marka is serving with 177 stores in 28 cities of Turkey with its brands of NetWork, Que, and Divarese.



MEMBERS OF THE BOARD OF DIRECTORS

SAIT ERGUN ÖZEN

Chairman of the Board of Directors

Born in Ankara in 1960, S. Ergun Özen completed his secondary education at TED Ankara College in 1978. After his registration in 1981, he graduated from the Department of Economics at New York State University in 1985. He completed Advanced Management program at Harvard Business School in 1997. He started his business career in 1987 as an Assistant Specialist at Economic Researches Unit of Türkiye İş Bank. Having joined T. Garanti Bank in 1992 by assuming an office in the Treasury Unit, Özen became the Manager of Treasury Unit in 1994, and then Assistant General Manager responsible for Treasury and Investment Banking in 1995. He was appointed as the President/CEO on 1 April 2000. He is a Board Member at Garanti Bank since 1 September 2015. He has been serving as the Board Chairman of BRTI as of 2017.

NAZLI ÜMIT BOYNER

Vice Chairman of Board of Directors

A graduate of the University of Rochester, New York, Ümit Boyner started her career in Chemical Mitsui Bank Credit Marketing department. Then she worked as Finance Manager at Turcas Petrolcülük A.Ş. and as Investment Director at Türk Petrol Holding A.Ş. Treasury Department, respectively. Ümit Boyner started to work at Boyner Holding A.Ş. as Finance Director in 1996. Having been serving as a Board Member at Boyner Retail and Textile Investments since 2006, Ümit Boyner was the President of the Board of Directors of TÜSİAD (Turkish Industry and Business Association) in the years of 2010-2013.

HASAN CEM BOYNER

Board Member

After graduating from Boğaziçi University with a degree in Business Administration in 1978, Cem Boyner started his career in Altinyıldız, the family-owned enterprise in the same year. He served as the Chairman of the Executive Committee of Boyner Holding between 1982-1984. Having served as the President of the Board of Directors of Turkish Industry and Business Association (TÜSİAD) in the years 1989-1990, Cem Boyner became the Managing Director of Boyner Group in 1996. After Osman Boyner became the Honorary President in 2010, Cem Boyner replaced him as the Board Chairman of Boyner Holding. Cem Boyner is also the Board Chairman of other Group Companies. He serves as the Chief Executive Officer and a Board member of Boyner Retail and Textile Investments.

HASAN ARAT

Board Member

Hasan Arat is a graduate of Istanbul University School of Business Administration. He currently serves as the Chairperson of the Turkish Executive Board of Capital Partners company operating in the real estate investment and development sector both in Turkey and abroad. In addition, he is a Board Member of Fiba Holding since 2011. He held positions as an independent board member and as the Chairman of the Audit Committee at Acıbadem Sağlık Hizmetleri between 2011-2017. Serving as a Member of the Board of Trustees at Acıbadem University and as the Vice Chairman of TNOC – Turkish National Olympics Committee; Hasan Arat held positions as the Vice President of United Nations World Tourism Organization Business Council (UNWTO) and as the vice president of Turkey Basketball Federation. Hasan Arat was the former president and still is a current member of the Board of Directors of IAF – International Apparel Federation and was the president of TGSD – Turkish Clothing Manufacturers' Association for a period. He has been serving as a Board Member of BRTI as of 2017.

BERNARD BARBOUR

Board Member

After graduating from the department of Law at Lebanon University, Barbour received master degrees in European law from Lausanne University and in International Economic Law from Geneva University in Switzerland. He also received a diploma in English Legal Methods from Cambridge University, England. Bernard Barbour joined QInvest after serving as a Senior Attaché in the Legal Department of the Central Bank of Lebanon between the years of 1997-2007. He has more than 20 years of extensive experience in financial legal systems and statutory legislation; and he worked as an academic lecturer on financial, fiscal and contract law at the leading universities of Lebanon. Having established the regulatory framework of Islamic Finance in the Republic of Lebanon, Barbour drafted legislative propositions to various payment and settlement systems such as credit cards, debit cards, electronic check, electronic money, etc. He has been serving as a Board Member of BRTI as of 2017.

REDA ADLY TAWFIK

Board Member

He graduated from the Department of Mechanical Engineering at Alexandria University in Egypt in 1977. He started to work as Import-Export Manager at German Food Co. in 1977 and served as the General Manager of the said company between the years of 1987-1991. He continued his career as the General Manager at Dreem Co. company between the years of 1991-2004. Tawfik served as the Vice President at the Egypt-headquartered Mashreq Group that had business partnerships with many international companies from 2004 to 2017; and then as a Board Member in the Egyptian Aramex Masreq company providing logistic services between the years of 2008-2016. Reda Adly Tawfik currently serves as the COO at Doha-headquartered Mayhoola company. He has been serving as a Board Member of BRTI as of November 2017. He is also a Board Member of the Italian Pal Zileri company.

SABRI METİN AR

Independent Board Member

He graduated from Robert College and Boğaziçi University Electrical Engineering Department and then completed his Master's Degree in London School of Economics. He started his career in Otis Elevator Company Ltd. in England. He assumed various positions in Türkiye Sınai Kalkınma Bankası (Industrial Development Bank of Turkey) and then served as Assistant General Manager at Brisa Bridgestone Sabancı Lastik San. Tic. A.Ş. and as a Board Member at İş Finansal Kiralama A.Ş., Yatırım Finansman Menkul Değerler A.Ş., Türk Pirelli Kablo ve Sistemleri A.Ş., and Çimentaş İzmir Çimento Fabrikası Türk A.Ş.. He also served as the Vice President of Istanbul Menkul Kıymetler Borsası (Istanbul Stock Exchange) between the years of , 2003-2005, and as the CEO of Garanti Yatırım Menkul Kıymetler A.Ş. between the years of 1999-2013. He worked as the Board Chairman of Dream between 2012-2014 and of Türk Pirelli between 2009-2016. Serving as an Independent Board Member of Borusan Yatırım ve Pazarlama A.Ş., Metin Ar has been an Independent Member in the Board of Directors of BRTI since 2015.

TAYFUN BAYAZIT

Independent Board Member

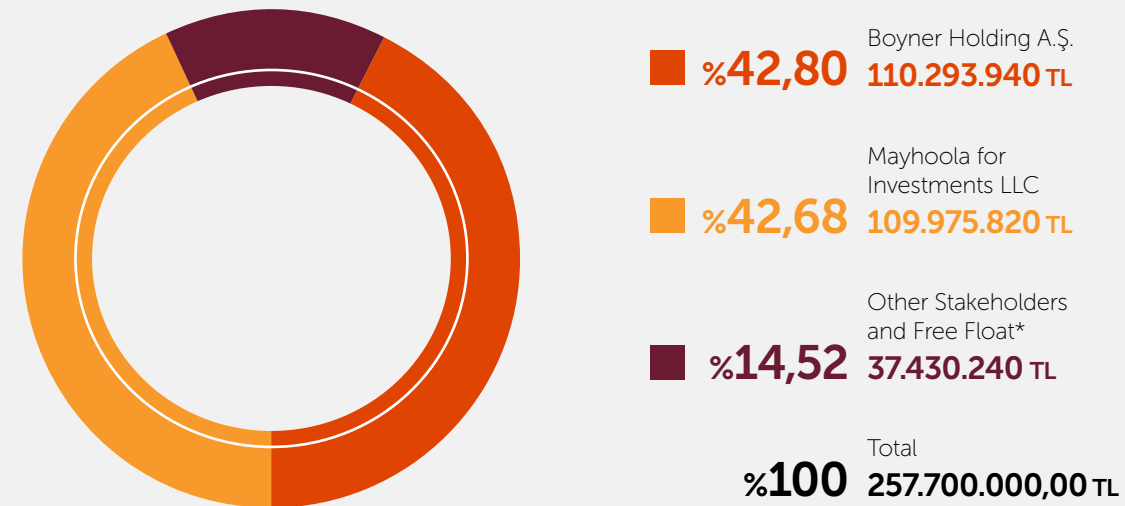
Mr. Bayazit started his banking career at Citibank after receiving his Bachelor's Degree in Mechanical Engineering from Southern Illinois University and MBA degree in Finance and International Relations from Columbia University. He served as a senior executive in Çukurova Group for 13 years. He became the CEO of Dışbank in 2001. He was appointed as the CEO and a member of the Global Management Committee at Fortis Turkey in 2005. In April 2007, he returned to Yapı Kredi as the Executive Director and General Manager and also became the Board Chairman of Koç Holding Banking and Insurance Group and Yapı Kredi in the beginning of 2009. Having founded "Bayazit Danışmanlık Hizmetleri" in August 2011, Mr. Bayazit worked as an Independent Board Member at Boyner Büyük Mağazacılık A.Ş. between the years of 2014-2016. He has been serving as an Independent Board Member in BRTI since 2014.

KAMIL ÖMER BOZER

Independent Board Member

Born in Istanbul in 1958, Ömer Bozer received his undergraduate degree from the Department of Business Administration at METU and his MBA from Georgia State University. Having started his business career in 1983 as a management trainee at Koç Group, he served as a manager in Maret and Düzey Pazarlama and then became General Manager at Migros in 2002. Bozer worked in various positions in Koç Group as the Head of Food, Retail and Tourism Group between 2005-2006, Head of Food and Retail Group between 2006-2008, and again the Head of Food, Retail and Tourism Group between 2008-2011. Kamil Ömer Bozer is an Independent Board Member at Anadolu Efes, Anadolu Isuzu and Adel Kalemcilik companies and a Board Member at Carrefoursa and Teknosa; and provides consultancy on retailing at Sabancı Holding. He has been serving as an Independent Board Member of BRTI as of 2017.

BOYNER RETAIL AND TEXTILE INVESTMENTS SHARE HOLDING STRUCTURE



* The shares with a nominal value of TL 2.872.088,44 corresponding to 1,11% of the Company's capital, which is shown in the Other section, are held by Boyner family members.

BOYNER RETAIL (BRTI) SUBSIDIARIES

Subsidiary	Country	Field of Activity	31 December	31 December
			2017	2016
			Effective participation rate (%)	Effective participation rate (%)
AY Marka	Turkey	Retailing	100,00	100,00
BBM	Turkey	Retailing	100,00	100,00
Beymen ⁽¹⁾	Turkey	Retailing	100,00	100,00
AYTK	Turkey	Textile Products Sales and Marketing, Real Estate Development	100,00	100,00
Alticom ⁽²⁾	Germany	Textile Products Sales and Marketing	-	100,00
Altinyıldız Corporation	USA	Textile Products Sales and Marketing	100,00	100,00
A&Y LLC	Dubai	Textile Products Sales and Marketing	100,00	100,00
Nişantaşı Turistik	Turkey	Restaurant Management	75,00	75,00
İzkar	Turkey	Retailing	74,60	74,60
Beymen İç ve Dış Ticaret	Turkey	Import-Export	100,00	100,00
Anka Mağazacılık A.Ş. ⁽³⁾	Turkey	Retailing	-	100,00
Bulin ⁽³⁾	Turkey	Import-Export	-	100,00

(1) As specified in the Public Disclosure Platform announcement made on 20 December 2017, the Company decided to start the activities for public offering of up to 49% of its total shares at arm's length market conditions.

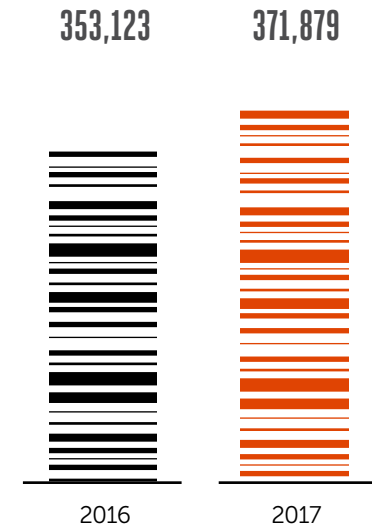
(2) The liquidation process of Alticom was started in 2014 and the liquidation procedures were completed in 2017.

(3) Anka and Anka's wholly-owned subsidiary Bulin have merged with the Group's affiliate Beymen as of 30 November 2017.

BOYNER RETAIL'S TOTAL NUMBER OF STORES



BOYNER RETAIL'S TOTAL SALES AREA (THOUSAND M²)



BOYNER RETAIL'S CONSOLIDATED TOTAL ASSETS (TL MILLION)



BOYNER RETAIL'S CONSOLIDATED NET SALES (TL MILLION)





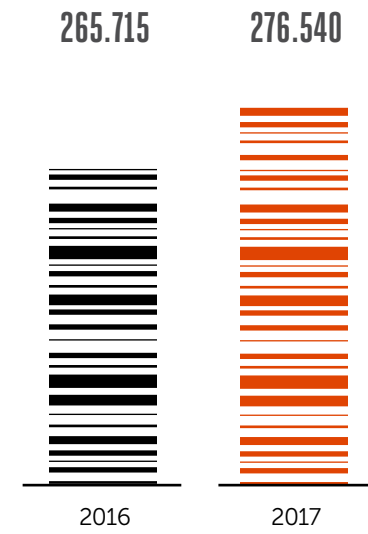
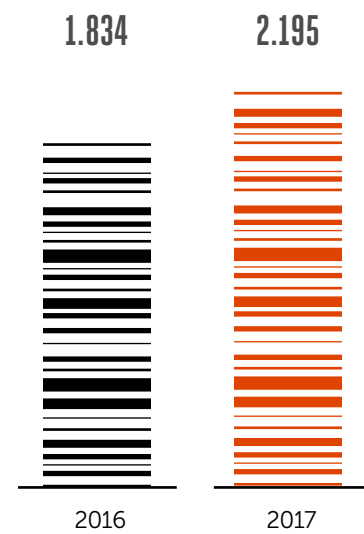
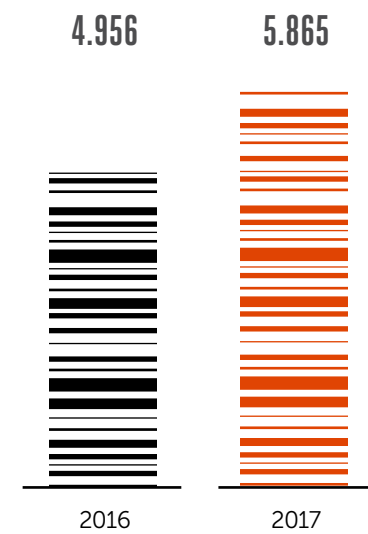
BOYNER RETAIL AND TEXTILE INVESTMENTS COMPANIES



BOYNER BÜYÜK MAĞAZACILIK

As of the end of 2017, BBM is continuing to serve as the leading department store chain of Turkey with its 118 stores in total operated in 3 separate retail store models such as Boyner and YKM, Boyner Sports and Boyner Outlet and its total sales area reaching 276.540 m² in 38 cities across Turkey.

p. 28-43

TOTAL NUMBER
OF STORESTOTAL SALES AREA
(THOUSAND M²)TOTAL NET SALES
(TL MILLION)NUMBER OF
EMPLOYEES

MILESTONES

- 1981 ○ First Çarşı Store was opened in Istanbul Bakırköy.
- 1989 ○ Çarşı Credit Card was launched.
- 1990 ○ The first multi-storey department store Maslak Çarşı was opened.
- 1992 ○ Çarşı Stores became corporate with the establishment of Karat Mağazacılık A.Ş.
- 1996 ○ Karat Mağazacılık A.Ş. turned into Çarşı Büyük Mağazacılık A.Ş. and the first IPO of 15% was held.
- 1998 ○ SPO of another 15% was held. Growth and development were accelerated by opening of 4 new stores.
- 2004 ○ The Program of Change from Çarşı to Boyner was implemented.
- 2006 ○ Third public offering of 9,9% shares was carried out.
- 2007 ○ 30,05% partnership was established with Fennella S.a.r.l (Citi Venture Capital International, CVCI).
- 2012 ○ Majority shares of YKM A.Ş. and YKM Pazarlama A.Ş. were purchased.
- 2013 ○ The remaining minority shares of YKM A.Ş. and YKM Pazarlama A.Ş. were also acquired. 30,05% CVCI shares of the company was purchased by Boyner Retail and Textile Investments. Following the call in September, the proportion of Public shares went down under 4%.
- 2014 ○ Boyner Büyük Mağazacılık A.Ş. took over YKM A.Ş. and YKM Pazarlama A.Ş.
- 2015 ○ Boyner Büyük Mağazacılık decided on delisting from Borsa İstanbul (Istanbul Stock Exchange). Boyner logo was renewed.
- 2016 ○ Boyner Büyük Mağazacılık completed the process of its delisting from Borsa İstanbul.
- 2017 ○ The Company switched to the new-generation store concept offering a more comfortable and warmer shopping experience.



STORE FORMATS

Having started to serve its customers in its first store named Çarşı opened in Bakırköy in 1981, Boyner is today serving as the leading department store chain of Turkey with its 118 stores in total operated in 3 separate retail store models such as Boyner and YKM, Boyner Sports and Boyner Outlet and its total sales area reaching 276.540 m² in 38 cities across Turkey.

Having been the pioneer of innovations in Turkey for nearly 40 years with its global retailing approach, Boyner Büyük Mağazacılık sets a model for the sector by combining a variety of products with the spirit of quality, reliability and perception of reasonable prices. Having merged with YKM in 2012, Boyner is today offering their customers various products from both local and international brands in different categories such as active sportswear, footwear for women, men, and kids as well as accessories, cosmetics and home decoration products under the structure of Boyner and YKM stores. Boyner's exclusive brands also contribute in its differentiation through their rich diversity of products and affordable prices. Boyner and YKM exclusive brands like Mammamma, Pink&Orange, Funky Rocks, Monster High, Barbie, North of Navy, T-Box, Cotton Bar, Fabrika, Penford, Limon Company, House Of Camellia, Black Pepper are introducing the latest trends to customers. Having made a strong appearance in the fall-winter season after its renovation in 2017, Boyner Home is also offering rich options with both Boyner Home brand and the leading brands of the sector in the categories of kitchen, bathroom, home textile, electrical household appliances and accessories.

Boyner and YKM Stores; are offering their customers various products of local and international brands in different categories such as active sportswear and footwear for women, men, and kids as well as accessories, cosmetics and home decoration products in 87 multi-storey Boyner and YKM Stores.

Boyner Sports Stores; are meeting with customers as concept stores selling the products of more than 65 international brands including active-sportswear for different sports and casual wear.

Boyner Outlet Stores; Boyner & YKM Outlets are serving with 22 stores offering discounted products.

	Total	Company-Owned Stores	Dealer Stores
Boyner ve YKM Stores	87	60	27
Concept Stores	9	6	3
Outlet Stores	22	16	6
Total	118	82	36

Sen de Boynerle! (You must Boyner, too!)

The area that has shined out and made difference in 2017 was the motto of "Sen de Boynerle!" (You must Boyner, too!) and the jingle using this motto, which was designed "to emphasize that with its wide collection, Boyner is a store where you can find anything that you look for and meet all the needs of your family". The world-famous "Cake by the Ocean" was used as the jingle music. "Sen de Boynerle" communication that was started in March 2017 was used in social media activities through all ATL and BTL advertisements made throughout the year 2017. With this motto, the messages intended to be given for each category were shared in an amusing manner. And the jingle "Sen de Boynerle" made a hit for everyone, young and old alike.



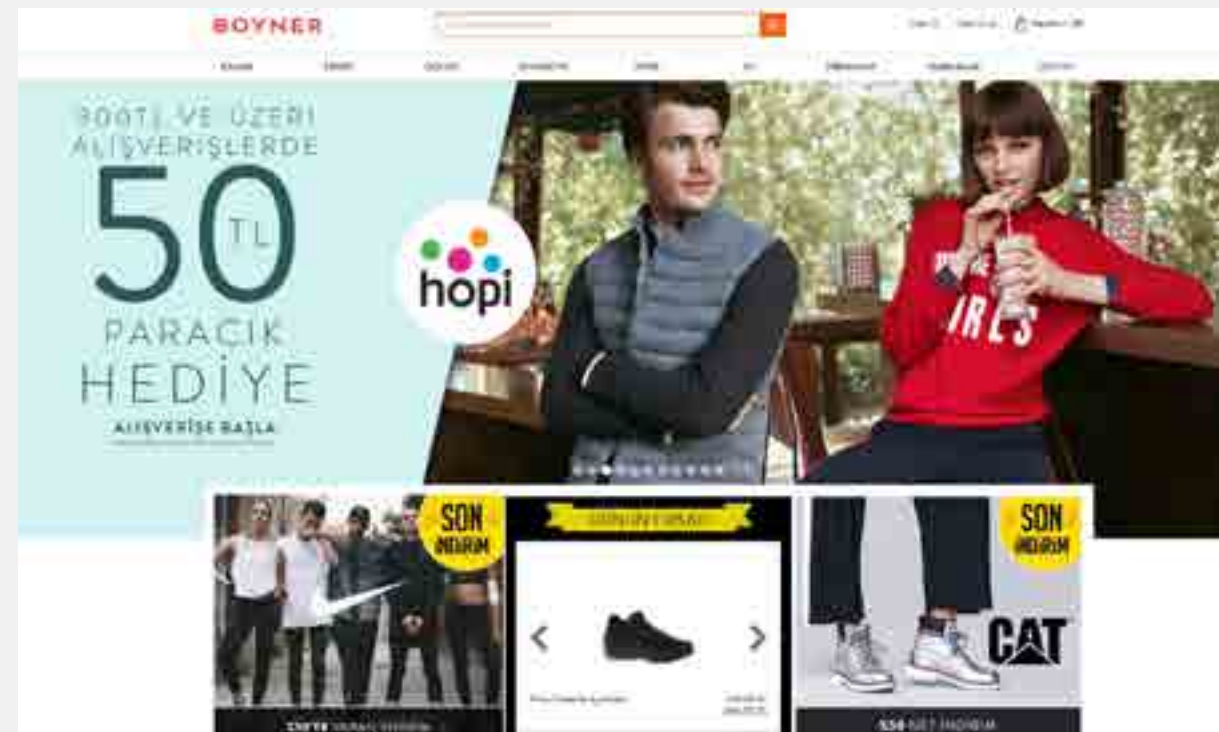
boyner.com.tr is continuously growing

Launched in 2003, Boyner Online Sales Website renewed its e-commerce infrastructure and operational processes in 2013 and started to offer services to its customers based on Unconditional Customer Happiness principle and to distinguish itself in Turkish e-commerce market that grew mature in the same year.

75 million people visited its e-commerce website in 2017 thanks to the usage of its existing infrastructure and operational power and the successful activities conducted in addition to its large transformation project started in 2016, and as a result, there has been a 56% increase in sales compared to the previous year.

Having continued to grow with a gradually increasing pace in the recent years, boyner.com.tr underwent a transformation process in 2017 in line with the high traffic reached and its growing business volume. As a result of this transformation process implemented in order to enable its customers to enjoy an uninterrupted and smooth online experience and to conduct e-commerce processes from end to end and in an integrated manner, the new mobile application was commissioned and went live in October 2017.

Boyner.com.tr
56% growth



SALES

Having distinguished itself in the sector as the only address where customers can meet all their needs, Boyner is continuing to lead the sector with its principle of "Unconditional Customer Happiness under the scope of its service and after-sales service approach that it has adopted since the very first date of its establishment.

Having continued its activities to this effect also in 2017, Boyner has started to use in its stores the handheld terminals named "Asistanım" (My Assistant), allowing sales representatives to immediately access to inventory and price details of any products in the related or other stores, in order to further increase customer happiness. In addition, it has accelerated purchasing processes by switching to e-archive invoicing application at its cash desks in December.

Boyner, the shopping destination

2017 was a year during which campaigns personalized according to customers' shopping habits were offered and communicated as a result of Hopi and CRM activities. Thus, customers were allowed to benefit from personalized advantages oriented towards their own needs.

As a result of all Marketing and PR activities covering the campaigns and customer communications conducted in special periods such as Religious Holidays, New Year, Valentine's Day, Mother's Day, Father's Day, and Back to School, Boyner has remained as the mostly preferred store for gift shopping in 2017, too.

Boyner special campaign "Crazy Butterfly" (Çılgın Kelebek) that is held twice a year in the months of May and November has resulted in record-breaking figures in terms of both customer entries and sales in 2017.

The total sales in 2017 increased by 20% compared to the previous year. Boyner stores entertained 121 million visitors throughout the year 2017; and 13 million customers visited Boyner during the new year period only.

New store concept

The new-generation retail store concept was launched in the last quarter of 2017 in order to create difference in customer happiness and experience. New Boyner stores enriched with green leaves and wooden patterns and details reflecting naturality allow its customers to feel themselves at home with their warm environment and offer them a comfortable and pleasant shopping experience. While Boyner stores opened in the shopping centers such as Emaar Square SC, Hiltown SC, Bursa Suryapı Marka Park SC, and Antalya Agora SC were opened with the new concept, Boyner İstinye Park was renewed with the elements of the new concept. While the stores that will be opened in the upcoming period will be opened with the new concept, the other stores will be renewed with the elements of the new concept.



Anchor store award

As a result of all these changes, Boyner was granted an award in the category of "Anchor Store" meaning the brand creating the highest traffic to SCs, according to the "Most Liked and Preferred Retail Brands in SCs" survey conducted by the Association of Shopping Centers and Investors (AYD) and Akademetre Research Company.



IN THE STORES
121 million visitors
— in the new year only —
13 million customers
revenues
20% increase



Omnichannel Shopping Experience

Omnichannel transformation that was started in 2015 accelerated with new services and marketing activities supported during the year 2017. While the rate of multi-channel customers concurrently using both online and offline channels doubled; the rate of orders benefiting from "Click & Collect" (Tıkla Gel) service allowing customers to collect their products purchased over boyner.com.tr and Morhipo from the delivery points at Boyner & YKM Stores exceeded the levels of 15%. While great convenience is provided for customers thanks to the return and change option offered at Boyner stores under the scope of "Click & Collect" service, a synergy is created amongst the group companies and traffic to Boyner stores is created as well.

Thanks to Boyner mobile application that was renewed in October 2017, customers shopping in the store can see the product and stock details at the time of shopping on a real-time basis. In addition, the customers that cannot make a decision in the store can add the products that they like in the store to their online carts and continue their shopping at home thanks to their

mobile applications. Similarly, customers unable to find the desired colour or size of the product that they like in the store can order the product with the desired colour and size by using mobile applications, which is to be delivered either to their houses or to the store desired.

With the systems put into practice in the last quarter of 2017, the orders placed online could be delivered to customers in 27% shorter periods of time. Having continued to offer its customers an integrated shopping experience from any channel during the year 2017, Boyner aims to further strengthen this omni-channel experience through new smart services and 360-degree customer behavioural analyses in 2018.

Rate of customers using Click & Collect

15%

MARKETING

The year 2017 was a year during which continuous communications were made covering all categories and special days instead of a merely fashion- and season-focused communication strategy. "Sen de Boynerle" motto and jingle that were started to be used in March 2017 were used in all communications.

Upon implementation of various innovations in the product and brand structures, the communication strategy was designed to convey it and advertising campaigns emphasizing rich diversity of products and prioritizing the categories were prepared. The first commercial film produced with this strategy in 2017 was prepared for young, active, sports category. Then, the campaigns for shoes-bags, Mother's Day, Father's Day, Back to School, and cosmetic campaign and the commercials for cosmetics, women and men prepared for the new year were published and broadcast.

One of the communication strategies that made a difference in 2017 was the intensive use of interior spaces of SCs and outdoor areas during the periods like Cosmetics Festival and Crazy Butterfly Sale. During the Crazy Butterfly sale in November, a "cover" was published in Cumartesi (Saturday) supplement of Hürriyet newspaper in addition to the communication activities conducted through all these channels. Furthermore, presence was established in all important channels through a strong digital media planning. As a result of all these communication activities conducted, the cosmetics campaign in October, the Crazy Butterfly in November and the New Year Period were completed with record-breaking results.

Social media Getting Stronger

In this period of increasing digital communication, Boyner has continued to communicate with its customers through all channels in an efficient and integrated manner. The motto "Sen de Boynerle" (You must Boyner, too) was used in all social media communications in different forms of wordings like "Haydi Boynerle" (Come on and Boyner).

In 2017, activities different from the previous years were conducted in order to produce creative contents that will attract the attention of followers facing millions of messages in the digital world and they yielded positive results. Finding to opportunity to get in closer touch with its followers by realizing special projects with the social media celebrities under the scope of special days and on a category basis, Boyner created difference in this field, too.

The number of Instagram followers has reached 489 thousand; the number of Facebook followers has reached 956.859; and the number of Twitter followers has reached 35.885.

The rates of increase in the numbers of social media followers



Boyner Talks, the Most Liked Blog

Continuing its broadcast life as a digital blog as of May 2017, "Boyner Talks" was viewed for nearly 500 thousand times with its rich contents. Presenting the favourite trends of the season from fashion to decoration, cosmetics to accessories, and sports to astrology and the latest developments from life and the world in a conversational environment, "Boyner Talks" received the Golden Spider (Altın Örümcek) 2017 award in the category of Best Corporate Blog through public votes among the top 3 blogs specified as a result of the evaluation of a jury comprising the leading names of the sector.



Personalized Campaign Period

The number of Key Cards (Anahtar Kart) opening the doors of the world of opportunities at Boyner Stores to customers is increasing day by day. Through loyalty programs, Boyner customers have a chance to get informed regularly in line with their requests and purchasing habits and to benefit from the advantages.

The number of customers registered to Boyner Key and YKM Card Program exceeded 13 million and 670 thousands of people by the end of 2017. Boyner Keys/ YKM Cards are used in 85% of shopping made at Boyner stores.

There are 2 loyalty programs managed differently in Boyner and YKM Stores. The programs designed according to customers' expectations and shopping habits aim to gain new customers, to retain current customers, to regain passive and lost customers, to guide customers to different categories, and to increase the number of products per invoice, customer carts and the frequency of customer visits. Throughout the year, customers are also gained with the help of the banks agreed with, brand partnerships, arrangements designed specific to a single category after identifying the main requirements and ensuring shopping relationship among the categories, and local and personalized on-demand campaigns.

As required by the principle of "Unconditional Customer Happiness", the voices of all customers are listened to through any and all contact channels and customers' needs are met very rapidly, winning the favour of

customers. In addition, customers' voices are listened to through surveys after every shopping, return and change transaction in order to explore the insight of customers and to take actions very quickly.

Boyner is continuing to integrate its online and store processes. Boyner Asistanım (My Assistant) that was launched in 2016 has been developed with new functions and has continued to offer multi-channel experience to customers and to differentiate their shopping experiences in 2017. Sales representatives can access to all product types and execute an online sales transaction in the store using their Boyner My Companion devices without physically going to the depot. In addition, through Boyner My Companion application, sales representatives can follow up their personal trainings, details of campaigns, and instant target outlooks.

The number of customers registered to Boyner Key and YKM Card Program

13 million and 670 thousand+



INVESTMENTS

Boyner's total sales area reached 276.540 m² in 2017.

Stores opened in 2017

Opened Stores	Location	Opening Date
Boyner	Emaar Square SC	30.09.2017
Boyner	Hilltown SC	27.10.2017
Boyner	Antalya Agora SC	17.11.2017
Boyner	Bursa Sunayır Marka SC	01.12.2017
Boyner	Çorum AHL Park SC	07.12.2017
Boyner Sports	İzmir Mavibahçe	25.08.2017
Boyner Sports	Antalya Markapark SC	15.12.2017
Boyner Outlet	Zeytinburnu	18.03.2017
Boyner Outlet	212 İstanbul SC	05.08.2017

Breakdown of Investments made in 2017

2017	(TL)
New stores and renovations	39.558.888
Fixtures	26.384.389
Brands	25.000.000
Hardware software and others	8.325.282
Total investments	99.268.559



HUMAN RESOURCES

Number and Profile of Employees

There are **5.865** employees in total, including **3.002** male and **2.863** female employees working under the structure of Boyner Büyük Mağazacılık as of 31 December 2017.



Boyner Büyük Mağazacılık has a quite young and dynamic staff. **30** is the average age of all employees working in the Stores and in the Head Office. While **60%** of employees are graduates of high schools and their equivalents, nearly **40%** of employees have bachelor's and higher postgraduate degrees. **71%** of Head Office employees have bachelor's and higher postgraduate degrees.

Employees' education level

60% graduates of high schools and their equivalents

40% with bachelor's and higher postgraduate degrees

Selection, Recruitment and Organizational Development

Some organizational changes have been made at the Head Office in 2017 in order to manage the operations more efficiently in line with the company's requirements and industry-specific dynamics. Visual Merchandizing, Internal Control & Loss Prevention and Home Category departments have been directly connected to the General Directorate under the new structure. Visual Merchandizing roles responsible for categories have been established at the Head Office.

The purchasing team responsible for the market brands comprising Kids Wear Group and the Exclusive Brands team have been gathered under a single roof in 2017. Outlet operations Category and Sales Teams have been connected together to report to the Corporate Development and Outlet Assistant General Management.

Accessories Group has been started to be managed under Cosmetics Directorate and Wholesale and Boyner College operations have been started to be managed under the structure of Corporate Sales.

The functions previously conducting its activities under the name "Marketing" have been renamed as "Brand Management and Communication" under the new structure. The department operated as CRM Directorate has been renamed as Marketing Directorate.

A new team has been established at the Head Office in order to improve the Purchasing processes constituting one of the main business lines in the retail industry, to ensure that operations are conducted in a centralized, rapid and efficient manner and to increase the product master data quality of all categories.

A separate Central Recruitment team has also been established in order to accelerate store recruitment

processes and to ensure efficiency and standardization in the processes. When this team started to collectively manage the recruitment processes of the stores in Istanbul, all Human Resources Business Associates working in the field had the opportunity to pay more attention to the performances, efficiency and happiness of employees in the stores.

HR is Digitalizing – HR360

Three new applications were launched through the digitalization project started in 2016 in order to manage HR processes in a faster and more efficient manner. The applications that have been put into practice include the **Employee Information Form** through which all employees can access to and update their own details; the **Payroll Display** through which all employees can view their payrolls for the last 1 year using the passwords sent to their mobile phones; and **Who are on Leave** (Kimler İzinde) by which the Head Office Executives, Store Managers, Field HR Business Associates and all other executives managing the teams can view from the system the employees that are on leave or on sick leave amongst the employees under their responsibility via eBA.

Career Management

Career Examination was organized for stores within the framework of the Career Management program renewed with the slogan "There is Career in Boyner" in 2017. The examination held with the participation of 1.612 employees in total in 23 cities across Turkey was conducted in two sessions. Employees entered the "Examination for Officers" for promotion from "Representative" level to "Officer" level; and the "Examination for Executives" for promotion from the "Officer" level to "Executive" level. 25% of 1.612 employees taking the exam have successfully passed from the General Ability Test and Professional Knowledge Tests and attended "Regional Career Committee" interviews after the examination.

The Regional Career Committees interviewing with 492 employees across Turkey approved the promotion of 202 employees. The internal promotion rate has been recorded as 74% in 2017.

Performance Management

Boyner Marathon program has been put into application in order to accurately evaluate the business results of store sales teams, to reward their successes, to guide those that do not display expected performance levels and to maximize their performances.

"Boyner Marathon" is run based on the logic of comparison of the Sales Representative's current category with the similar categories in the other stores. It also allows for making a more accurate evaluation considering several success criteria. The purpose is to ensure that standard actions are taken in all stores such



as rewarding the Sales Representative displaying high success levels, providing guidance and training support for those whose moderate performance levels can be further increased, improving the Sales Representatives displaying poor performance levels through close monitoring, and providing constructive feedbacks and on-the-job or in-class trainings.

Staff Management & Efficiency

The automatic reports prepared by Human Resources Remuneration and Reporting unit have been started to be used in order to execute and facilitate efficient management of field staffs. These reports allowed for monitoring of the occupancy and efficient management of permanent and consignment staffs. The monitoring of consignment staffs was improved through detailed breakdowns on a location-company basis and the vacant staff positions were filled more rapidly. As a result, the sales team was enabled to get in a closer and more efficient touch with customers.

In addition to automatic reports, the personal and comparative performances of the company employees were issued to the business associate companies on a monthly basis. Thus, business associates were allowed to focus on personal performances of their employees, rather than the store-brand performances.

Internal Communications

With respect to internal communications, the company news and the latest developments were shared with Head Office and Store employees through e-mail announcements and over the intranet portal named Mybox; and in addition, all employees were continued to be informed on the projects that the departments worked on through "Boyner Bulletin" published three times a year.

The company vision and strategies were shared with all Head Office employees and Store Managers through the Communication Meeting named "Boyner Connect" held twice a year.

The information on Store Openings, Company Events and Material Developments were instantaneously shared with the employees through the digital display screens installed in the Head Office in 2017.

	2017 PROMOTIONS	INTERNAL PROMOTIONS	OUTSOURCED	TOTAL	INTERNAL PROMOTION RATE
SALES	Sales Representative & Sales Support Officer	90	7	97	93%
	Sales Executive	2	0	2	100%
	Category Sales Executive	29	46	75	39%
	Store Manager	11	2	13	85%
	Regional Sales Manager	1	0	1	100%
	Total of Sales	133	55	188	71%
SALES SUPPORT	Customer Relations	10	2	12	83%
	Operations	29	5	34	85%
	Visual	6	7	13	46%
	Logistics	24	3	27	89%
	Total of Sales Support	69	17	86	80%
TOTAL	202	72	274	74%	

Reward and Recognition

Under the corporate Reward and Recognition Program aiming to recognize and reward the employees displaying high performance and creating difference with their works performed at Boyner Büyük Mağazacılık, the "Success from you and Praise from Us" awards were distributed in the 3rd Boyner Connect meeting held on 5 January.

The most Successful Store Managers, Sales Representatives, Cashiers, Warehouse, Customer Relations and Operations Managers and B2C employees were rewarded in 21 different categories in total. In addition, Difference-Making Employees from the Head Office and the departments ensuring The Best Cooperation in 2016 were congratulated.

The most successful stores and store employees are announced through "The Best of the Month" lists every month throughout the year 2017 under the scope of the "Success From You and Praise from Us".

Motivation

Various actions and activities are organized for employee motivation at Boyner Büyük Mağazacılık throughout the year. The names in the cockades of mothers in the stores were changed as the names of their children specifically for the Mother's Day in the month of May. The Mother's Day was also celebrated through the letters specifically issued for each employee. The letters specifically issued for "Hero Fathers" were presented for the Father's Day in the month of June.



12th December Retail Employees Day

The "12th December Retail Employees Day" that was celebrated jointly with Boyner Group Companies for the first time in 2013 was also celebrated with great enthusiasm in the stores across Turkey through the actions specially designed for all store employees last year.

Head Office employees visited the stores throughout the day and both shared the celebrations of store employees and had the opportunity to work with them shoulder to shoulder.

Employer Brand & University Relationships

9 events held in 7 different universities were participated and over 300 students were reached in such events in 2017 in order to introduce Boyner Büyük Mağazacılık to university students and to explain to them that retailing sector is an important career path using the slogan "There is Job opportunities in Retail".

The developments about the company are also shared through Boyner Büyük Mağazacılık page in LinkedIn, which was put into active use three years ago in order to introduce Employer Brand through social media. In 2017, the number of the followers of LinkedIn profile increased by 4 thousand people and exceeded 26 thousand.

Training and Development

In 2017, 42.230 hours of in-class training in total were provided for 10.340 employees in total throughout the Head Office and Stores under 52 different headings in 25 different cities.

These trainings mainly focused on providing technical expertise trainings in order to improve the service quality of field employees, ensuring career development through new talent applications and supporting the strategic goals of the company.

"6 Beautiful Habits" training designed to improve the service quality of Sales Representatives and to allow them to render good services throughout the entire process extending from welcoming to sending customers off under the scope of Boyner Mağazacılık Specialty Program (Boyner UP) was also continued in 2017. 2.122 hours of training in total were provided for 352 Sales Representatives.

11.754 hours of training in total were provided for 1.959 Sales Representatives under the scope of Category Specialty Trainings containing technical product know-how. In-store trainings were started to be provided under the scope of "Shoes Category Conversations" specially designed for Sales Representatives in the shoes sections of departments. 339 shoes Sales Representatives in total from 40 stores attended these conversations during which tips regarding exemplary shoes merchandising, customer communications and sales were shared.



1.890 hours of training on Store Visual Merchandising were provided for 630 Sales Representatives. Thus, employees learned how to arrange their stores according to Visual Merchandising rules. In addition, "Loss Prevention Trainings" were started across Turkey, aiming to enable the employees to protect the products that they sell. 5.212 hours of trainings were provided for 2.606 employees; thus increasing their awareness against any negative situations.

Three projects were realized in the last quarter of 2017. BoynerLeader is a talent management program comprising 12 trainings in total together with the related trainings-assignments, which raise Manager Candidates and prepares mid-level managers in the stores. The program aiming to allow the candidates to learn all processes of the Store Manager position before their promotion, to develop their management skills and to improve their leadership qualifications is comprised of retail, fashion and leadership headings.

New trainings have been started to be provided under two headings in order to improve the capabilities of Category Sales Executives in the stores. Under the scope of "Management with Data" teaching the mathematics of retailing and aiming to allow the executives to manage with figures, 1.890 hours of training were provided for 315 Category Sales Executives in total. Category Sales Executives (CSEs) received "Sales Coaching" training and thus, their managerial skills were improved. Under the scope of this training, 144 CSE received 864 hours of training in total.

With the "Opening Trainings" program launched in 2017, all employees of the newly-opening stores were orientated to Boyner and multi-storey retailing. Other trainings were also provided under the titles of The Past, the Present and the Future of Boyner, On-the Job Store Training, Retailing Package Programs, 6 Beautiful Habits, Arabic Training, Tax-Free Training and Development-Career Conversations.

Occupational Health and Safety

Manager Manual on Occupational Health and Safety was prepared and introduced through the trainings explaining to all managers their powers and responsibilities in 2017. In addition, OH&S Compliance team and e-mail group were established, targeting monitoring and the exchange of experiences.

OH&S software system through which the data related with all activities required and conducted under the scope of Occupational Health and Safety (trainings, risk analyses, accident records, etc.) could be transferred was established.

New arrangements were made in the Head Office and several stores for compliance and preparedness to emergencies with the support of Corporate Development departments. OH&S Control forms were completed in all stores. The risk levels of the stores were determined and the actions required to be taken were identified.

Occupational Health and Safety trainings were provided for 3.838 employees in 105 sessions in total during the year 2017. Occupational Health and Safety committees, risk analysis teams and emergency teams were revised. 98 employees received first aid training.

BOYNER	Number of Participants
Year 2017	Store-Head Office
Basic OH&S Training	3.838
First Aid Training (Refresher)	45
First Aid Training	53
Emergency Training	333
Trainings after Occupational Accidents	30



BEYMEN MAĞAZACILIK

Beymen is considered among the most important companies of the luxury sector, recognized not only in Turkey, but also in the world, thanks to its rich variety of brands comprising over 900 leading global brands, exclusive collections considered among the best examples of its class in the world, and its retailing practices and customer relations approach.

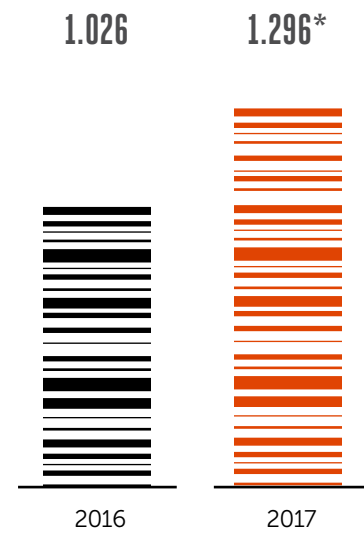
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TOTAL NUMBER
OF STORES*

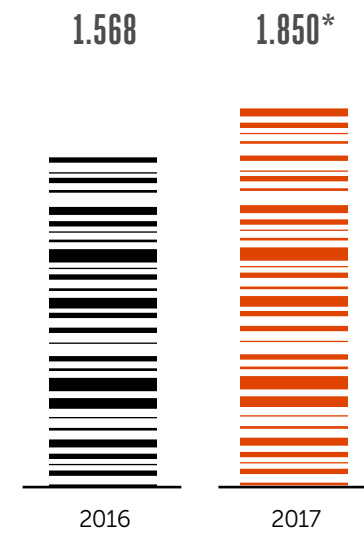
*According to IFRS.

TOTAL SALES AREA
(THOUSAND M2)*

*According to IFRS.

TOTAL NET SALES
(TL MILLION)

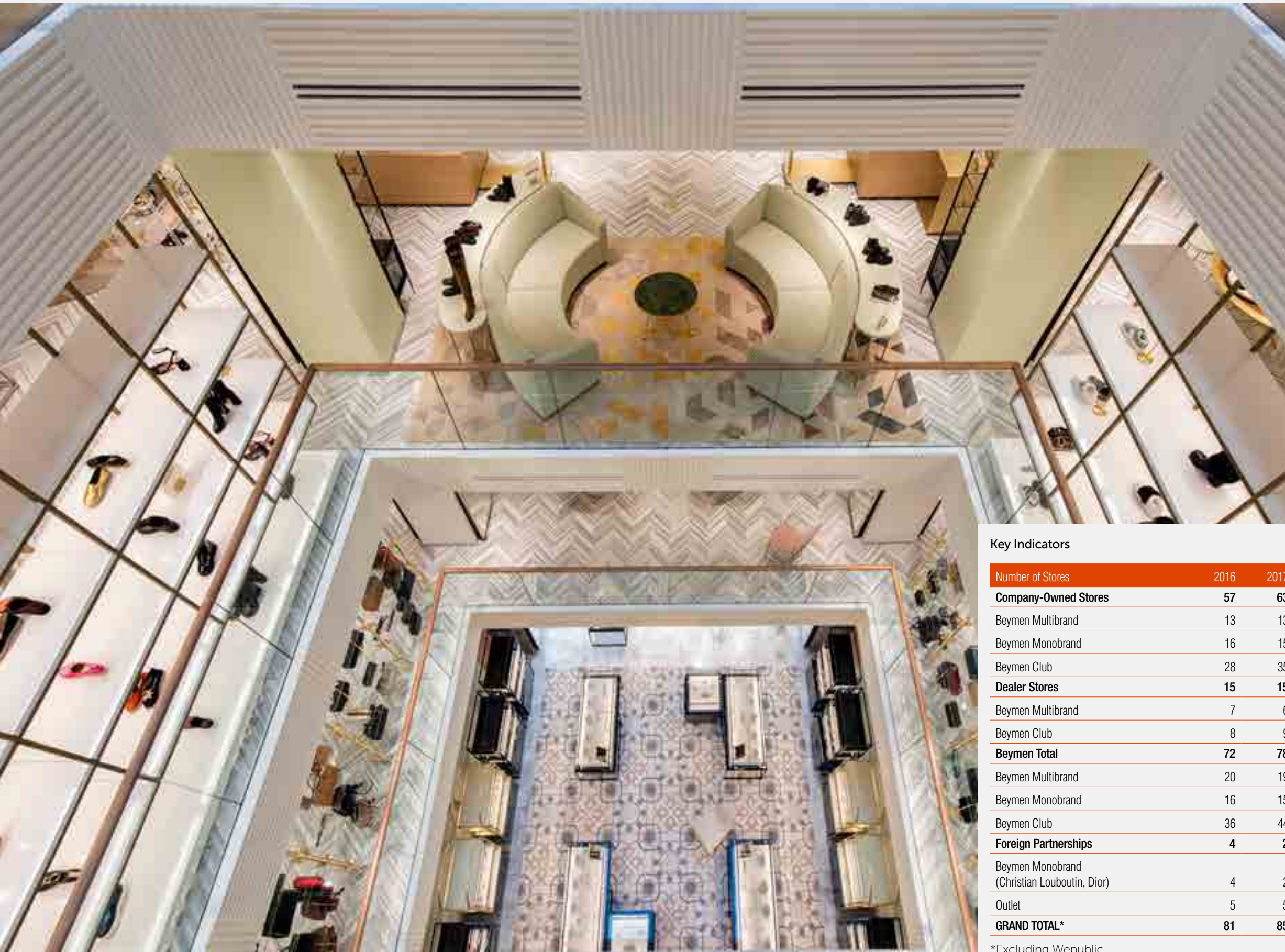
*According to IFRS.

NUMBER OF
EMPLOYEES

*Excluding Nişantaşı Turistik and Christian Louboutin

MILESTONES

- 1969 ○ The first ready-to-wear manufacturing operation in Turkey was launched in cooperation with Italian Fashion Designer Silvano Corsini.
- 1971 ○ The first Beymen Store was opened in Nişantaşı.
- 1985 ○ The brand Beymen Club was launched.
- 1987 ○ The "Unconditional Customer Happiness" principle was adopted.
- 1992 ○ Beymen stores started to sell international fashion brands.
- 2007 ○ Beymen İstinye Park was inaugurated.
- 2007 ○ Monobrand boutique retail operations were initiated.
- 2010 ○ Beymen.com went live.
- 2013 ○ Turkey's largest fashion retail store Beymen Zorlu Center and Beymen Club stores were inaugurated in Zorlu Center. Six new monobrand boutiques were opened in Zorlu Center.
- 2014 ○ Beymen Mobile application was released.
- 2017 ○ Beymen Suadiye, Beymen Antalya Rixos were opened.



LEADING PLAYER IN TURKISH AND THE GLOBAL LUXURY RETAIL SECTORS

Having opened its first store in 1971, Beymen Mağazacılık A.Ş. today provides services in 85 stores representing a variety of retail approaches on a total net sales area of 50.809 m², including international stores and foreign partnerships.

In May 2013, Boyner Retail (formerly known as Altinyıldız Textile and Apparel Co.) bought back a 50% stake in Beymen from Fennella S.a.r.l., a subsidiary of Citigroup Venture Capital International; today, 100% of Beymen Mağazacılık A.Ş. is under the structure of Boyner Retail.

Since its establishment, Beymen has been among the leading players not only in Turkish fashion industry, but also in the global luxury retail sector. Today, having over 900 global brands under its umbrella, Beymen is also considered to be among the best in its class in both the fashion and retail industries with its exclusive production collections.

Beymen is recognized as a model organization, not only in retail industry, but also in different sectors, due to its customer relations approach and "Unconditional Customer Happiness" practices as well as its retail experience.

Key Indicators

Number of Stores	2016	2017
Company-Owned Stores	57	63
Beymen Multibrand	13	13
Beymen Monobrand	16	15
Beymen Club	28	35
Dealer Stores	15	15
Beymen Multibrand	7	6
Beymen Club	8	9
Beymen Total	72	78
Beymen Multibrand	20	19
Beymen Monobrand	16	15
Beymen Club	36	44
Foreign Partnerships	4	2
Beymen Monobrand (Christian Louboutin, Dior)	4	2
Outlet	5	5
GRAND TOTAL*	81	85

*Excluding Wepublic.

Total Sales Area (m ²)	2016	2017
Company-Owned Stores	33.380	38.151
Beymen Multibrand	26.114	29.807
Beymen Monobrand	2.407	2.343
Beymen Club	4.858	6.001
Dealer Stores	7.098	5.670
Beymen Multibrand	6.163	4.620
Beymen Club	935	1.050
Beymen Total	40.478	43.822
Beymen Multibrand	32.277	34.427
Beymen Monobrand	2.407	2.343
Beymen Club	5.793	7.051
Foreign Partnerships	541	109
Beymen Monobrand (Christian Louboutin, Dior)	541	109
Outlet	6.878	6.878
GRAND TOTAL*	47.897	50.809

STORE FORMATS

Beymen Multibrand stores, **Beymen Club** stores and **Beymen Monobrand Boutiques** are under the operation of Beymen.

Beymen Multibrand Stores are luxury retail stores with vast covered spaces allowing consumers to meet with its own collections containing its own designs and productions such as Beymen Collection Women's, Beymen Collection Men's, Academia Women's, Academia Men's and Blender collections, as well as over 900 upscale and new generation brands in ready-to-wear, footwear, bags, accessories, jewellery, home accessories and children's clothing.

Beymen Monobrand Stores are branded boutiques that bring leading international fashion brands under the roof of Beymen Mağazacılık. Each boutique reflects the global identity of the related brand. As of today, the services under Monobrand concept are provided through 17 branded boutiques in total, including 15 Beymen-owned stores and 2 stores with foreign partnerships; these include Bottega Veneta İstinye Park, Brunello Cucinelli İstinye Park, Christian Louboutin İstinye Park, Christian Louboutin Nişantaşı, Celine İstinye Park, Dolce&Gabbana Women İstinye Park, Dolce&Gabbana Men İstinye Park, Dolce&Gabbana Zorlu Center, Etro İstinye Park, Dsquared Zorlu Center, Saint Laurent Zorlu Center, Stella McCartney Zorlu Center, Tod's Nişantaşı, Tods Akasya, Tory Burch Zorlu, Tory Burch Akasya and Valentino Zorlu stores.

Beymen Club Stores are relatively smaller retail stores where customers can find a wide range of ready-to-wear collections for both men and women in categories such as casual wear, stylish and business garments as well as sportswear. By the end of 2017, there are 44 Beymen Club stores, including 35 Beymen-owned stores and 9 dealer stores.

In addition to its own stores, Beymen Club offers online shopping opportunity via beymen.com providing online shopping services since November 2010 and via beymenclub.com providing services since March 2015.

Beymen Mağazacılık offers services for different segments and categories with various brands positioned under Beymen umbrella. The representatives of this creative tradition include Beymen Home, Beymen Chocolate and scarf, bag, shoes and leather accessory collections featuring the Beymen logo.

BSSD Outlet operation was acquired by Beymen and Beymen Outlet stores were put into service by the middle of 2016. There were 5 Beymen Outlet stores (Beymen Outlet Viaport, Beymen Outlet Otim, Beymen Outlet Starcity, Beymen Outlet Optimum, Beymen Club Outlet Optimum) by the end of 2016; and the sales operations have been continued through the same stores in 2017.

Beymen Suadiye was opened on Bağdat Avenue, the most prestigious avenue of the Anatolian side in September 2017. **Beymen Suadiye** designed by the British architectural office HMKM setting off from the street shops in the global fashion capitals offers a complete Beymen experience. In addition to women's, men's, blender, footwear, bags, and accessories categories offered with over 700 brands, there are also some long-awaited new categories that are in great demand such as cosmetics, home and kids at Beymen Suadiye. **Beymen Antalya** Rixos Store also took its place among the company stores in 2017.

Beymen Club stores opened the highest number of company stores in 2017. The number of stores reached 35 in total together with **Beymen Club Vadi Istanbul**, **Beymen Club Küçükyalı**, **Beymen Club Emaar**, **Beymen Club Suruyapı**, **Beymen Club Trabzon Forum**, **Beymen Club İzmir Optimum**, and **Beymen Club Rixos**.



SALES

As a result of the increasing brand and product diversity, infrastructure investments made, marketing activities and actions taken to boost operational productivity, sales executed in 2017 increased by 26% compared to the previous year.

With the projects implemented in 2017, Beymen has reached 50.809 m² net sales area and 1.850* employees with 85 stores across Turkey.
(*Excluding Nişantaşı Turistik and Christian Louboutin)

revenues

26% increase*

*According to IFRS.

MARKETING

As the first company in Turkey to embrace and implement the "Unconditional Customer Happiness" concept, Beymen offers a world-class retail experience with its product-brand portfolio and superior service approach. At Beymen stores, customer comes first; utmost efforts are made to ensure that the experience offered to customers is excellent from the store atmosphere to the services and after-sales services.

Beymen aims to be a brand that shapes the lifestyle for its customers through various special day and periodical category communications throughout the season. Quickly launching new and different applications beyond the traditional channels, Beymen is among the most active brands of the sector in terms of digital communications and social media.

Beymen stores host various presentations to customers, organizations and special meetings with designers throughout the year, according to a predetermined schedule. In addition, campaigns and brand partnerships in line with the periodical and seasonal dynamics of the season are continued throughout the year. In the events held with the most important designers and artists of the world, customers are entertained in small groups and allowed to chat with the subject-matter experts on any issues that are of interest to them, review the products and collection, and place customized orders. The rate of attendance in such events organized is quite high; and the events are widely covered in the press and media. At Beymen, campaigns are not limited with price advantages; but rather are specifically designed to offer unique experiences to customers according to their lifestyles.

LOYALTY PROGRAM

Beymen Exclusive Customer Program "The One" offers select customers an exclusive experience full of offers and privileges developed in line with their preferences and shopping habits. The program features different segments such as VIP, Platinum, Gold and Beige. Beymen also places special importance to marketing activities geared towards acquiring new customers. "The New Customer Welcoming Program" includes telephone calls, Beymen World e-mails and special offers oriented towards these customers in order to reinforce their relationship with Beymen. Customers' activities at Beymen stores are regularly monitored, aiming to further increase the happiness of customers based on various criteria such as shopping frequency and volume. While regaining customers that have paused shopping in time is another important focus point within the scope of CRM activities; increasing the quality of customer data and creation of permitted customer data constitute the center point of such CRM activities.

In the customer management processes, store and online shopping habits of customers are reviewed and

it is targeted to introduce cross channels to customers. Online transformations are supported in order to allow store customers to have Beymen experience through internet channels as well.

Through efficient use of social media and digital marketing, customers are informed about current trends through production and collection promotions.

BEYMEN COSMOS

Two different campaign shootings were held by Beymen in 2017; Beymen Bemoji vol. 2 that is the continuation of Beymen Bemoji and Beymen Cosmos. Beymen hosted many projects and events featuring the mysterious world of the space under Beymen Cosmos. The entire season was shaped around Beymen Cosmos theme, extending from shop windows to social media accounts, from advertising campaigns to in-store applications and a capsule collection created with the inspiration from the space and comprising the products such as sweatshirt, bag, card holder, wallet and notebook. Beymen Cosmos campaign shootings bear the signature of the world-famous fashion photographer Koray Birand; The Czech model Hana Jirickova featured in such shootings with Academia, Balmain, Beymen Collection Elie Saab, Off White, Saint Laurent, Stella Mc Cartney, Temperley London and Valentino collections in the depths of the space.



KÜRK MANTOLU MADONNA (MADONNA IN A FUR COAT)

Beymen assumed the costume sponsorship of the theater play Kürk Mantolu Madonna (Madonna in a Fur Coat), the cult novel of the famous writer Sabahattin Ali, with Beymen Collection brand in 2017 fall-winter season. 27 separate costumes inspired by the social life and fashion of the contemporary period were designed for the walk-ons and the leads crossing paths with each other throughout a journey extending from 1920s to 1940s in the play telling the love between Maria Puder and Raif Effendi. The colours, fabric patterns, models and accessories of the period were reflected with their fine details into the costumers prepared as a result of a comprehensive research. There are small witty details reflecting the personalities of the characters in the costumes prepared as a result of the award-winning theater director Engin Alkan's vision and the collective works of Beymen artistic Director Murat Türkil and Beymen Collection design team.

BEYMEN IN SOCIAL MEDIA

Beymen reached 630 thousand followers in Instagram. The first brand to use BuyInSocial in Turkey, Beymen offers to its Instagram followers the opportunity to shop through their profiles. Beymen Club Instagram account reached 324 thousand followers in 2017. Mr. Beymen has 8.1 thousand followers and Beymen Blender has 42.3 thousand followers.



Beymen Facebook reached 188 thousand followers; Blender Facebook reached 50 thousand followers; and Beymen Club Facebook reached 77 thousand followers. Furthermore, Beymen Twitter reached 33.3 thousand followers; Beymen Club Twitter reached 16.2 thousand followers; and Blender reached 15.9 thousand followers.

OMNICHANNEL

Beymen stock management is conducted using the analytical programs specially designed by Deloitte. Omnichannel approach is adopted for efficient management of Beymen stocks. All products are sold through all sales channels regardless of their locations. Thanks to the programs used, the availability of products at the locations with the highest probability of sales of such product is ensured, thus supporting the increase in sales.

"Beymen Asistanım" (Beymen My Assistant) application that was tested in 2016 received the "Best Digital Consumer Experience Initiative" award at the "World Retail Awards" 2017. "Beymen My Assistant" is a mobile device allowing sales representatives to easily access to all product, inventory and customer data. "Beymen My Assistant" helps sales representative provide more efficient, professional and uninterrupted services to customers. Following implementation of "Beymen Link" application in April 2017, the inventories at all points of sales have become viewable online by sales representatives. With this application, they have been allowed to sell to customers the products that are not sold at their stores. With "Beymen Link" application,

customers can benefit from all campaigns that are active in the related store. Nearly 45 thousand units of products were sold using "Beymen Link" in a period of 8 months.

Upon establishment of the Data Security Committee in 2017, all customer data were recorded based on customer consents. The data without consents have been made available for use after they were anonymized as specified in the Law on Protection of Personal Data (KVKK).

BEYMEN.COM

Launched in 2010, beymen.com took a 9% share in the total net sales in 2017 by displaying double-digit growth figures every year.

Continuously renewing itself in order to offer customers uninterrupted shopping experience, Beymen.com completed Master Pass integration in web and mobile applications for one-click shopping in 2017.

Mobile devices account for 55% of the traffic of beymen.com which has had 28 million visitors in total in 2017. Beymen mobile application was downloaded for 90 thousand times last year and the ratio of the mobile application in the total revenues increased to 32%. Beymen.com displayed a 43% growth in 2017 compared to the previous year.

beymen.com

43% growth

WEPUBLIC

A Different Experience in a Sincere Atmosphere: WEPUBLIC

We brought Wepublic, the newest brand of Boyner Group into action in Akmerkez in 31 August 2016. In a 4-storey department store, it combined its free, creative, sincere, dynamic, inspiring atmosphere, architectural design with the new-generation shopping experience with its exclusive brands put out for sale for the first time in Turkey and its extraordinary practices that would amaze its customers. Wepublic hosted events in various fields oriented towards fashion, acoustic concerts, artistic exhibitions, conversations, sports and healthy life, experience, kids and families in 2017.

Beyond being a meeting point of over 500 fashion brands, Wepublic offers a living, dynamic, and extraordinary world with Grandma that opened its doors in September 2017 and Petra Coffee, Chado Tea, Giano Chocolate, Seslenen Kitap (The Book that Speaks) and its constantly-renewed pop-up areas.

INVESTMENTS

Beymen opened its Beymen Suadiye and Beymen Antalya Rixos stores; and Beymen Club opened its Beymen Club Vadi Istanbul, Beymen Club Küçükalyalı, Beymen Club Emaar, Beymen Club İzmir Optimum, Beymen Club Antalya Rixos, Beymen Club Trabzon Forum, and Beymen Club Sur Yapı stores in 2017.



Stores opened in 2017

Format	Opened Stores	Location	Opening Date
Beymen Multibrand	Beymen Suadiye	İstanbul Asya	8.09.2017
Beymen Multibrand	Beymen Antalya Rixos	Antalya	19.06.2017
Beymen Club	Beymen Club Vadi İstanbul	Vadi İstanbul	14.09.2017
Beymen Club	Beymen Club Küçükalyalı	Küçükalyalı	27.10.2017
Beymen Club	Beymen Club Emaar	Emaar	31.05.2017
Beymen Club	Beymen Club Suryapı	Suryapı	15.08.2017
Beymen Club	Beymen Club Trabzon Forum	Trabzon Forum	21.06.2017
Beymen Club	Beymen Club İzmir Optimum	İzmir Optimum	31.03.2017
Beymen Club	Beymen Club Rixos	Antalya	14.06.2017
Beymen Club (Dealer)	Beymen Club Adapazarı Serdivan	Sakarya	3.02.2017

Breakdown of Investments made in 2017

2017	(TL)
New Stores	26.797.845
Renovations	4.730.588
Hardware Software and Others	6.918.076
Total Investments*	38.446.509

* According to IFRS.

HUMAN RESOURCES

Beymen Human Resources is constantly supporting and empowering Beymen employees who are innovative, dynamic, bonded at the heart with the "Unconditional Customer Happiness principle, and continuously developing themselves and their jobs. Thanks to the career opportunities, training and development programs, and motivation and rewarding systems offered to the employees, Beymen is considered among the most preferred workplaces in the luxury retail industry.

Career and Performance Management

Performance management systems covering the head office and store employees are implemented. Performance management system is implemented for head office employees up to director level and the field executive teams in line with the targets set in the beginning of every year. For director and higher-ranking levels, performances are assessed according to four main KPIs (Net Sales, EBITDA, Average Net Debt, Year-End Stocks) determined under the scope of Boyner Group. As for the field sales teams, a performance management system integrated with the premium system that is monitored on a monthly basis is used.

Beymen store managers are assessed through an "Internal Evaluation Center" application in their career process. They are assessed together with the other promotion criteria and their career and development plans are arranged.

Besides the managers, each employee with the highest level of sales representative competency who has fulfilled certain criteria and entered into the candidate pool passes through such internal processes specific to his/her level, is prepared for the next level and monitored through a coaching process.

Priority is given to intra-company and intra-group employees for assignments to new positions. In addition, inter-company transfers are made in order to maximize intra-group exchange of experiences and to benefit from inter-company synergy at the highest level. Nearly 7,7% of employees (142 individuals) were promoted to a higher position in 2017.

10 stores in total, including 2 Beymen Stores and 8 Beymen Club Stores were inaugurated in 2017. Organization/staff structuring activities were conducted for each new store and training programs specific to each project were studied on.

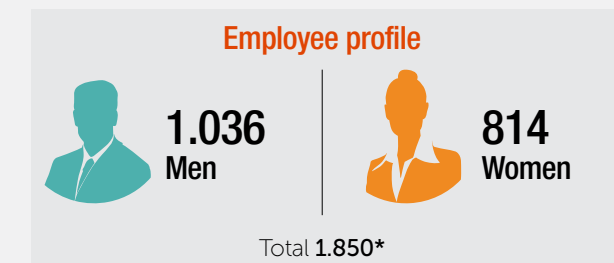
The organization structure, the course of business and the processes were revised in the required departments in order to increase efficiency in the head office and stores.

Sales Representatives that can speak English, Arabic and Russian were recruited in order to strengthen sales to tourist customers. Through collaborations

established with universities and high schools; part-time sales representatives were employed in order to allow university graduates to consider retailing as a career path. 92 students in total, including 17 high school students and 75 university students, were employed as trainees in order to support career developments of university and high school students.

Number and Profile of Employees

With the newly opened stores and increasing business volume, 657 new employees were recruited in total, including 87 individuals employed at the head office and 570 individuals employed in the stores. As of 31 December 2017, there are 1.850* people in total employed under the structure of Beymen Mağazacılık, of which 44% are female and 56% are male employees. The average age is 32 for store employees and 33 for head office employees.



(*Excluding Nişantaşı Turistik and Christian Louboutin)



Employee Motivation

At Beymen, employee happiness and motivation are taken into account while developing Human Resources policies. Accordingly, various activities are conducted throughout the year.

Celebrations with various offerings and activities were made through brand partnerships under the scope of "BeHappy Project" in 2017. For example, surprise gifts were distributed to field employees through the celebrations on the 12th December Retail Employees Day. In addition, various offerings and activities were made, including new year gift draw, coffee and cookie offering, painting workshop, awareness workshop conducted with a psychologist, "have your illustration drawn on your t-shirt".

In the "Seniority Awards" ceremony held for the third time this year, 130 employees that have completed their 25th, 20th, 15th, 10th, and 5th year of service received their awards with the participation of all employees.

Internal Communications

Internal open communication is an indispensable part of Beymen culture.

Information and documents like Company news, store openings, training documents, and procedures are shared over the Intranet portal accessible to all employees and through e-mail announcements. In addition, the company's vision/strategy and business results are also shared through CEO Communication meetings held periodically throughout the year.

HR – Social Responsibility

Detailed information on social responsibility campaigns are provided in the Sustainability Report on page 80.

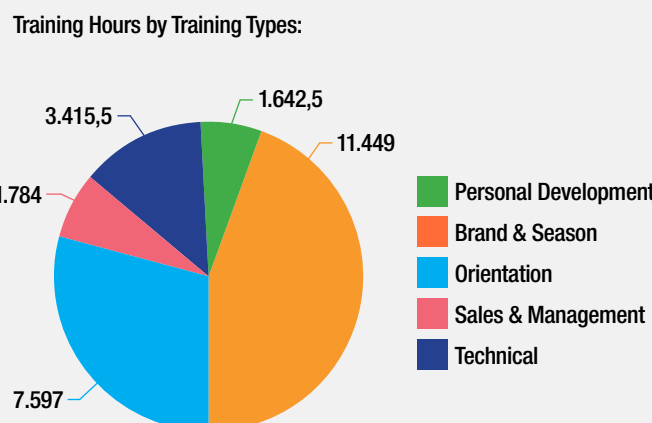
Beymen Trainings

Everybody starting to work at Beymen participates in the training programs implemented under the main headings of beginners, sales, leadership and personal development trainings oriented toward employees during the year in addition to their orientation trainings. Trainings are provided through in-class, on-the-job and e-learning methods. Training programs organized in 2017 were conducted with the participation of 1.716 individuals and they received 25.887 hours of training in total.

As with every field, the development opportunities are supported through training system as well at Beymen. With the support of in-house trainers that are qualified and experienced in their fields, knowledge and experiences are constantly shared within the company and the group. Thus, in-house communication and motivation are supported and information resources that are constantly shared are created.



Number of Participants by Training Types:	
Training Type	Number of Participants
Personal Development	351
Brand & Season	3345
Orientation	650
Sales & Management	329
Technical	854



Occupational Health and Safety

Occupational Health and Safety activities are addressed with a holistic approach; and investments are made not only in the creation of a healthy and safe working environment for employees, but also in their intellectual, physical, mental and emotional developments. Occupational Health and Safety training was provided for 1030 employees in 2017. In addition, Occupational Health and Safety Committees and risk analyses teams were supported through completion of head office and store employees' certified First Aid, Search-Rescue-Fire trainings and refresher trainings. Occupational Health and Safety Committees actively conducted their activities in order to both establish healthier and safer working environments, and ensuring employees' involvement in all these processes. Occupational Health and Safety Manual prepared jointly with Boyner Group were shared with all employees. Furthermore, with the OH&S Software which was defined jointly with Boyner Group, the activities for transfer of Occupational Health and Safety documentation system to the related software were started for all stores. Trainings were arranged covering all Store Managers for whom "Employer representative" appointments; thus, ensuring continuity of the activities oriented towards fulfillment of employees' and employer's legal rights and obligations pursuant to the Occupational Health and Safety Law and regulations and the requirements for active usage, inspection and organization of the related software. Occupational Health and Safety activities in line with each concept were initiated according to the store concepts; and the activities for improvement of current conditions are conducted based on the order of precedence of the actions required to be taken in the stores.

Seminars and Trainings Organized;

Beginners Trainings: They are comprised of Welcome to Beymen, Our Values, Our Customer Approach, Our HR Approach, Procedures, Occupational Health and Safety, My Companion, Service Development, Personal Image, Information Security and Personal Data Protection trainings.

Brand Trainings: include Imported and Private Label Brand/Season and Combined Trainings.

Personal Development Trainings: "Turn Your Dreams into Targets", "Y Belt", "Five Ws and One H in Effective Communication", "The History of Fashion", "Knowing the Human Being", "Change Starts with Us"

Technical Trainings: Cash Training, Excel

Sales Trainings: Service Development, Mathematics of Retailing, Luxury Retail and Craft

E-Learning Trainings: MTM-Special Sewing, Cash, The Story of a Product, Special Day Combination Recommendations, Trends of the Season, Service Development, Communications

Leadership Trainings: are comprised of Coaching-Based Leadership Training and Team Games.

Emergency Training: Emergency Training was provided for 333 people in 2017.

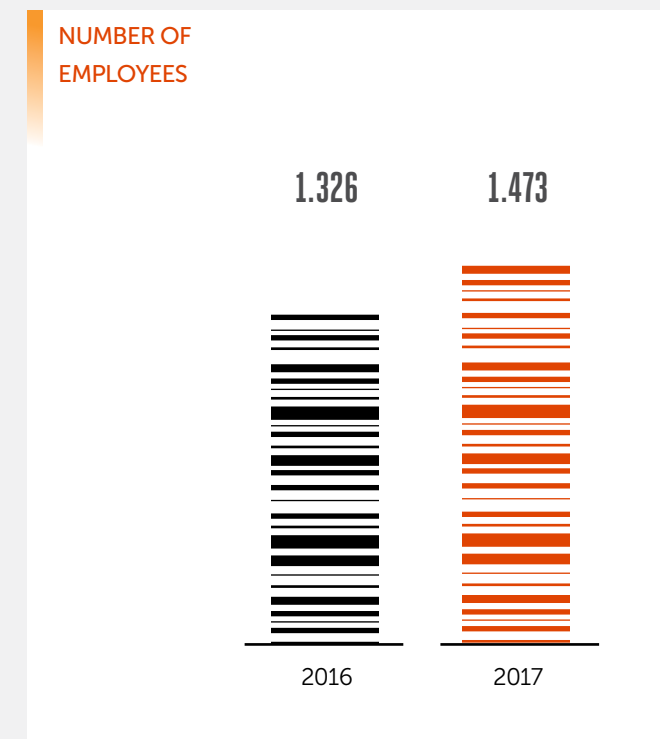
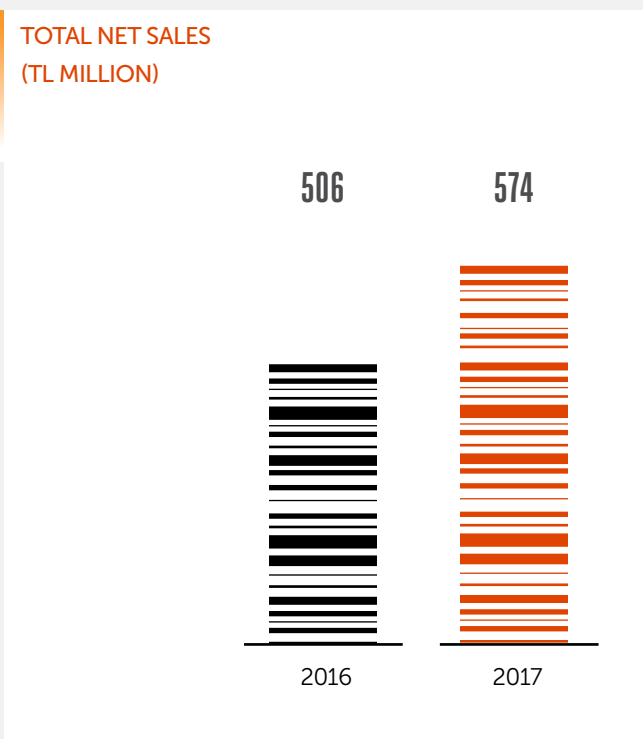
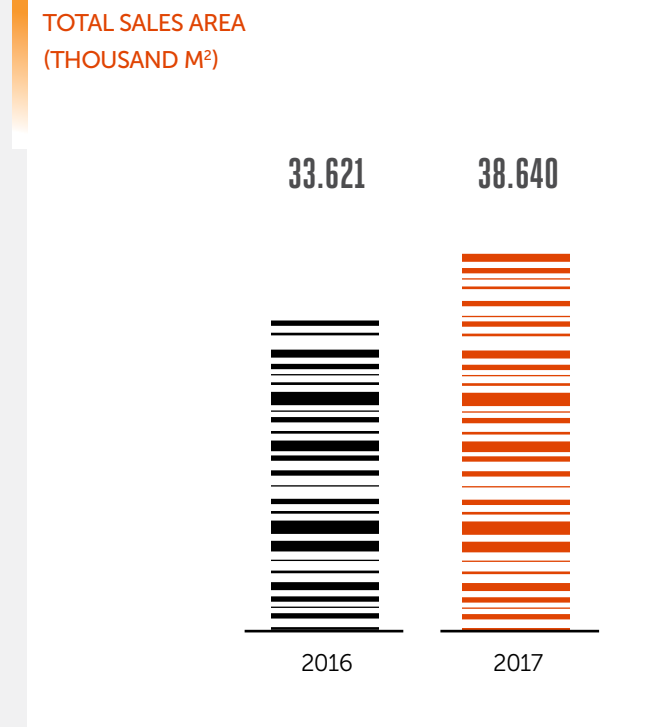
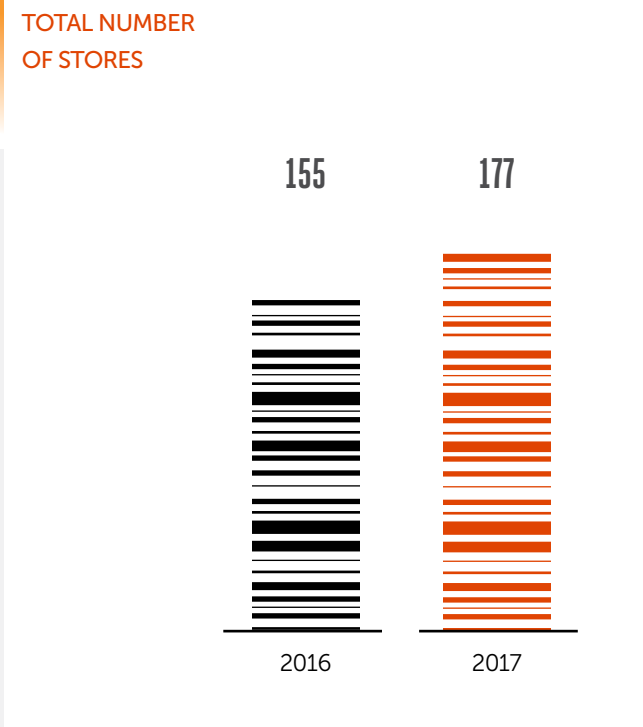




AY MARKA MAĞAZACILIK

Ay Marka Mağazacılık is shaping the fashion trends through its famous and exceptional brands in ready-to-wear clothing. By ensuring customer happiness in all stages from diversity of products to after-sales services, it continues to further differentiate itself with its brands, each of which meets the style expectations of a specific consumer segment, and which are offered through both its domestic and overseas stores and over internet.

p. 58-71



MILESTONES

- 1997 ○ Altinyıldız entered the ready-to-wear sector with its in-house Retail Department.
- 1999 ○ NetWork was launched as the pioneer of women's business wear, the first ever brand to appeal businesswomen in Turkey.
- 2000 ○ Fabrika brand offering fashionable ready-to-wear products for both daily and business styles was developed by combining fashion with the fast tempo of business life.
- 2003 ○ NetWork initiated the first ever designer-brand cooperation in the industry.
- 2007 ○ NetWork joined Turquality brands.
- 2007 ○ The brand Que was launched.
- 2008 ○ AY Marka acquired its independent legal personality.
- 2010 ○ Divarese operation became a part of AY Marka Mağazacılık.
- 2013 ○ The online shopping websites of NetWork and Divarese went live.
- 2014 ○ AY Marka moved to its new head office.
- 2016 ○ NetWork and Divarese started m² expansion and renovation activities in its most efficient stores.
- 2017 ○ By completing store m² expansion and renovation activities in Turkish market, it secured its position in the sector in terms of location and m².



VAST PRODUCT DIVERSITY ADDRESSING CUSTOMERS WITH DIFFERENT PROFILES

One of the important companies leading Turkish ready-to-wear and accessories industries, AY Marka Mağazacılık A.Ş. offers services with its NetWork, Que, Divarese and George Hogg brands under its umbrella and through 177 stores located in 28 cities across Turkey as well as 4 overseas stores in total located in Azerbaijan, Albania and Cyprus. Ay Marka offers its product portfolio to customers through 2 online stores and the sales points located in Boyner-YKM department stores as well.

One of the deeply-rooted brands of Turkey, Altinyıldız launched its first namesake ready-to-wear collection in 1997 and established a retailing department under its own structure for this purpose. NetWork brand addressing young professionals was created in 1999. Que brand was launched in 2007. Following creation of brands one after the other, in-house retail department was transformed into a huge textile retail company under the name of AY Marka.

AY Marka acquired legal entity status as a Boyner Retail company in October 2008. In addition to design, production, sales and marketing operations of NetWork and Que brands owned by it, it acquired Divarese operations in 2010 and then Divarese brand in 2011. By transferring its Fabrika operations to Boyner Büyük Mağazacılık and placing on the market its new NetWork lines with high added value, it realized a giant transformation of efficiency.

Ay Marka's main goal is to become and remain as a profitable and leading company in line with the importance that it attaches to design and its total quality understanding, and with a philosophy of success prioritizing the interests and happiness of not only its employees, partners and customers, but also the society and the environment.

Through the store transformations realized in 2017, the number of visitors of AY Marka exceeded 14 millions of people. In addition, its total investment budget reached TL 23 million. 21 new stores in total were opened in the country in 2017. AY Marka has been serving its customers with 177 stores covering a sales area of 38.640 m² by the end of 2017.

INVESTMENTS

Stores opened in 2017

Format	Opened Stores	Location	Opening Date
Divarese	AY Adana Park DV	AdanaPark	21.04.2017
Divarese	AY İst.Emaar DV	Emaar SC	12.05.2017
Divarese	AY Bursa Marka DV	Bursa Suryapı Marka SC	16.06.2017
Divarese	AY İzmir Optimum Gazıemir Dv	İzmir Optimum SC	22.06.2017
Divarese	AY İzmir Ege Perla Dv	İzmir Ege Perla SC	06.09.2017
Divarese	AY İst. Vadi İstanbul Dv	Vadi İstanbul SC	14.09.2017
Divarese	AY İst. Hill Town DV	Hilltown SC	27.10.2017
NetWork	AY Ankara KentPark NW	Ankara Kentpark	23.02.2017
NetWork	AY Adana M1 NW	Adana M1	13.04.2017
NetWork	AY Adana Park NW	AdanaPark	21.04.2017
NetWork	AY İst. Emaar NW	Emaar SC	12.05.2017
NetWork	AY Antalya Rixos NW	The Land Of Legends- Antalya	20.05.2017
NetWork	AY İzmir Gazıemir NW	İzmir Optimum SC	22.06.2017
NetWork	AY Bursa Marka NW	Bursa Suryapı Marka SC	13.07.2017
NetWork	AY İzmir Ege Perla Nw	İzmir Ege Perla SC	06.09.2017
NetWork	AY İst. Vadi İstanbul Nw + Que	Vadi İstanbul SC	14.09.2017
NetWork	AY İst. Hill Town Nw	Hilltown SC	27.10.2017
Outlet	AY Susurluk Festiva Outlet	Susurluk Festiva	10.03.2017
Outlet	Batman Outlet (Seher)	Batman	06.07.2017
Outlet	Antalya Deepo Outlet	Antalya Deepo	18.07.2017
Outlet	AY İst. NuroI Park Outlet	İstanbul NuroI Park Oasis SC	24.08.2017

Breakdown of Investments made in 2017

2017	(TL)
New Stores and Renovations	15.254.404
Hardware Software	2.417.681
Other	5.811.484
Total Investments	23.483.569

SALES

AY Marka is a company leading the fashion in Turkey, serving both its female and male customers in the sector with its NetWork, Que and Divarese brands, and further improving customer happiness every season with its wide variety of products; and it is operated with devotion to the principle of Unconditional Customer Happiness throughout all its pre-sales and after sales processes. Having continued its activities to this effect also in 2017 as with every year, AY Marka has started to use the handheld terminals named Asistanım (My Companion) allowing sales representatives to have instant access to inventory and price details in order to increase customer happiness.

In addition, it has accelerated purchasing processes by switching to e-archive invoicing application at its cash desks. As a result of Hopi, CRM, and bank cooperation activities, it conducted its communications by offering personalized campaigns according to its customers' shopping habits. Thus, it has left behind one year during which both customer acquisition rates were quite high and sales and customer happiness were turned into campaigns creating a tremendous impression. As a result, AY Marka's sales increased by 13,5% in 2017 compared to the previous year.

AY MARKA BRANDS

NETWORK

Having entered Turkish ready-to-wear sector in 1999, NetWork is a creative and dynamic brand fed by the multicultural structure of the 21st century and enriching itself with new expansions.

Having always maintained its clear-cut approach, NetWork symbolizes the age of information and technology that we are currently experiencing. On the other hand, this also defines the launching process of a ready-to-wear collection from concept to design, and from sewing to presentation. Since the very first day of its establishment, NetWork has reflected to fashion the dynamism in the daily lives of modern and urban people with a realistic approach. It combines elaborate designs meeting all needs changing from day to night with quality. NetWork collections have a refined line, distinguished in details, and shining out with its fabric quality.

Having always prioritized its innovative attitude with the lines that it has created within its collection, NetWork became the first Turkish ready-to-wear brand to offer the privilege of exclusive production of garments in a limited number under its brand "Limited" launched in August 2004. "NetWork Free" that allows customers to take a deep breath in the fast tempo of modern life and adds joy to the wardrobes of Network men and women with its light fabrics and patterns and "NetWork Black" that adds difference to invitations and special nights with its unique fabrics and sewing quality and a wide variety of products extending from tuxedos to night dresses constitute the most exclusive series of the brand.

Combining style with innovation, NetWork blends its innovative stance with practicality through its "Fashion-Lab" concept. The state-of-the-art technology meets with NetWork line in many products extending from stain-resistant smart shirts to washable leather jackets and leather puffer jackets with power bank accessories.

Celebrities such as the world-famous film star Sienna Miller and "Mr. Big" from Sex and the City series, Chris Noth appeared as models for NetWork having global brand criteria with the names of the celebrities that it worked with in addition to its dynamic design understanding and its world-class quality. Irina Shayk, one of the most famous top models of the world, became the face of the brand in 2015 Fall/Winter season.

NetWork Stories

In 2017, NetWork realized the first two of its inspiring, courage and freedom-themed campaign shootings by establishing a story structure for three seasons, making difference in the fashion industry and offering new points of view under the title of "NetWork Stories". During the image shooting of "Vertical Dance", the first of its story series, for Spring/Summer 2017 season, the world-famous dance team BANDALOO managed to present the most impressive story of the season at a height of 97 meters with a single rope tying the team members on the walls of the historical building Oakland City Hall which turned into a vertical dance floor in San Francisco. This was the dance of elegance with courage. During the shootings of "Highline", the second story of the series, for the Fall/Winter 2017-18 season, the brave highline athletes carried the Network collection by walking on a thin line connecting two hills at a height of hundreds of meters in Levent Canyon dating back 65 million years.



AO x NetWork

The special capsule collection "AO x NetWork" prepared with Australian Open, one of the most important Grand Slam tournaments of the world, carried the modern and dynamic style of tennis courts to cities. The cooperation was realized in 2017 Spring/Summer season.

DMx NetWork Special Collection

Meeting designer Derin Mermerci's original style with NetWork's iconic elegance in 2017 Fall/Winter season, "DM x NetWork" special collection realized the most ambitious cooperation of the season. While the collection addressed to women that like to interpret plain and elegant items with a strong and feminine style; it was inspired by the free spirit of Derin Mermerci who reflected her creative and courageous attitude to her style. The cooperation was introduced with a party making a tremendous impact held at Derin Mermerci's office in Kuruçeşme.

Digital NetWork

NetWork plans its digital communication strategy through consolidating its presence and activeness in this field with gradually increasing importance, following digital trends around the world and adopting the innovations, and developing and applying strategies accordingly. The digital strategy of 2017 was planned as strengthening brand perception, improving the communications established with customers and followers, and providing traffic for e-commerce website and NetWork stores. These strategies were also supported by digital constructions and different types of advertisements.

With social media arrangements made during Mother's Day, Father's Day, opening of Fall-Winter 2017 season and New Year periods, interactions were increased. Network has 190 thousand followers on Instagram. Co-operations with efficient names of internet world played an important role in 2017 marketing communications strategy under which social media was on the rise. Regular cooperation was established with celebrities, fashion bloggers and Instagram phenomena and more people were reached through Influencer Marketing strategy with high-quality contents.

In 2017, attention was focused on sales over Instagram using InstaStory and Insta-shopping tools. Particularly, rapid linking over Instagram after sharing of products used in TV series on Instagram created a positive impact on sales. A flow in line with "Instagram Aesthetic" accepted as one of the most important Instagram Marketing dynamics was planned in 2017.



QUE

In 2007-2008 Fall-Winter season, Que entered the Turkish ready-to-wear sector as the brand for self-confident, bold and original women and men with a sharp sense of design. The target group of Que's comfortable and contemporary designs can be defined as multi-faceted, bold and attractive persons that like being different and that have a high awareness of quality and design.

Que's women's collections portray a self-confident Que woman that keeps abreast of the rapidly changing world, and that like standing out with an extraordinary taste in design. Que's fit, sleek and bold designs interpret the designs of the future for contemporary women through a retro-future effect.

Que men's collection is a reflection of Que men reflecting their taste for materials and designs to their way of dressing. Inspired by all branches of art, Que men's collection reinterprets global trends through an extraordinary approach with its fitted cuts and styling details.

Que accessories collection is comprised of the supplementary parts of original designs. The collection that stands out with patent leather, suede and leather details includes striking designs extending from shoes to bags, from gloves to jewellery group.





DIVARESE

Established in the town of Varese in Italy in 1870 by the shoemaker Santino Trolli and his son Luigi, Divarese brand broke several grounds in the shoe sector. While shoes were produced custom-made upon the orders of customers until the 19th century, shoe production approach was totally changed with the shoe knitting machine imported by the father and son and it laid the foundation for serial production of shoes.

Calzaturificio di Varese brand was turned into "Divarese" after its acquisition by Benetton group. Since 2010, the brand has been continuing to be the pioneering brand of shoe and bag fashion under the structure of AY Marka Mağazacılık. Inclined to go back to its Italian basics, Divarese is inspired by 3 fundamental brand values such as "Italian, sexy, and timeless".

Interpreting the seasonal trends with its Italian style, Divarese does not consider shoes and bags merely as accessories; and it allows the fashion lovers to meet with its latest designs in its stores. In addition to its own designs, Divarese also offers under its structure the British classic of modern times, i.e. George Hogg brand that occurs into our minds when we talk about Oxford shoes, which have become classics with their quality and timeless property.

In August 2015, the brand opened its first flagship store in its new place with its renovated concept. It cooperated with strong and famous Italian brands in order to support its return to its essence. Driving shoes exclusively designed for Fiat 500 were put out for sale. Illy coffee corners serving espresso were opened in select stores and such co-operations were followed by different activities throughout the year.



GEORGE HOGG

Having become a worldwide known iconic brand with its quality and chic lines, George Hogg is a timeless classic leading the fashion. Having a wide range of products from shoes to gloves, from belts to bags, the famous British brand offers men's textile designs for sale as well as its shoe and accessory collections in selected Divarese and Boyner stores.

Offered for sale in iconic metal boxes that are the symbol of world-class quality and reliability, George Hogg shoe models and textile products bring a modern interpretation of the classic British style with its own unique designs.

Online Sales Channel

While AY Marka Mağazacılık actively continued its activities in all sales channels in retail sector, Network and Divarese started online sales in July 2013 and September 2013, respectively.

Network.com.tr, divarese.com.tr and online shopping websites displayed a 48% growth in net sales in total in 2017 compared to the previous year. The number of users specific to network.com.tr increased by 60% compared to the previous year.

Many developments oriented towards improving user experience were made in 2017. Out of these developments, the application that could be downloaded over IOS and Android continued to increase the channels by which customers were reached. The payment option with debit cards that would increase the rate of usage as a payment mode was put into practice. The system of payment with Hopi points went live and was presented for use by customers.

Online sales channels are continuing to provide services offering to their customers various benefits such as free shipping, free tailoring modifications, the possibility of return in 30 days, in-store delivery and in-store product change.

Considering online stores, NetWork was ranked as the first and Divarese was ranked as the 2nd online store among all stores in 2017; thus displaying a high sales performance.

— In Online Shopping Websites —

48% growth

Customer Happiness in All Stages

Having a flexible structure and a young and well-equipped team producing solutions in line with the dynamism of the era, AY Marka is operated with devotion to the principle of "Unconditional Customer Happiness" throughout all its pre-sales and after-sales processes with its NetWork, Que and Divarese brands, a wide variety of products, and its original and unique design and quality understanding. AY Marka offers all of its female and male customers with different profiles a wide range of products by which they can express themselves in the best manner; and develops strategies in line with the target group and promises of each of its brands.

Having continued its activities to this effect also in 2017 as with every year, AY Marka has started to use in its stores the handheld terminals named "Asistanım" (My Companion), allowing sales representatives to immediately access to inventory and price details of any products in the related or other stores, in order to further increase customer happiness. In addition, purchasing processes were accelerated by switching to e-archive invoicing application at the cash desks. It was a year during which campaigns personalized according to customers' shopping habits were offered and communicated as a result of Hopi, CRM, bank and cooperation activities. Campaigns creating a tremendous impact in the sector were conducted through sales campaigns focused on sales and customer happiness which were realized for special days and thus, it spent a year with a high rate of customer acquisition in 2017.

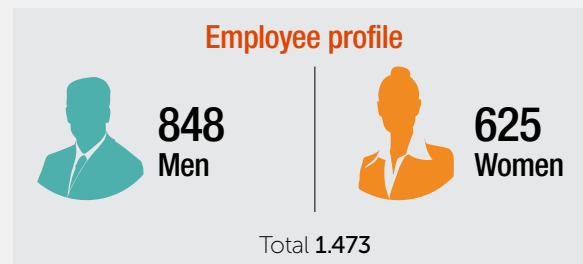
HUMAN RESOURCES

AY Marka Human Resources has a dynamic, creative and proactive structure which plays an effective role in the company's strategic decision-making processes. The activities in this field are conducted in line with the company goals and in cooperation with the other units and following a difference-making, result-oriented and success-based approach. Providing a democratic working environment and ensuring employees' happiness are of great importance for AY Marka. The "Unconditional Customer Happiness" strategy implemented for customers is also applied for the employees in the work environment as well. It is aimed to make difference in the business processes with AY Marka's motto, 1 DEGREE.

Number and Profile of Employees

As of 31 December 2017, there are 1,473 employees working under the structure of AY Marka. Ay Marka Mağazacılık employed 241 additional personnel with its 38 new stores in 2017.

The average age of employees is 32. While the ratio of female employees to the total number of employees is 43%, this ratio is 42% for store teams and 49% for head office teams.



Career and Performance Management

AY Marka employees build their own career developments on the basis of their personal performances. Every employee is the leader of his/her business. In managerial promotions, the company gives priority to its employees according to their personal competencies and performances. AY Marka pays due attention to train its own managers within its organization. For vacant positions, priority is given to internal resources, i.e. current employees of the company and the external candidates proposed by company personnel via the program "Benim de PAY'im var" (I have a SHARE, too).

Human Resources processes provide employees with flexible and cross career opportunities and allow them to plan their own career developments. The promotion systems are run on a graded basis. Career at AY Marka is not limited with in-house positions only; employees can also be transferred to other Group companies.

52 executives in total were promoted in 2017.

AY Marka Way of Learning

AY Marka "Yıldız Ol Yıldız Kal" (Be a Star, Stay a Star), the integrated learning, career development and rewarding program that was put into action in the last quarter of 2014, was also continued in 2017 and gave birth to the reward program "Yıldız Yağmuru" (The Rain of Stars).

8,126 hours of training in total were provided for the head office and store teams in 2017.

417 newly-employed employees learned the privileges of AY Marka and how to be a member of AY Marka in AY Marka's World Full of Privileges training.

We reached 314 employees through textile product knowledge, fashion world and aesthetics of service trainings. Thus, in addition to acquisition of knowledge, an environment in which customers received services with joy and watched with admiration the body language, attitudes and behaviours of the teams was created.

The year 2017 was a year during which it was focused on cash and warehouse responsible staff called as the "support team". 361 hours of training in total were provided for these teams.

The training named "Finding the Right Team Mate" was

provided in order to develop the recruitment skills of 89 store managers. 42 new store managers that newly joined AY Marka underwent the head office and field orientation process.

System trainings related with Bluebird application that was started in 2017 were provided and "Asistanım" (My Companion) became the teams' most important assistant in their daily life.

2017 was also a year of the first experiences. Store manager coaching project entitled Amore Divarese was started at Divarese for the first time. The purpose of this project has been to create the service identity specific to Divarese through differentiation by improvement of service quality constituting an important factor in competition. The process was started with 12 project stores and store managers received 1,264 hours of coaching in total in 2017.

The trainings on digitalization, omni-channel, new technologies in retailing, the new world of retailing, performance management with figures and the mathematics of retailing were also continued in 2017.

In addition to in-class trainings, online trainings also supported the training processes.

Employee Happiness

AY Marka attaches importance to contributing in employees' social, intellectual and professional developments through a diverse range of events organized in order to ensure employee happiness and to enhance employees' motivation and productivity in the workplace.

As with all Boyner Group companies, the 12th of December, Retail Employees Day was celebrated with a great bliss and enthusiasm in AY Marka this year.

All news and developments related with the Company are shared with the teams via AY Marka Human Resources Bulletin.

In addition, AY Marka's stars celebrated their success through various events under the scope of the "Rain of Stars" (Yıldız Yağmuru), a part of the learning, career development and rewarding program named Be a Star, Stay a Star (Yıldız Ol Yıldız Kal) in 2017.

Organizational Change and Development Management

DISC Personality Inventory was started to be used in the recruitment processes in 2017.

Under the scope of Be a Star Stay a Star (Yıldız Ol Yıldız Kal) program established to allow store employees to achieve sustainable success, all their processes from the start date of their employment until their entry into the stars club were continued to be planned.

With Amore Divarese project that was launched in Divarese stores in 2017, it was aimed to establish a personal contact with the store managers and sales teams and to strengthen their communications with each other and with customers and to establish indispensable sales and service standards.

HR is Digitalizing

Great steps were taken in the digitalization path in many processes in 2017.

Mobile devices were started to be used by the store teams in order to make the business processes in the stores more efficient, to ensure high customer happiness, and to execute the operations in a quite easier and faster manner.

Improvements in EBA workflow management system were continued in 2017.

In addition, AY Marka internal communication portal **smart** came into our life.

There was a transition to job application process through QR codes in order to receive a higher number of job applications in a faster manner compared to the stores in recruitment processes.

Occupational Health and Safety

The creation of a healthy working environment for all employees, protection of employees from the negative impacts of the current conditions of the environment, ensuring the best harmony possible between the workplace and the employees, and taking the necessary measures to eliminate the risks at the workplace reflect the Occupational Health and Safety perspective of AY Marka Mağazacılık. The creation of a healthy and safe environment for guests and customers is adopted as AY Marka's fundamental principle.

Occupational Health and Safety training was provided for 650 employees in 2017. In addition, periodical visits were made to all stores including 17 season and outlet stores newly opened in 2017. Occupational Health and Safety Executive Manual was prepared and shared with all store managers and head office executives. The OH&S software comprising all the necessary applications and used for storage of all data in the field of Occupational Health and Safety was started to be used.



ALTINYILDIZ TEKSTİL VE KONFEKSİYON A.Ş.

p. 72-79

MILESTONES

- 1952 ○ Altinyıldız Textile was founded.
- 1956 ○ First exports were carried out.
- 1971 ○ Apparel department was established.
- 1991 ○ Altinyıldız went public.
- 1992 ○ ISO 9001 Quality Certificate was obtained.
- 1996 ○ The Australian Super Fine Wool Growers Association accepted the company for membership.
- 1997 ○ The Integrated Heat and power Plant was established.
- 1999 ○ The Network brand addressing businessmen and businesswomen was created.
- 2000 ○ The brand Fabrika was born.
- 2003 ○ Formula 1 technology was used in production.
- 2007 ○ The design brand Que was launched.
- 2008 ○ AY Marka Mağazacılık acquired its independent legal personality.
- 2010 ○ Altinyıldız produced fabric with Nanotechnology.
- 2011 ○ The Techno Climatic series was added to the product portfolio.
- 2011 ○ ISO 14064 Scope 3 study was approved by BSI. Altinyıldız became the first and only company that performed emission calculations in its sector in Turkey.
- 2013 ○ Textile and garment operations were transferred to the wholly-owned subsidiary Altinyıldız Tekstil ve Konfeksiyon A.Ş. Altinyıldız acquired a strong and dynamic structure upon relocation of the whole team in Çerkezköy.
- 2014 ○ ISO 14064 Scope 3 Standard certificate was received from BSI.
- 2015 ○ Under the scope of TUBITAK 1501 Industrial R&D Projects Grant Programme, a project grant was obtained from TUBITAK.
- 2015 ○ Shareholders' equity was increased by TRY 100 million and a new investment plan including the purchase of 125 thousand m² open area and factory buildings in Çerkezköy OSB (Çerkezköy Organized Industrial Zone) was commissioned.
- 2015 ○ ISO9001 certificate was renewed.
- 2016 ○ New production facilities, depots and General Management Building were put into service.
- 2017 ○ ISO 14001 Environmental Management System Certificate was obtained.
- 2017 ○ Altinyıldız increased its capital by TRY 230 million.
- 2017 ○ Cordura Combat Wool was placed on the market.

EFFECTIVE PRODUCTION SYSTEMS, QUALITY PRODUCT, EXCELLENT SERVICE

Having been continuously operating in the wool fabric industry since 1952, Altinyıldız moved to its new manufacturing site in Çerkezköy in 2011. With its sites reaching 126 thousand m² outdoor area and 60 thousand m² indoor area upon its most recent investments, Altinyıldız is one of the largest integrated plants of Europe in wool fabric production.

Having carried out its first export operation in 1956, Altinyıldız was awarded with ISO 9001 Quality Certificate and accepted as a member to the "Australian Super Fine Wool Growers Association" in 1996. Having established its own 5.5 Megawatt Integrated Heat and Power Plant in 1997, Altinyıldız later moved this plant to its new production facilities in Çerkezköy in 2011.

Having the largest sales volume as the market leader in the domestic wool fabric segment, Altinyıldız carries out its overseas sales through its sales representation offices located in Germany, the Netherlands, France, the United Kingdom, Russia, Finland, Australia, America, Spain and Japan.

Altinyıldız made a 1 million US Dollar-worth investment in the finishing machinery park of Formula 1 technology imported from Italy in 2003; and thanks to this new machinery park, the company made a significant breakthrough by producing special fabric series like Powertech, Powerplus, Linenplus and Silktouch using modern, technological and chemical finishing applications. This breakthrough was followed by the addition to the product portfolio of the series named "Altinyıldız Nano" designed as a stain and water resistant fabric added in 2010, and the series named "Techno" maintaining its fresh and new appearance for years and "Techno Climatic" reflecting the infrared rays and thus protecting the body from the external heat which were added in 2011; thus further strengthening Altinyıldız's innovative and competitive position in the textile industry.

Altinyıldız started to provide services in the ready-to-wear sector by signing a consultancy and technical cooperation agreement with the Italian Group Forall company in 1995.

In 1997, the first Altinyıldız-branded men's collection was offered to customers. In September 1999, Altinyıldız

KEY INDICATORS

	Textile
Capacity (In-house)	10.000.000 meters
Production Volume (2017)	6.656 thousand meters
Net Sales (2017)	TRY 203,3 million
Number of Employees	937

women's collection was launched. In the same year, "NetWork" brand was created. It was followed by the brand "Fabrika" created in 2000 and the brand "Que" created in 2007, which met with customers.

In line with its business volume growing and expanding with the successively launched brands, AY Marka Mağazacılık was separated from Altinyıldız by way of partial spin-off in 2008 and gained its own legal entity status and turned into an independent retail company.

Having produced its products for many domestic and overseas companies in addition to its group brands for long years, Altinyıldız set its primary target as growth in exports and completely transferred its apparel production operations to the group's business partners as of April 2016 in order to focus on textile and wool fabric manufacturing with high added value.

6,6 Million Meters Long Wool Fabric Produced

The market leader in Turkish wool fabric sector with its production of 6,6 million meters, Altinyıldız has maintained this success in the wool fabric sector which was becoming intensely competitive also in 2017, by giving importance to Production and Development and Research and Development activities, adapting to the rapidly changing fashion trends, paying attention to international specifications and environmentally-friendly production issues and manufacturing high-quality fabrics.

Having increased its shareholders' equity by TRY 100 Million in 2015, the company put into application a new investment plan covering the acquisition of the factory land and buildings located in Çerkezköy. With its plants reaching 125 thousand m² outdoor area and 60 thousand m² indoor area with the new buildings and factory newly commissioned in accordance with such plan, located within Çerkezköy OIZ (Organized Industrial Zone), it became one of the largest integrated textile factories of Europe.

Having increased its capital by TRY 230 million upon its main partner BRTI's decision in 2017, Altinyıldız strengthened its financial structure. In addition, Cordora Combat Wool was placed on the market within the framework of the cooperation established with Invista and the first orders were received in 2017.



SALES AND MARKETING

Under the impacts of competitive pressures caused by the globalization in the recent years, Altinyıldız increased its productivity efforts considering the fact that the road to success passes through improving its capability of creating the highest added value with the least inputs. Aware of the fact that innovation is the most important element for increasing added value, it continued its production structure creating high added value based on skills, knowledge, technology, and quality rather than competition based on cost and low-cost labour.

Altinyıldız still carries out nearly 54% of its domestic textile sales through 10 primary dealers based in Istanbul. These dealers make sales across Turkey via their own sub-dealers. Furthermore, the company also makes sales in the Turkish market via the other sales channels like organized ready-made clothing companies, retail companies and Boyner Group Companies.

In 2016, nearly 12% of domestic market sales was made to BR Mağazacılık, i.e. Boyner Group company responsible for management of retail operations of Beymen Business and Altinyıldız Classics brands across Turkey and 4% of such sales was made to the other Boyner Group companies (Beymen, AY Marka).

Its exports are carried out through Altinyıldız's sales representation offices located in Germany, the Netherlands, France, the United Kingdom, Russia, Finland, Australia, America, Spain and Japan. Exports have accounted for nearly 23% of its total sales in 2017.

Sales	2017	2016
Textile (Million Meters)	6,6	6,9

Market Leader in Design, Technology and Diversity

With its special finished fabrics, unique blends and innovative product range, Altinyıldız continued to create value for both Boyner Group companies, and customers in the domestic and international markets in 2017. Thanks to its stain-resistant and non-iron different fabric alternatives, a variety of products of different qualities and varieties according to customers' preferences were offered.

In 2017, Altinyıldız focused on products including ready-to-wear clothing groups and functional and nano-technology featured fabrics woven from specialty fibers and high technology threads with strong designs. Altinyıldız has maintained its leader position in Turkish market also in 2017.

In addition, it implemented Combat Wool project meaning high endurance in woolen fabric through the cooperation made with Cordura Invista and succeeded in receiving the first orders.

Under the sustainability concept that has started to become a life style rather than a trend in every stage of life, woolen fabric containing over 50% recycled polyester fibers, the polyester ingredient of which was completely recycled from plastic bottles, was produced and offered to customers. Since the quality and palpation of the fabric was not different from that produced with normal polyester, positive feedbacks were received from customers.

Export sales that gained momentum towards the end of 2016 have also increased by 88% on meters basis in 2017 compared to the previous year. The infrastructure for corporate sales planned to be executed in 2018 was established.



RESEARCH AND DEVELOPMENT

Since the fashion of the world gradually gives wider coverage to the products with high design quality and added value, Altinyıldız aims to design unique and contemporary collections, to develop target population oriented design concepts in the fashion market and to present its products to its customers as soon as possible. Customer requests and new trends are used as keys to the company's new product development and diversification of current product activities.

In 2017, Altinyıldız has intensely worked on R&D and P&D activities in order to produce high value-added products. It has continued to constantly improve itself as a company that has become an internationally recognized brand with its high-performance and functional products, collections with unique designs reflecting the most current trends in fashion, and special productions with fibers, yarns and finishing works. With fabrics particularly produced for their technical performances and functional properties rather than aesthetic properties, it maintains its success in the market in which competition is evaluated based on quality and innovation rather than prices.

Its product groups providing ease of use during travels and in daily life are offered as difference-making products that make life easier for all customers, including, particularly, the European customers going to work by bicycle, the employees driving for long periods and of course, those that travel a lot in today's world, with their different fiber constructions and special finishes. Washable elastic wool fabric studies successfully passed from all performance tests and were added to the collections that would be offered to customers in 2017. Altinyıldız has continued to place on the market the products combining the respect to nature and human being with fashion in 2017.



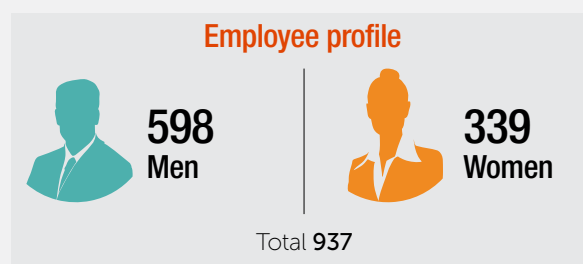
HUMAN RESOURCES

As a production facility always valuing human dignity from the time of recruitment to all business processes and always acting in an accessible and solution-oriented manner for its employees, Altinyıldız aims to bring together curious and courageous people sensitive to differences and to create a culture encouraging them to develop themselves with its research-oriented and innovative identity.

As required by its human resources policy supporting its employees' personal and professional developments and assuming a task to encourage them in order to achieve high performance levels; it targets to offer a motivational and democratic environment allowing for establishment of team cooperation towards mutual objectives.

Internal communications through which all employees' requests and suggestions are taken into account without any discrimination is encouraged and activities are conducted for creating a happy working environment. Steps are taken in order to create areas where employees can easily communicate and exchange ideas with each other. Thanks to "Etik Kurul" (Ethics Committee) and "Bir Fikrim Var" (I have an Idea) boxes, any and all suggestions and complaints received are evaluated.

Personal orientations are organized in order to enable all new employees entering the family to rapidly become operational and to be comfortable in their work environment.



Personal and Professional Development Trainings

Various opportunities are provided for employee development. Thanks to the personal and professional development trainings organized by the company for covered and uncovered employees, it contributes to employees in becoming motivated and productive individuals that can use their skills and keep up with the innovations.

The company works with various educational institutions through the cooperation of Turkish Textile Employers' Association, considering the needs identified in line with the career plans and also receiving the opinions of employees. Individual training requests received from employees are also taken into account; and various trainings are organized throughout the year.

Employee Motivation

Focusing on employee motivation and happiness, Altinyıldız organizes various events throughout the year, thus aiming to achieve high productivity within the company.

The events organized and held in 2017 included the traditional picnic organization held in August with the participation of all company employees. A celebration organized with the participation of families was held and gifts were distributed among the little children in Altinyıldız Kindergarten under the scope of the 23rd of April, National Sovereignty and Children's Day.

"Hello to the New Year Party" (Yeni Yıla Merhaba Partisi) organized in order to let everybody experience the new year enthusiasm all together as a family and to ensure sustainability of in-house motivation was realized as one of Altinyıldız organizations in 2017.

Occupational Health and Safety

Occupational Health and Safety in the Factory is given priority. Information is provided against any possible work accidents that may be faced by employees and necessary actions are taken to prevent such accidents. With the drills conducted in order to ensure preparedness to emergencies, it is aimed to allow employees to acquire the necessary knowledge and behaviours. The maintenance of the machines in the factory is periodically made and the actions to be taken are discussed in the OH&S Committee meeting held bimonthly.

Occupational Health and Safety Training is provided for all employees in order to prevent occupational accidents and to create a reliable working environment at Altinyıldız. Basic Occupational Health and Safety Training was provided for 104 employees and Occupational Health and Safety Refresher Training was provided for 461 employees in 2017. 565 employees in total received training on Basic Occupational Health and Safety throughout the year. Through orange-table trainings, employees are met in their working environments and their OH&S knowledge is refreshed.

The purpose of such trainings is not only to provide information, but also to transform any and all information into behaviours. The "Near Miss Boxes" (Ramak Kala Kutuları) in the company are used in order to collect the information received from employees in order to identify any kind of hazards.

Fire response training, safe electric works training, and first aid refresher trainings were provided under the scope of Occupational Health and Safety within the year 2017.

The periodical health examinations conducted to periodically observe the health status of employees were completed across the factory in December 2017.



Environmental Awareness

In 2017, we continued to measure the impacts of our projects initiated for using less raw materials and auxiliary substances, and less energy and water in order to minimize the adverse environmental impacts of products and services.

Altinyıldız received ISO14001 Environmental Management System Certificate as a result of the audit conducted by the Turkish Standards Institute in January 2017 that was the target date for certification. Environmental policy, environmental objectives and activity plans were established. The activities will be continued in line with such objectives also in 2018.

Efforts and activities are conducted in line with the environmental policy in order to increase employee trainings, to ensure efficient use of natural resources, to minimize and separate primarily at source of the wastes originating from activities, and to ensure recycling and disposal of such wastes through the most appropriate methods.

Oeko-Tex® 100 certificate, a global standard testing and certification system implemented by an international independent institution and oriented towards certification of textile products and raw materials used in all of the related processing stages in terms of environmental protection and eco-sensitivity, which was already issued for Altinyıldız products, was also renewed in 2017.

SUSTAINABILITY REPORT

BOYNER GROUP SUSTAINABILITY VISION

Democracy In the Workplace

- Non-Discrimination
- Employee Rights and Employee Participation
- Gender Equality
- In-house Entrepreneurship Culture
- Occupational Health and Safety
- Fight Against Corruption

Value Chain

- Supply Chain
- Product Management
- Quality Management
- Social Compatibility
- Chemical Compatibility

Environmental Impact

- Energy Efficiency in Buildings
- Energy Management
- Wastewater Management
- Waste Management
- Clean Production
- Chemical Safety

Community Investments

- Social Gender Equality
- Pomegranate Arils
- Good for Business
- 8 March Women's Day Campaigns
- Social Entrepreneurship
- Supporting Disadvantaged Groups
- Askıda İyilik (Donate Goodness) (Boyner)
- İyiliğe Dönüştür (Cycle into Goodness) (Boyner)
- Civil Society Collaborations
- Askıda İyilik (Donate Goodness) (Beymen)
- Soma Artisans (Beymen)
- Association for Supporting Contemporary Life (Boyner)
- Yuvarla (Round-up) (BRTI)
- Strategic Philanthropy

STAKEHOLDERS

- Commitment and Memberships
- Stakeholder Relations and Participation

BOYNER GROUP SUSTAINABILITY VISION

Boyner Group's Sustainability Management approach is based on transparency, openness, accountability and participation.

The sustainability activities gathered under the main headings of work environments respecting human dignity, establishment of democracy in the workplace, environmentally friendly practices, sustainable supply chain, community investment and customer happiness are planned by creating platforms that will ensure the participation of internal and external stakeholders in the policies and practices and allow for collection of their contributions and evaluations.

Trainings creating awareness also in the supply chain, consultancy services, audit activities and regulatory action plans have been implemented since 2013 for widespread implementation of the sustainability approach throughout the entire Boyner Group chain of values.

Boyner Group Sustainability and Corporate Responsibility Activities are conducted under 4 main headings:

- **Democracy In the Workplace**
- **Value Chain**
- **Environmental Impact**
- **Community Impact**

DEMOCRACY IN THE WORKPLACE

BOYNER GROUP WORKING ECOSYSTEM

Our total employment in 2017

10.261 employees



Boyner Büyük Mağazacılık A.Ş. **5.865**

Boyner Perakende ve Tekstil Yatırımları A.Ş. **136**

Beymen Mağazacılık A.Ş. **1.850***

AY Marka Mağazacılık A.Ş. **1.473**

Altınyıldız Tekstil ve Konfeksiyon A.Ş. **937**

* Excluding Nişantaşı Turistik and Christian Louboutin.

Employment created in the new stores opened in 2017

1.928 employees



BOYNERGRUP

5
COMPANIES

381
Stores

371 thousand
m² sales area

GROUP VALUES

We are focused on Customer Happiness We focus on offering creative product, service and experience and providing improvement in every angle that reaches out to our customers. Making our customers feel important and prioritized in every action is essential for us.

We are Creative We have the ability to explore and implement creative solutions and approaches and projecting and implementing the un-attempted and the undone; We continuously assess and develop our business manners; We support the generation of new ideas in our team; Our ability to ask "Why not?" is our most important trait. Our source of inspiration for innovativeness is our customers.

We are Courageous We can take quick decisions, be flexible when necessary, and accept and support change favourably. Driving change in a timely manner when required is part of our core values.

We are Passionate We work eagerly to be the leader in our business. We create motivational and inspiring environment for our team members; our positive attitude is reflected in our team members; and we focus on objectives and work with passion. Working pleasantly is a key characteristic of Boyner Group employees.

We Learn Continuously We are always learning and continuously updating our professional expertise. We not only improve and train others; but also obtain information from various resources and create a vision of how our work can develop. Teamwork and individual productivity is a prerequisite for all Boyner Group employees.

We are Responsible We contribute and support contributions to society. We believe in being "A good person, a good employee, and a good citizen" with a moral, transparent, accountable and sustainable approach towards our colleagues, business associates, customers and society. Executing business with manners and actions aware of the social, economic and environmental responsibilities is essential for Boyner Group employees.

We are a Huge Family We always work with mutual trust, respect, participation, justice and collaboration – like a family. We continuously provide all Boyner Group employees the opportunity to work and get promotions based solely on their merits and performance without any discrimination. We provide an equal opportunity for all employees to develop. Our main principle is to enjoy and share the reliability, warmth, and joy of a family.



DEMOCRACY IN THE WORKPLACE

Boyner Group's management approach is based on transparency, openness, accountability and participation.

In Boyner Group, an "open communication" environment allowing all employees to express their own ideas and suggestions freely is supported. Employees are encouraged to share their ideas and suggestions through internal communication channels. It is believed that the sharing by each of the employees of any opinions, suggestions and criticisms related with their jobs will improve the group. In case of any disagreement that may arise in the working environment, all employees are listened to equally without any status discrimination.

Establishment of employee rights and beyond that, establishment of human rights in the working environments and at the suppliers is considered within the context of the "democracy in the workplace" principle. It is aimed to identify and establish working environments respecting human dignity. We attach importance to ensure that the principle of equality will bring justice in the results for all identities and we establish the necessary mechanisms to this effect.

The freedom of association and collective bargaining that are the civil rights of employees are recognized in Boyner Group and its supply network and suitable environments are provided for employees' claims for such rights.

Equal Treatment Principle

In Boyner Group, we do not tolerate any discrimination based on the factors such as race, colour, gender, religion, marital status, sexual preference, political opinion or affiliation, ethnical identity, health status, familial responsibilities, union activity or membership, physical disability or age.

Equal Opportunities

In Boyner Group workplaces, due attention is paid to practice equal opportunities in the ads and job postings and in interview questions asked to the candidates during the recruitment process, as well as during the career planning and the planning of employees' trainings and developments in business life.

Gender Equality in Boyner Group

Ratio of female employees	45%
Ratio of female employees in Head Office staffs	47%
Ratio of female employees in Stores	46%
Ratio of female executives	38%
Ratio of female executives in stores	35%
Ratio of female employees to those attending training and development activities	44%

Development of Employees

Boyner Group companies follow equal opportunity principle in training and development areas and provide various training and developmental programs. All trainings provided for employees under the titles such as personal development, professional development, and occupational health and safety are monitored in terms of attendance, training hours and training investment metrics with a gender breakdown. Deficiencies are identified through the measurements made for training and development that constitute one of the areas through which the equal opportunity principle is monitored every year and the actions for the next year are planned accordingly.

Ratio of female employees attending trainings:

44%



Total number of employees attending trainings in 2017:

8.063

Number of employees attending trainings at Boyner Büyük Mağazacılık	4.339
Number of female employees attending trainings:	2.063
Number of employees attending trainings at Boyner Retail	126
Number of female employees attending trainings:	50
Number of employees attending trainings at Beymen	1.714
Number of female employees attending trainings:	757
Number of employees attending trainings at Ay Marka	1.132
Number of female employees attending trainings:	474
Number of employees attending trainings at Altrnyıldız	752
Number of female employees attending trainings:	263

3 GOOD HEALTH AND WELL-BEING



Occupational Health and Safety

It is one of our priorities to establish safe and reliable working conditions befitting human dignity for Boyner Group employees. Occupational Health and Safety powers and responsibilities were defined by the resolutions taken by the Board of Directors.

Executives' Occupational Health and Safety Responsibilities trainings for provided for 339 executives (head office and store executives) in 2017. The records, tracking and reports of all Occupational Health and Safety activities have been transferred to a shared software as of 2017 and thus, it has become possible to receive instantaneous status reports, to view and display the areas for corrective actions and to produce a performance report in relation to all OH&S legal responsibilities.

In the trainings and seminars organized throughout the year, employees are informed on "Occupational Health and Safety" and thus, the awareness on important issues in their daily work environment is created. The information activities conducted are supported through internal publications made within the Group; and with the "Occupational Health and Safety" manual, it is aimed to further improve the knowledge, and to increase health and welfare through practical advices. In addition, the visitors coming to the workplaces are also informed through the informative and instructive cards prepared for visitors. Occupational Health and Safety Executive Manual was also prepared in 2017. In addition, trainings and awareness-raising activities were also shared with



employees over BANG-Online internal communication and training platform.

To take further preventive measures, all accidents occurring in all workplaces or the environments related with works are recorded no matter whether there is any workforce loss or any medical attention is required or not. Such records not only help in analyzing the underlying problems, but also increase awareness on "Near Miss" notifications within the organization.

Special importance is attached to self-protection of employees. Employees are required to adapt themselves to the actions taken and are recommended to report and avoid any situations necessitating any measures to be taken. Employees are especially encouraged to report the risks that they face in the work environments and the negative consequences arising from such risks both as required by the legal responsibilities, and for identification of the issue and elimination of such issues without causing any other problems.

Statistics related with occupational accidents are kept and corrective action plans are prepared through root cause analyses. The ratio of total occupational accidents, including accident reports not causing workforce loss, to the total number of employees has been 1,74% in 2017.

3.810 employees attended

27.760 hours of trainings were provided

in the Occupational Health and Safety trainings at Boyner Group

Freedom of Association

Employees' freedom of association is considered as a right. Blue-collar employees working at Altinyıldız Tekstil A.Ş. which is under the structure of Boyner Retail are members of a union and are entitled to sign collective labour agreement via the worker's union representing them.

Ethics Committee

There are Ethics Committees established under the own structures of the companies with the guidance of business principles and at Boyner Retail and Textile Investments. In case of any situations contrary to Boyner Group values and business principles or laws, it is the duty of these Ethics Committees to review the warnings, complaints and reports, to make the necessary evaluations and to reply to the employees' notifications.

A communication channel has been established in all Boyner Group companies in order to allow employees to report ethical issues or situations by assigning special e-mail addresses to the Ethics Committee of each company. In case of any condition or event considered unethical, employees can raise a complaint and report the situation to the Ethics Committee in their companies. In an attempt to resolve the situation, an initial research for verification is made; and when the accuracy of the case is verified, the details of the internal investigation are recorded through the reporting system. When the Ethics Committees identify a breach committed, they may propose various sanctions extending up to termination of employment relationships. Employee representatives selected with the votes of company employees also take part in the Ethics committees.

Ethical behaviours and transparency that are explicitly defined in Boyner Group "Operational Principles" are considered the responsibility of all employees.

The number of cases evaluated by the Ethics Committees has been 11 in 2017.

11 cases were resolved
in Boyner Group Ethics Committee

An e-mail can be sent to etik@boynergrup.com in order to get in contact with the Company ethics committees.

Boyner: etik@boyner.com.tr
Beymen: etik@beymen.com
AY Marka: etik@aymarka.com.tr
Altinyıldız: etik@altinyildiz.com.tr



Fight Against Corruption

It is one of Boyner Group commitments to provide honest and transparent service and to operate in compliance with anti-corruption regulations. With this policy that constitutes an integral part of Boyner Group ethical rules, it is aimed to prevent bribery and corruption in all Boyner Group activities and to ensure compliance with legal regulations, ethical and professional principles, and universal rules. Boyner Group Anti-Corruption Policy covers not only Boyner Group employees, but also all stakeholders and business partners acting on behalf of Boyner Group. In other words, it covers all Boyner Group employees including board members, and any and all persons and organizations working or doing business on behalf of Boyner Group, including the companies used for outsourcing of services and their employees, suppliers, consultants, lawyers, and external auditors.

Anti-Corruption Policy is a supplementary part of:

- Legal regulations;
- Human Resources code of practice and Collective Labour Agreement;
- the principles undertaken to be complied with by joining the United Nations' Global Compact;
- Corporate Governance Principles;
- Boyner Group Ethical Principles.

Regulation and modification of ethical principles is under the authority of Boyner Group management. Necessary sanctions are imposed in case of any behaviours displayed by Boyner Group employees in violation of these principles. Boyner Group Ethics Committee is authorized to review and report such issues. Boyner Group employees report any situations encountered or suspected of with respect to bribery and corruption to the notification address of Boyner Group Ethics Committee.

VALUE CHAIN

Reaching out Employees: Communication Platforms

In Boyner Group, activities are conducted under the heading of communications with employees that constitute the fundamental elements of business processes. Employees are reached out through various channels and all activities conducted throughout the year and the group's current news are shared with them. Employees are informed and their opinions and recommendations are received through internal and external communication channels. The internal communication platform "Boynerişim" is used for sharing with all group employees the most current news and information on the available vacant positions in the group companies, individual achievements of the companies, special campaigns for employees, history of the company and information about its managers, conferences organized, projects implemented in the field of corporate responsibility, and voluntary activities.

The internal communication channel Boynerişim was designed as a platform to allow for two-sided communications. This platform also functions as a platform through which employees can share their creative ideas and their personal announcements, rather than a merely one-sided source for obtaining information. The employees of all group companies are gathered around a common platform together with the internal stakeholder network established.

In addition to internal communication channels, Boyner Group website further strengthens communications with internal and external stakeholders and the current news and updated information about the company are also provided via social media.

Intra-Group Retail Summits

Through Boyner Group Retail Summit held every year since 2011, the Group's new projects and plans are shared with employees throughout the year and senior managers are allowed to provide information and share their knowledge. During this one-day meeting, managers of Boyner Group companies listen to inspiring speakers, subject matter experts and the best examples from their sector. The Retail Summit gathers board members, general managers, assistant general managers, department managers and store managers on a common ground every year. With this method, the developments occurring in the group are shared.





SUPPLY CHAIN SUSTAINABILITY

Supply chain sustainability constitutes the basis of the product processes and the production and service network. The activities in this field are continued in a manner to ensure transparency of and accountability for the products offered to customers as required by the Unconditional Customer Happiness principle and social compliance of the supply network.

The activities under the scope of Supply Chain Sustainability are conducted for the following objectives:

- To improve the environmental, social and economic impacts during the production process of products;
- To establish working environments respecting human dignity with our business partners in the logistics network, including occupational health and safety requirements
- To create long-term environmental, social and economic value
- To ensure business continuity and to protect brand integrity
- To manage efficient sources and business costs, and to encourage the suppliers to do the same.

Following the suppliers' compliance with the standards under "Clean production principles", "labour rights" and "chemical safety" at the contract level, Boyner Group started its social compliance audits in 2013. Placing on the market the products of Altinyıldız Textile Factory operating in the textile production and apparel field as EKOTEX-certified products, the Group checks the chemical safety of products through "3rd Party Laboratory Analyses".

With the purpose of controlling production processes of the products offered to customers and ensuring the suitability of materials used by suppliers for products in terms of customers' health and safety, the analysis of life cycles of products purchased and the compliance of production conditions in terms of employee rights, and occupational health and safety are verified under the related contracts and also through the inspections conducted under the management of the Corporate Responsibility and Sustainability team. As a result of all such activities, corrective action plans are prepared to prompt suppliers to take positive actions in respect of issues found to be deficient and inadequate.

- Working Standards
- Occupational Health and Safety
- Human Rights
- Audits related with Environmental Management issues

1.203 audits
in the last 4 years

Years	New Supplier Audit	Follow-up Visit	Total
2013	54		54
2014	122	57	179
2015	237	66	303
2016	307	159	466
2017	92	109	201
Total	812	391	1203

SOCIAL COMPLIANCE

- **Management systems**
 - › Legal documents
 - › Mechanisms for informing employees and ensuring employees' participation in management
 - › Labour contracts
 - › Labour records

Employee Rights and Occupational Health and Safety

- **Working hours and leaves**
 - › Night work
 - › Overtime hours
 - › Weekly and annual leaves
- **Payments and social benefits**
 - › Minimum wage
 - › Payment methods
 - › Overtime payments
- **Non-discrimination policy**
 - › Equality principle
- **Disciplinary procedure**
 - › Right of defense
- **Working conditions for pregnant and young employees**
 - › Working conditions
 - › Working hours
 - › Annual leaves
- **Prevention of child labour and forced labour**
- **Access to medical services**
 - › Leaves for routine examinations of pregnant women
 - › Reporting of occupational accidents
 - › First aid trainings
- **Service safety**



- **Fire safety**
 - › Emergency trainings
 - › Responsible persons for emergencies
 - › Personal protection equipment
- **Building safety**
- **Chemical safety**
 - › Data sheets
 - › Personal protective equipment
- **Electrical safety**
 - › Certification
 - › Protective measures
- **Safety of machinery**
 - › Training
 - › Notifications
 - › Personal protective equipment
- **Waste management, energy and water management**
 - › Certification
- **Workplace hygiene**
 - › Trainings

Social Compliance Milestones

Boyner Group signed the United Nations Global Compact (UNGC) in 2012. With reference to this compact, Boyner Group warranted to comply with 10 the basic principles including the respect to human rights and the right to collective bargaining, prevention of forced and compulsory labour, abolition of child labour, elimination of discrimination in respect of employment, protection of environment, and fight against corruption.

After signing the UNGC, Boyner Group became the first and only company from Turkey to participate in the Consultant Committee of Supply Chain Sustainability on a global level. It has maintained its membership since 2013.

In Turkey, the Supply Chain Sustainability Working Group operated by the Global Compact Turkey Secretariat under the structure of TUSIAD has been led by Boyner Group since 2013.

In 2013, the publication entitled as the "Practical Manual on Constant Improvement of Supply Chain Sustainability" prepared by the Global Consultant Committee of Supply Chain Sustainability in United Nations Global Compact was translated into Turkish and distributed. In 2014, an additional issue was published and the activities of its expansion have been supported through the stakeholders cooperated by the group.

Boyner Group issued the "Manual of Supply Chain Social Compliance" including zero tolerance points in line with the inspections together with all of the suppliers included in the Boyner Group supply pool and expected to follow social compliance criteria.

The activities for inspections within the scope of Boyner Group Social Compliance were started in March 2013. The total number of new suppliers and the follow-up inspections by years has been recorded as 1.203.

CHEMICAL COMPLIANCE

The chemicals used in the production of products that are produced and purchased for Boyner Group brands are controlled and monitored as part of the responsibility towards the community, environment, and customers.

There are various chemicals which are completely prohibited or the use of which is restricted due to the harmful impacts on human health. The verifications related with the tests for Azo Colourants, Phthalate, Flame Retardants, Cadmium, Nickel Release, Organostannic Compounds, Perfluorooctane Sulfonates and Nonyl Phenol-Nonyl Phenol Ethoxylate in our products are conducted in designated expert laboratories in order to fulfil the responsibility to verify the safety of products.

The products for which the related tests are verified are dispatched to the stores.

Necessary measures regarding chemical safety are taken under commitments and/or contracts in accordance with responsible procurement principles in order to ensure product safety for both exclusive brands and the different brands offered to customers in multi-storey department stores.

Through the sustainability unit, suppliers are provided with consultancy in relation to the regulations that are required to comply with and the areas of compliance regarding chemical safety.



ENVIRONMENTAL IMPACT



ENVIRONMENTAL AWARENESS

In Boyner Group companies, activities are conducted within the scope of the fight against climate change in order to reduce the environmental adverse impacts of products and services. With the commitment to take corrective actions for management of emissions and wastes, we have become a party to the Energy Efficiency in Buildings contract at the head offices of companies since 2013 and the Green Office Project of the Society for the Protection of Natural Life for Boyner Büyük Mağazacılık, one of the Group companies, as of the same date. In this context, emission calculations and improvement plans were put into practice and reports are presented to the stakeholders every year.

The measurements and corrective actions conducted under the scope of the environmental awareness apply for the supply chain as well as company performances. Within the framework of the related activities, the suppliers' compliance with regulations according to their business lines is reviewed and positive actions are taken to ensure that they establish such compliance through contracts and inspections.

With "İyiliğe Dönüştür" (Cycle into Goodness) project launched by Boyner Büyük Mağazacılık in 2014 and continued also in 2017, issues such as recycling and reuse are worked on through the cooperation with Lokman Hekim Health Foundation.

The details of the projects especially focused on energy efficiency and release mitigation, which are managed by Boyner Group Companies jointly and individually, are provided in the following pages.

Energy Efficiency in Buildings (BEV)

Since 2012, Boyner Group companies measure the energy consumptions of their headquarter buildings.

The scope of the study is limited with the head offices of group companies; and the emissions based on energies consumed within the boundaries of the buildings were selected as the source of emission. Considering the breakdown of buildings, their consumptions were limited with natural gas and electricity. With respect to natural gas consumption, natural gas was evaluated under Scope 1 as it was purchased as natural gas, rather than heating.

Scope 1: Natural gas consumption
Scope 2: Electricity

Natural gas and Electricity consumption data are read from invoices and entered into data forms. These data are obtained from the related departments through data forms; and stored by the Corporate Responsibility and Sustainability Department, which carries out the related calculations.

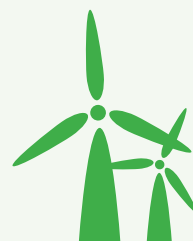
Natural Gas Emission factors are calculated using the values specified over "IPCC Guidelines for National Greenhouse Gas Inventories". As for Electricity consumption, the Grid values announced by TEİAŞ (Turkey Electricity Transmission Co.) annually are taken as the basis. While the total amounts were taken into account in the calculations in the previous years; they have been monitored on an individual company basis as of 2014. This has resulted from the fact that the Headquarters located in Yenibosna pertaining to Altınyıldız Tekstil ve Konfeksiyon A.Ş., which was included in this study, have been closed and relocated in the manufacturing center in Çerkezköy and all offices have been distributed to different locations within the manufacturing plant in the recent years.

2012-2017

ENVIRONMENTAL IMPACT CHANGE

ENERGY EFFICIENCY IN BUILDINGS

Unit Emission
Ton CO₂-e / m²
↓ -25,40%



AY MARKA

While AY Marka Mağazacılık A.Ş. was operated in the offices with an area of 3200 m² in total at Fazıl Kaftanoğlu Cad. No:15, Seyrantepe / Istanbul in 2011 and 2012; it was moved to Yenibosna Office with an area of 6500 m² at Merkez Mahallesi 29 Ekim Cad. No:22 Yenibosna Bahçelievler / Istanbul as of the ninth month of 2014. The measurements made by 2015 refer to the comparison of the same addresses and areas in square meters.

AYMM	Total Consumption Kwh	Unit Consumption Kwh / m ²	Total Consumption Ton CO ₂ -e	Total Consumption Ton CO ₂ -e/m ²
2012	527.227,00	164,76	281	0,0878
2013	560.649,00	175,20	299	0,0934
2014	1.248.704,64	320,18	588	0,1508
2015	695.890,12	115,98	323	0,0538
2016	608.393,52	93,60	292	0,0449
2017	652.802,32	100,43	312	0,0481
2016-2017 Change	7,30%	7,30%	6,99%	6,99%
2012-2017 Change	23,82%	-39,04%	11,19%	-45,26%

BEYMEN

Beymen Mağazacılık A.Ş. is operating at Büyükdere Caddesi Oyca Plaza Kat: 2-8-9 Maslak / Istanbul. Our company also started to operate on the 2nd floor in 2015 and thus increased its total area to 3317 m². In 2015, a decrease was observed in both consumption and emissions; and in 2016, the reduction in emissions continued, albeit at a lower rate, compared to the previous year. The reduction impacts of the measures taken in both the infrastructure and energy management were observed in 2015; and the target to reduce the usage-based emission will also be continued in the following years.

Beymen	Total Consumption Kwh	Unit Consumption Kwh / m ²	Total Consumption Ton CO ₂ -e	Total Consumption Ton CO ₂ -e/m ²
2012	641.734,28	219,47	287	0,0982
2013	590.827,36	202,06	270	0,0923
2014	619.327,52	211,81	255	0,0872
2015	576.822,92	173,90	219	0,0660
2016	511.970,18	154,35	195	0,0589
2017	661.366,94	199,39	232	0,0698
2016-2017 Change	29,18%	29,18%	18,59%	18,59%
2012-2017 Change	3,06%	-9,15%	-19,30%	-28,86%

BOYNER RETAIL AND TEXTILE INVESTMENTS

While Boyner Retail and Textile Investments operated on the 15th and 16th floors at Eski Büyükdere Caddesi Park Plaza Maslak / Istanbul in 2011; it continued its activities by adding the 2nd floor of the same plaza in May 2012 and the 3rd floor of the same building in May 2014. While these two expansions increased the total area in square meters, the consumptions made during the relocation and installation period increased the energy load. In addition, the natural gas and electricity consumption of common areas, which was invoiced within the plaza management fee in the previous periods, were included in energy consumption invoices as of April 2014 upon the decision of the Plaza Management and thus included in the related calculations. Although the 3rd floor was excluded from the consumption figures as a separate company in 2015, the increase observed compared to the previous years

Boyner Retail and Textile Investments	Total Consumption Kwh	Unit Consumption Kwh / m ²	Total Consumption Ton CO ₂ -e	Total Consumption Ton CO ₂ -e/m ²
2012	187.252,00	65,56	101	0,0354
2013	209.506,00	73,36	118	0,0413
2014	476.115,52	146,02	212	0,0782
2015	526.366,44	152,00	203	0,0586
2016	445.274,00	128,58	238	0,0688
2017	427.375,54	123,41	230	0,0664
2016-2017 Change	-4,02%	-4,02%	-3,55%	-3,55%
2012-2017 Change	128,24%	88,23%	127,65%	87,75%

refers to the common area consumptions added to the invoices. In 2016, we started to use the entire 3rd floor at the same address and increased our total area in square meters. In 2017, a reduction of 3,55% was observed in consumptions compared to the year 2016 during which there was no change in terms of square meters.

BOYNER BÜYÜK MAĞAZACILIK

After completion of its merger with YKM by the end of 2012, Boyner Büyük Mağazacılık A.Ş. began to operate at Büyükdere Cad. No: 245/A Uso Center Zemin Kat Maslak / Istanbul. The values for 2012 were calculated for the company's former offices located at Büyükdere Cad. Noramin İş Merkezi No: 55 K:B-1 Maslak / Istanbul. The year 2012 in which the company started to operate at its new location was taken as the base year. When a comparison was made between the base year and 2017, there was a 15,60% reduction in consumption per square meter and a 33,56% reduction in the change in Unit Emission. When the reduction in consumption amounts was considered by years, it was observed that the reduction rates approached to 3% for both items.



Considering the total energy-based emissions per square meter of 4 companies included under the scope of Energy Efficiency in Buildings, it was observed that there was an increase compared to 2016; but there was a 25,40% decrease compared to the base year 2012 and the carbon footprint was reduced.

Boyner Büyük Mağazacılık A.Ş.	Total Consumption Kwh	Unit Consumption Kwh / m ²	Total Consumption Ton CO ₂ -e	Total Consumption Ton CO ₂ -e/m ²
2012	872.736,88	161,62	411	0,0761
2013	1.545.551,69	166,19	739	0,0795
2014	1.518.001,39	163,23	586	0,0630
2015	1.462.752,49	157,29	552	0,0594
2016	1.334.333,08	143,48	507	0,0545
2017	1.304.484,96	140,27	491	0,0528
2016-2017 Change	-2,24%	-2,24%	-3,15%	-3,15%
2012-2017 Change	-15,60%	-15,60%	-33,56%	-33,56%

Total	Total Consumption Kwh	Unit Consumption Kwh / m ²	Total Consumption Ton CO ₂ -e	Total Consumption Ton CO ₂ -e/m ²
2012	2.228.950,16	155,00	1.080	0,0751
2013	2.906.534,05	159,00	1.426	0,0780
2014	3.862.149,07	199,24	1.641	0,0847
2015	3.261.831,97	147,73	1297	0,0587
2016	2.899.970,78	128,43	1233	0,0546
2017	3.046.029,76	134,90	1265	0,0560
2016-2017 Change	5,04%	5,04%	2,62%	2,62%
2012-2017 Change	36,66%	-12,97%	17,13%	-25,40%

GREEN OFFICE PRACTICES

Boyner Büyük Mağazacılık (BBM) and the World Wide Fund for Nature (WWF) began to cooperate for Green Office practices in 2012. In this context, while the head office internal structure was renovated in an environmentally-friendly manner, employees' consumption habits and green consumption were focused on at the same time. In June 2014, Boyner Büyük Mağazacılık received the Green Office Certificate conferred by the World Wide Fund for Nature (WWF) under the scope of the environmental-friendly and green office practices implemented for the head office. The company has been focusing on head office consumptions and encouraging employee participation since 2014. In 2016, Boyner Büyük Mağazacılık hosted the annual "Green Offices" meeting of the World Wide Fund for Nature, where good examples from the private sector were shared; thus meeting with the other private sector representatives in order to share such "good examples".

In 2017, four sources of consumption were monitored within the Framework of Green Office.

Electricity, natural gas, water and paper consumed at the head office were monitored through monthly reports; and recorded and tracked in terms of both the type of consumption and its greenhouse gas equivalent CO₂-e.

Green Office consumptions were periodically monitored at regular intervals and efforts were made to keep the consumption at minimum level by specifying seasonal measures through current situation analyses.

CO₂-e equivalents were reviewed in order to find a value to sum up and compare these consumption values with each other. Similarly, there was a reduction in unit emissions per person and per m² equivalent.

While the emissions for 2017 have decreased by 2,88% compared to the previous year, there has been a 35,22% reduction compared to the base year 2013.

While electricity and natural gas values are monitored daily, the water consumption value is monitored monthly. Carbon footprint was reduced through savings by automated air conditioning system purchased and commissioned in accordance with green procurement principles in the first year of application as a Green Office, monitoring of hourly consumptions with energy analyzer application, and the positive actions taken as required. It was aimed to reduce the footprint in total retail operations by widespread deployment in the stores of the hourly measurement and monitoring system which was launched in 2017.



	Consumption	Electricity, Kwh	Natural gas, m ³	Water, liters	Total Paper, KG
Total Annual Consumption	2013	1.256.851	45.233,00	5.407,00	9.612,93
	2014	1.041.805	41.412,00	5.070,00	11.594,47
	2015	982.232	48.505,00	5.039,00	9.511,38
	2016	901.849	40.647,00	4.499,00	9.669,38
	2017	869.160	40.914,00	4.507,00	9.266,91
Annual Consumption per Person	2013	3.065,49	110,32	13,19	23,45
	2014	2.264,79	90,03	11,02	25,21
	2015	2.192,48	108,27	11,25	21,23
	2016	1.927,03	86,85	9,61	20,66
	2017	1.727,95	81,34	8,96	18,42
	% Change 2014	-26,12%	-18,40%	-16,42%	7,50%
	% Change 2015	-3,19%	20,27%	2,05%	-15,77%
	% Change 2016	-12,11%	-19,78%	-14,53%	-2,68%
	% Change 2017	-10,33%	-6,35%	-6,79%	-10,83%
	% Change 2013-2017	-43,63%	-26,27%	-32,06%	-21,42%
Daily Consumption per Person	2013	12,41	0,45	0,05	0,09
	2014	9,10	0,36	0,04	0,10
	2015	8,70	0,43	0,04	0,08
	2016	7,77	0,35	0,04	0,08
	2017	6,83	0,32	0,04	0,07
	% Change 2014	-26,71%	-19,05%	-17,10%	6,64%
	% Change 2015	-4,35%	18,83%	0,84%	-16,77%
	% Change 2016	-10,69%	-18,49%	-13,15%	-1,11%
	% Change 2017	-12,10%	-8,20%	-8,63%	-12,59%
	% Change 2013-2017	-44,97%	-28,02%	-33,67%	-23,29%
Annual Consumption per M ²	2013	135,15	4,86	0,58	1,03
	2014	112,02	4,45	0,55	1,25
	2015	105,62	5,22	0,54	1,02
	2016	96,97	4,37	0,48	1,04
	2017	93,46	4,40	0,48	1,00
	% Change 2014	-17,11%	-8,45%	-6,23%	20,61%
	% Change 2015	-5,72%	17,13%	-0,61%	-17,97%
	% Change 2016	-8,18%	-16,20%	-10,72%	1,66%
	% Change 2017	-3,62%	0,66%	0,18%	-4,16%
	% Change 2013-2017	-30,85%	-9,55%	-16,65%	-3,60%

	Emission tCO ₂ -e	Electricity	Natural Gas	A4 Paper	Paper Other	Total Paper	Total Emissions
Total Emission Ton CO ₂ -e	2013	672	88	3	2	5	766
	2014	492	94	3	3	6	592
	2015	464	88	2	3	5	557
	2016	426	80	2	3	5	511
	2017	411	80	3	2	5	496
	% Change 2014	-26,79%	6,34%	-12,50%	83,29%	20,61%	-22,64%
	% Change 2015	-5,69%	-6,11%	-28,62%	-8,34%	-17,97%	-5,88%
	% Change 2016	-8,19%	-10,00%	3,12%	0,64%	1,66%	-8,39%
	% Change 2017	-3,52%	0,66%	22,21%	-23,18%	-4,16%	-2,88%
	% Change 2013-2017	-38,84%	-9,55%	-21,29%	29,88%	-3,60%	-35,22%
Annual Emission per Person, Ton CO ₂ -e	2013	1,64	0,22	0,01	0,00	0,01	1,87
	2014	1,07	0,20	0,01	0,01	0,01	1,29
	2015	1,04	0,20	0,00	0,01	0,01	1,24
	2016	0,91	0,17	0,00	0,01	0,01	1,09
	2017	0,82	0,16	0,01	0,00	0,01	0,99
	% Change 2014	-34,74%	-5,22%	-22,01%	63,37%	7,50%	-31,05%
	% Change 2015	-3,16%	-3,59%	-26,71%	-5,89%	-15,77%	-3,36%
	% Change 2016	-12,11%	-13,84%	-1,29%	-3,66%	-2,68%	-12,30%
	% Change 2017	-10,23%	-6,35%	13,71%	-28,53%	-10,83%	-9,64%
	% Change 2013-2017	-50,15%	-26,27%	-35,84%	5,87%	-21,42%	-47,20%
Emission per M ² , Ton CO ₂ -e	2013	0,0723	0,0095	0,0004	0,0002	0,0005	0,0823
	2014	0,0529	0,0101	0,0003	0,0003	0,0007	0,0637
	2015	0,0499	0,0095	0,0002	0,0003	0,0005	0,0599
	2016	0,0458	0,0085	0,0002	0,0003	0,0006	0,0549
	2017	0,0442	0,0086	0,0003	0,0002	0,0005	0,0533
	% Change 2014	-26,79%	6,34%	-12,50%	83,29%	20,61%	-22,64%
	% Change 2015	-5,69%	-6,11%	-28,62%	-8,34%	-17,97%	-5,88%
	% Change 2016	-8,19%	-10,00%	3,12%	0,64%	1,66%	-8,39%
	% Change 2017	-3,52%	0,66%	22,21%	-23,18%	-4,16%	-2,88%
	% Change 2013-2017	-38,84%	-9,55%	-21,29%	29,88%	-3,60%	-35,22%

COMMUNITY IMPACT

• SOCIAL GENDER EQUALITY ACTIVITIES

POMEGRANATE ARILS: STRONGER YOUNG WOMEN, HAPPIER TOMORROWS

Originating in 2009, the project Pomegranate Arils: Stronger Young Women, Happier Tomorrows has been realized by the Ministry of Family and Social Policies, and Boyner Holding and its subsidiaries, with the technical support from the United Nations Population Fund (UNFPA), the partnership of the General Directorate of Child Services and the Human Management Association of Turkey (PERYÖN), and the cooperation with the Family Health and Planning Foundation of Turkey (TAPV).

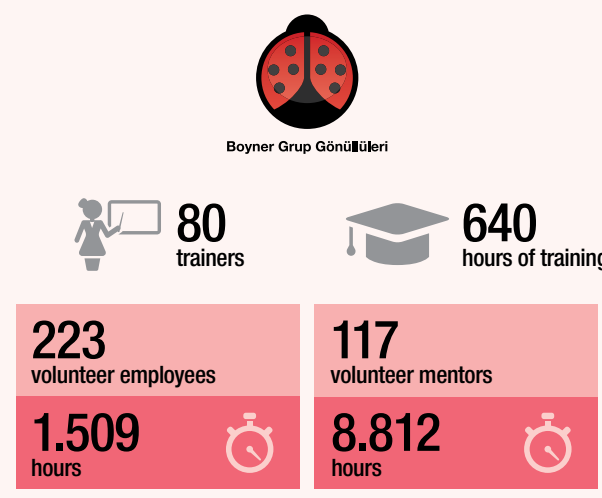
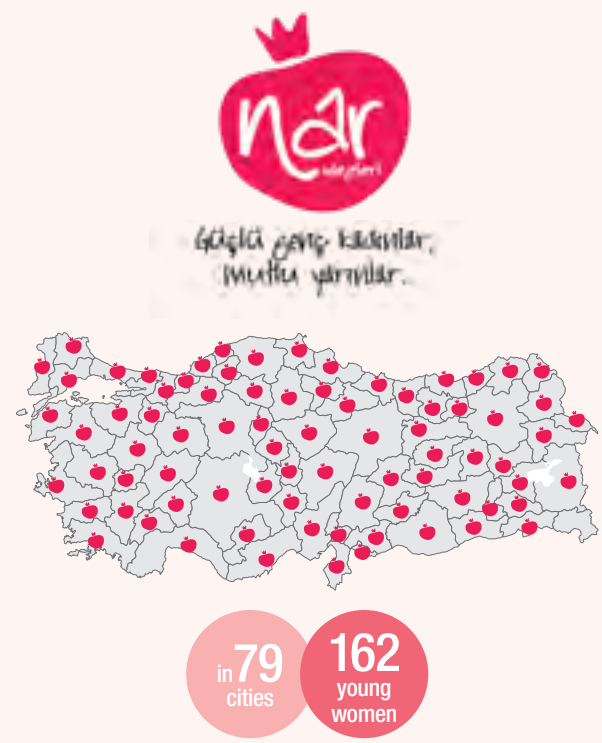
The project Pomegranate Arils – Stronger Women, Happier Tomorrows; aimed to promote the continued education of the 18-24 year-old young female high school and university graduates that grew up in orphanages of the 'General Directorate of Child Services' and exposed to social and economic discrimination in the society, and to teach them how to get prepared for the labour market by improving their personal developments and developing their job search skills. Pomegranate Arils was the first women-focused project implemented by the private sector in "orphanages". In addition, the Pomegranate Arils selected as an exemplary project by the United Nations also received many national and international awards.

During the first 5 years (2009-2014), 160 young women that grew up in orphanages were provided with trainings in various fields extending from personal development to academic success support, and from preparation for higher education to consultancy for choice of professions and the young women were supported by a mentoring program.

In the second period between the years of 2014-2016, a study covering 370 care providers, social service specialists, psychologists and teachers working in the orphanages (love houses and care houses) of the General Directorate of Child Services was conducted. By providing instructive training for development of personal knowledge and competencies in childrearing and through an empowerment approach for raising of children under 18 years of age, the Pomegranate Arils Project was transformed into a sustainable program.

In other words, by training of trainers, the process was transferred to the stakeholders in orphanages.

There are nearly 40.000 people in 69 cities including the project participants, stakeholders, training personnel, the staff of the General Directorate of Child Services who are involved in and within the sphere of influence of the project. Out of the young women that attended the activities within the scope of the project, 88% was employed; the number of those continuing their education during the project increased to 15% and today, 5% of the graduates are still continuing their education.



GOOD FOR BUSINESS

With the project named "GOOD FOR BUSINESS" (İYİ İŞLER) launched in 2015, a training and development program oriented towards the female entrepreneurs in Boyner Group supply chain was designed. With Good for Business, it was the first time in Turkey and in the world for a company operating in the private sector to establish a capacity development program that would support the requirements of female entrepreneurs in its own supplier network.

The training and development program of the "Good for Business" was jointly prepared by Boyner Group and the International Finance Corporation (IFC). The contents of the program were designed in a manner to improve the social and business skills and financial capabilities of female entrepreneurs in line with women's requests and it was put into practice with a program taking 12 weeks.

There are nearly 400 suppliers in total producing the exclusive brands in Boyner Group. The ratio of female entrepreneurs in the supply chain is 15% only. Boyner Group set off with the goal of keeping such women in charge of their business, to allow them to grow their businesses and to encourage new women as well. In the first period of the program, 25 female entrepreneurs amongst such suppliers participated in the trainings taking 12 weeks. The training program designed to allow female entrepreneurs to grow by increasing their capacities was completed successfully. "Good for Business" was introduced to the world as an exemplary program in the "United Nations Women's Empowerment Principles Meeting" held in New York in 2016.

During the second period of the project, the support provided for empowerment of female entrepreneurship will be continued by adding new female suppliers to the program through the cooperation with KAGIDER this year (2018).



8 MARCH WOMEN'S DAY CAMPAIGNS

Since 2009, Boyner Group has been sharing with the public its values and perspective on gender equality through a campaign that will put the social gender equality on agenda on 8th of March World Women's Day every year. With these ads, it is aimed to bring up social gender equality to the agenda and to support the requests of women from the business world and all segments of the society for equality and freedom.

Through such ads, attention is drawn to the supporting policies and practices required to be established and implemented in relation to equality of men and women and the efforts for establishment of a societal agenda in this field are supported. All managers, including, in particular, the senior management, are encouraged to create awareness in the public regarding this matter and to attend events and conferences organized and held by the platforms specific to women's rights.

In addition to internal and external communications specific to the World Women's Day, events are organized with universities and non-governmental organizations and activities and messages are shared in different platforms. By displaying active presence in global platforms, Boyner Group does not limit its efforts with the domestic stakeholders only, but carries them abroad.



• SOCIAL ENTREPRENEURSHIP

BULUŞUM

Launched by Boyner Foundation in 2015, Buluşum was established as a web-based platform supporting social entrepreneurs and aiming to promote and expand strategic donation, while being a social enterprise itself at the same time.

BULUŞUM is a platform "breathing life" into social enterprises, through which projects that will provide benefits for the community.

The purpose of Buluşum is to take the social entrepreneurs saying "I have an invention" by the hand and to give them courage to start. The most important criterion to load a project to and to receive support from Buluşum is to have a project that will provide social benefits.

Buluşum is different from the other platforms by its funding model and works with a hybrid model combining the classical scheme under which companies provide funds for social entrepreneurs and the mass funding approach under which individual donors support social projects. Exactly, ten social initiatives were supported and put into action at Buluşum platform and a total support of TRY 375 thousand was provided in 2017.

www.bulusum.biz



• SUPPORTING DISADVANTAGED GROUPS

ASKIDA İYİLİK (DONATE GOODNESS) (BOYNER)

Always focusing on doing better and creating effect in the field of community investment through its corporate social responsibility projects, Boyner launched "Cycle into Goodness" (İyliğe Dönüştür) project with Lokman Hekim Health Foundation in 2014 and grew this goodness movement by adding the project "Donate Goodness" (Askıda İyilik) in 2016.

The project "Goodness is never out of fashion" (İyliğin modası geçmez) collectively addressing the "Goal 1: End Poverty, Goal 10: Reduce Inequalities, Goal 12: Responsible Consumption and Production, and Goal 17: Partnerships for the Goals" as specified in the United Nations Sustainable Development Goals (SDG) and covering also the "Principle 8: Undertake initiatives to promote greater environmental responsibility" as specified in the United Nations Global Compact (UNGC), which was launched in 2012 and which completes the "Green Office" certificate conferred by the World Wide Fund for Nature (WWF) in 2012, is a community investment designed and implemented towards the company's social, environmental and economic development goals.

"Donate Goodness" is a known social responsibility engagement. Different examples of it are observed in our country and the world. Special products were prepared in the categories of "female adults, male adults, and children", which were comprised of "upper and lower" parts for two seasons, i.e. summer and winter, offered to customers in the stores for their donations. These products were offered to customers as "Donate Goodness" sales and each product sold as such was transported to Lokman Hekim Health Foundation. A mechanism through which needy people can quickly have access to summer products in summer and winter products in winter was designed. A Donate Goodness package is a combination of "upper and lower" clothing items and a combination is delivered to each recipient according to the season.

In the project that started on 18 June 2016, summer combinations were priced as 20 TL and winter combinations were priced as 30 TL. 27.370 units of Donate Goodness packages purchased by 22.569 customers in 96 Stores in 36 cities between the dates of 18 June 2016-30 December 2017, the costs of which were covered by Boyner by 60% and by customers by 40%, were delivered to 27.370 needy people.



22.569
customers

27.370
goodness packages

"CYCLE INTO GOODNESS"

Its goal was to recover the textile products that are not any longer usable for end users and to contribute them in economy through different methods. This was an opportunity allowing for creation of social, economic, and ecological benefits all together. A project, which would make a call to the entire community including, employees and customers in particular, and support responsible consumption by making the people inquire about how the textile products that were no longer usable by them could be recovered or contributed to economy, was created.

In this context, firstly, Lokman Hekim Health Foundation was determined as the project partner. Boyner established cooperation with the Foundation on recycling of paper wastes and then, this cooperation was expanded to cover also textile products.

Textile wastes were started to be collected in large collection boxes made from recyclable materials and put in all Boyner and YKM Stores.

The issue about "how we recover and contribute in economy" was explained to customers and implemented as follows:

- 1- **Re-Use** : Incoming products are collected from the stores; and sent to the Foundation's depot located in Gebze. Products are sorted out in this depot. The products that can be reused after cleaning is the first separated group and they are cleaned, repaired and delivered to those in need via the Foundation.
- 2- In addition, funds were derived from the sales through charity sales organized by the Foundation for the products in this group. The said sources were transferred to the Foundation's scholarship fund. Students of health sciences that received education grants for a period of 1 year based on the incomes derived as such included 18 students in 2015, 22 students in 2017, and 11 students in 2017.
- 3- **Upcycle** : Based on the idea that incoming products may constitute raw material for other products, the usable wastes were sent as raw materials to Sarıyer Women Entrepreneurs Cooperative for use in the patch-type products produced in the cooperative.
- 4- **Recycle** : The other remaining textile products were sorted out as "organic/inorganic" and the accessories



in textile products were sorted out as "metallic/plastic" and from the raw materials collected, those that are of "organic materials, metallic, plastic" were sent to recycling and the foundation derived income from such recycling; inorganic materials were converted into energy in the cement industry by recording the related emissions since there was no technology and investment that could recycle a product group of such size.

"Cycle into Goodness" activities were awarded with "Green Point Industry Awards" by ÇEVKO, the institution specialized in its field and with "Efficiency Award" by TISK in 2015 and 2016. Cycle into Goodness project was continued through the addition of Donate Goodness project appreciated and supported by the public and non-organizational organizations to this great goodness movement in 2016, in order to expand the impact created under the scope of the fight against poverty.



• CIVIL SOCIETY COLLABORATIONS

DONATE GOODNESS (Beymen)

"Donate Goodness" (Askıda İyilik) project conducted in Boyner also inspired Beymen, one of the Group companies; and in the last quarter of 2017, Donate Goodness was started to be implemented by Beymen Mağazacılık in Beymen stores through the partnership of "Lokman Hekim Health Foundation, Community Volunteers Foundation, Association for Supporting Contemporary Life" for the students receiving education grants from these funds and associations. Seeing the widespread expansion of the project firstly among the group companies makes us proud; our purpose is to ensure its widespread implementation throughout the entire retail sector.

Under the project, the first business clothes were presented to the students in the scholarship program of the project partners, who were in the senior years of their schools and had become a candidate for internship or start of employment.

In the project, the products specified as "shirt, pants & skirt, jacket" were delivered to the scholarship students as "upper-lower parts or suits".

The project started in Suadiye Beymen store on 9 September 2017 was expanded to all Beymen stores in December and the first business clothes of 179 scholarships students in total, including suits delivered to 107 students and upper-lower parts delivered to 72 students, were provided and delivered until 30 December 2017. Donate goodness products sold are matched according to the gender and body size breakdowns received from the project business partners and Donate Goodness packages of scholarship students are delivered through the same business partners.



Clothes delivered to
179
scholarship students



ROUND-UP (YUVARLA) (BRTI)

Implemented on the digital retail side and offered to customers for strategic donation, the "Round Up" (Yuvarla) project was launched through www.network.com.tr, www.divarese.com.tr and www.boyner.com.tr in 2014. Since the inception of the application, Round-up has provided support for non-governmental organizations included in the system through Round-up, a social incentive model designed to create resources for Turkey's non-governmental organizations and operating in the fields of education, youth and children, health, gender equality and environment. With Round-up project, it is aimed to expand the value created by customers day by day and to create a value for the community all together.

With Round-up, customers were provided the opportunity to support non-governmental organizations. Customers managed to easily support non-governmental organizations that they chose by rounding up their basket amounts after smooth completion of their shopping transactions at any time desired. With the help of Round-up, which was initiated in 2014, the donation culture was supported and the cooperation over digital channels was continued also in 2017.

Resources of
TRY 7.850
in total were created

- **AKUT Search and Rescue Association** (Akut Arama Kurtarma Derneği)
- **Mother Child Education Foundation** (Anne Çocuk Eğitim Vakfı)
- **World Wide Fund for Nature** (Doğal Hayatı Koruma Vakfı)
- **The Hope Foundation for Children with Cancer** (Kanserli Çocuklara Umut Vakfı)
- **Teachers Academy Foundation** (Öğretmen Akademisi Vakfı)
- **TEMA Foundation** (TEMA Vakfı)
- **Tohum Autism Foundation** (Tohum Otizm Vakfı)
- **Community Volunteers Foundation** (Toplum Gönüllüleri Vakfı)
- **Education Volunteers Foundation of Turkey** (Türkiye Eğitim Gönüllüleri Vakfı)
- **Turkish Education Foundation** (Türk Eğitim Vakfı)
- **Turkish Red Crescent** (Türk Kızılayı)
- **Turkish Foundation for Children in Need of Protection** (Türkiye Korunmaya Muhtaç Çocuklar Vakfı)
- **Spinal Cord Paralytics Association of Turkey** (Türkiye Omurilik Felçlileri Derneği)
- **Turkish Green Crescent Society** (Türkiye Yeşilay Cemiyeti)
- **UNICEF Turkey**

SOMA ARTISANS (Beymen)

Boyner Group company Beymen created sales channels for Soma Artisans products in 2016.

These products have been put on sale in Beymen Kids since April 2016. The products sold by Beymen in 6 stores in 3 different provinces and at beymen.com were self-crafted products made by women from Soma who were the creators of Soma Artisans brand; the pictures on the products were drawn by the children of such women and engraved by their mothers onto the products. The sales of Soma Artisans products contribute to the economic development of women living in SOMA and to the education of children.

Under the project, not only a sales channel was created, but also women had the opportunity to do business in category of suppliers under the scope of the New Year products for Beymen Mağazacılık. Beymen gave orders to Soma artisans team for the new year decorations and purchased their products. With Soma Artisans brand that has entered into Beymen Corporate for the supply network and corporate sales, it is aimed to allow women to have a sustainable income model.

Within the scope of the project, 25 women living in Soma had the opportunity to get a profession through their handmade products and to transform it into a sustainable income model. An income of TRY 73.113 was earned from the project conducted by Beymen with the women of Soma.



PRODUCT SALES COOPERATION WITH THE ASSOCIATION FOR SUPPORTING CONTEMPORARY LIFE

The Collection created by the Association for Supporting Contemporary Life (ÇYDV) and comprising the drawings of the Caricaturist Piyale Madra were put up for sale at iBoyner Stores. Within the scope of the project named "Pİ Collection", the collection comprising bags, cups, t-shirts, bookmarkers and notebooks specially designed by the Caricaturist Piyale Madra were offered to customers at 17 sales points together with the newly added parts in 2017. While 1168 units of products were offered to customers in the years of 2016-2017, the income of TRY 121.00 generated from such sales were transferred to the Foundation.



STRATEGIC PHILANTHROPY & VOLUNTEERING EMPLOYEES: BOYNER GROUP VOLUNTEERS ("BGV")

"Boyner Group Volunteers is a corporate team with passion for business, volunteerism and charity".

BGV is an exciting, passionate, determined, and ambitious organization that provides social benefits by making life more colourful and that enjoys it. It functions as a corporate solution partner contributing in the identification and resolution of social and environmental problems through innovative, courageous, proactive, creative, and responsible approaches and sustainable practices.

Since 2002, Boyner Group Volunteers (BGV) has been contributing in the resolution of social problems through projects and activities in the subject fields decided every year. The volunteers promoting corporate responsibility and sustainability approach also develop the sphere of influence by ensuring the participation of stakeholders in the events organized. Boyner Group Volunteers create their events and campaign projects by shaping them under the titles of support for needy people, social inclusion of disadvantaged groups, fund raising, increasing motivation, support for non-governmental organizations, and improvement of environmental awareness and strategic philanthropy.



Boyner Grup Gönüllüleri



CHILDREN ARE HAPPY, SO WE ARE HAPPY IN THE NEW YEAR

A Gift from Us for the Children with a Dream of Freedom!

Under the joint campaign of BGV and the Youth Re-Autonomy Foundation of Turkey, 2123 units of gift clothes and 4 large parcels of toys were sent by Boyner Group Volunteers to 0-6 year-old children that had to grow up in prisons across Turkey. The gifts cheered and coloured up and let the children dance in the new year.

The gifts provided in 27 different categories ranging from storybooks to tracksuits, and from jackets to shoes were completed with the participation of 127 people from the campuses, including particularly the store teams of Boyner Büyük Mağazacılık and Beymen Mağazacılık.

Boyner Group Volunteers on the Field!

Boyner Group's corporate volunteering team Boyner Group Volunteers (BGV) started to participate in the tournament "Girls on the Field" in 2016 and the Team took the field to defend gender equality and to support civil society also in 2017.

The volunteers both supported civil societies and defended gender equality within the tournament. On the first day of the tournament, the volunteers attracted attention to gender equality with their banner "Score a Goal against the Sexist System!".

STEP BY STEP RACES

VODAFONE 38th Istanbul Marathon was attended for TOHUM AUTISM in 2016. This year, both resources and awareness have been created with the participation of 50 volunteers for LÖSEV.

STAKEHOLDERS

17 PARTNERSHIPS FOR THE GOALS



Local



BMD
BİRLEŞMİŞ
MARKALAR
DERNEĞİ



İSTANBUL
SANAYİ ODASI



International



Compliance with the Global Compact

Global Compact	Section in the Report
Human Rights	
Principle 1: Business should support and respect the protection of internationally proclaimed human rights; and	Democracy in the Workplace, Equal Treatment Principle, Equal Opportunities
Principle 2: make sure that they are not complicit in human rights abuses	Democracy In the Workplace
Labour	
Principle 3: Businesses should uphold the freedom of association and the effective recognition of the right to collective bargaining;	Freedom of Association
Principle 4: the elimination of all forms of forced and compulsory labour;	Democracy in the Workplace, Supply Chain Sustainability
Principle 5: the effective abolition of child labour; and	Supply Chain Sustainability
Principle 6: the elimination of discrimination in respect of employment and occupation.	Equal Opportunities
Environment	
Principle 7: Businesses should support a precautionary approach to Environmental challenges;	Environmental Awareness
Principle 8: undertake initiatives to promote greater environmental responsibility; and	Energy Efficiency in Buildings
Principle 9: encourage the development and diffusion of environmentally friendly technologies.	Energy Efficiency in Buildings, Green Office
Anti-Corruption	
Principle 10: Businesses should work against corruption in all its forms, including extortion and bribery.	Anti-Corruption

For questions related with the report:
 Boyner Perakende ve Tekstil Yatırımları A.Ş.
 Eski Büyükdere Cad. Park Plaza No:14 Kat:15 - 16 34398 Maslak / İstanbul
 Aysun Sayın, Corporate Responsibility and Sustainability Director / asayin@boynergrup.com

United Nations Women’s Empowerment Principles and References

- 1.**
 Establish high-level corporate leadership for gender equality.
 Our Working Ecosystem
 Gender Equality
 Our Chain of Values
 Contribution to Society
- 2.**
 Treat all women and men fairly at work – respect and support human rights and non-discrimination.
 Our Working Ecosystem
 Gender Equality
- 3.**
 Ensure the health, safety and well-being of all women and men workers.
 Our Working Ecosystem
 Occupational Health and Safety
- 4.**
 Promote education, training and professional development for women.
 Gender Equality
- 5.**
 Implement enterprise development, supply chain and marketing practices that empower women.
 Our Chain of Values
- 6.**
 Promote equality through community initiatives and advocacy.
 Our Working Ecosystem
- 7.**
 Measure and publicly report on progress to achieve gender equality.
 Our Working Ecosystem
 Gender Equality

CORPORATE GOVERNANCE PRINCIPLES COMPLIANCE REPORT

CHAPTER I CORPORATE GOVERNANCE PRINCIPLES COMPLIANCE STATEMENT

As a well-established entity with strong corporate foundations, Boyner Group strictly respects its corporate governance approach as it considers it as the key to continued successful business practices. Boyner Retail and Textile Investments Co. Inc. (Boyner Perakende ve Tekstil Yatırımları A.Ş.) (the "Company" or "Boyner Retail" or the "Group") equally protects the interests of its shareholders and all other stakeholders and aims at maximizing its market value.

In the fiscal period of 2017, the Company has fully complied with the mandatory principles issued in the Corporate Governance Communiqué (CGC) No. II-17.1 of the Capital Markets Board (CMB); and it significantly adopted its voluntary principles; in this context, the efforts made in 2017 to further improve compliance with Corporate Governance Principles under the structure of the Company are provided in the following sections.

Although the company aims to ensure full compliance with the voluntary Corporate Governance Principles; full compliance has not yet been established due to the reasons such as the difficulties in implementing some of the principles and the lack of compatibility of some principles with the market's and the Company's current structure. The company is continuously working on the principles that have not been implemented yet; and it plans to carry them into practice upon the completion of the related administrative, legal and technical infrastructure works that will contribute in the Company's efficient management.

The Corporate Governance Principles Compliance Report for 2017 has been arranged in the new format required in Capital Markets Board's Bulletin no. 2014/2 dated 27 January 2014.

So far, the principles that are not yet implemented excluding the principles which are currently applied have not resulted in any conflict of interest among stakeholders.

Voluntary Corporate Governance Principles not yet complied with by our Company

Our Company Disclosures required pursuant to article 8 of the CGC in regards to voluntary corporate governance principles not yet complied with are presented below on an individual principle basis; and the additional explanations related with the subject matter are provided in the related sections of the report:

- 1.3.10. Our Company has not yet drawn up a "Policy on Donations and Aids", nor submitted it to the General Assembly for approval. In other respect, in the Ordinary General Assembly Meeting held in 2017, information on donations and aids granted in 2016 was given under a separate item of the agenda and the donation limit for 2017 was specified. Accordingly, it is foreseen that donations and aids will be conducted without any restrictions of the organizations to be supported.
- 1.3.11. Our General Assembly meetings are held open to public. Meetings can be followed up by the stakeholders. However, there is no provision on this matter in our Articles of Association.
- 1.5.2. Our Company pays utmost attention to ensure that minority rights are exercised in accordance with the provisions of the Turkish Commercial Code. Although it is not specifically regulated in the Articles of Association, the independent board member structure and the right of voting and the principles for holding an e-general assembly meeting pursuant to CMB provisions were specified in our articles of association; and thus, voting rights were secured in accordance with the Turkish Commercial Code. Although the right to request a special auditor is not specified as an individual right in our Articles of Association; pursuant to Article 438 of the Turkish Commercial Code, every shareholder may, even if not listed on the agenda, ask the General Assembly for clarification of certain incidents through a special audit, if necessary for exercising shareholding rights and if the right to request or review information was previously used. In 2017, shareholders exercised this right accordingly (Section 2.3.).
- 2.1.3. As our Company is in the second group as of 2017, material event disclosures, financial statements and annual reports prepared in English are posted on the Company's corporate website as early as possible.
- 3.1. There is no special compensation policy for company employees; and the employees are compensated within the scope of their statutory rights.
- 4.2.4. Studies on efficiency of the risk management and internal control systems are ongoing.

- 4.2.5. In our Company, the chairman of the board and the general manager are two separate persons; and clear differentiation of their powers and authorities and statement of this distinction in writing within the Articles of Association will be addressed more comprehensively in the upcoming period.
- 4.3.9. There is no minimum limit and target specified for the ratio of female members in the Company's board of directors. The related efforts are still ongoing.
- 4.4.5. It is not specified in writing within in-house regulations how the Board of Directors' Meetings will be held. Compliance with this principle will be handled more comprehensively in the upcoming period.
- 4.4.7. Our Company's board members provide significant contributions to the Company within the confidentiality principles based on the trust to their careers and their competencies; there is no restriction introduced regarding the board members' duties outside the company and likewise, intra-group and extra-group duties assumed by candidate members in the general assembly and the related reasoning were not specifically identified in the related item of the agenda. There is no need for such a restriction, particularly due to significant contribution of the independent members' business experience and sectoral experience in the Board of Directors.
- 4.5.5. Our Company's board of directors is comprised of 9 members; and the number of independent members is specified as 3. Assignments in Committees are made based on the related regulations considering the knowledge and experience of our board members; and some of our board members are assigned in more than one committee.
- 4.6.1. Our Company has determined a remuneration policy for its board of directors and its senior managers; and in remuneration of executive senior managers, the principle of long-term continuous improvement is taken into account in addition to financial areas in line with the Company's performance.
- 4.6.5. The fees payable to our Company's board members due to their membership in the board are determined in the general assembly; and the payments made to Board Members and senior managers are disclosed to the public collectively in line with general practices within the footnotes to our financial statements.

CHAPTER II SHAREHOLDERS

2.1. Investor Relations Department

Ms. Taliye YEŞİLÜRDÜ is the responsible person in the Investor Relations Department. As of 30 December 2013, Taliye YEŞİLÜRDÜ was appointed as the manager of our Company's Shareholder Relations Unit (investor relations department). Investor Relations and Corporate Governance Manager Taliye YEŞİLÜRDÜ holds Capital Market Activities Advanced Level License and Corporate Governance Rating Expert License; and she is also a member of our Company's Corporate Governance Committee. She is also in charge of ensuring coordination in fulfillment of the obligations arising from the Capital Markets legislation and corporate governance practices.

Provided below is the information on the personnel working in the said department.

Name & Surname	Position
Taliye Yeşilürdü	Investor Relations Department Manager
Tuğba Uysal	Investor Relations Department Officer

The Corporate Governance Committee monitors the activities of the said department; and their activities are related with the exercise of shareholders' rights; they report to the Board of Directors and ensure the communication between the Board of Directors and the shareholders.

The Investors Relations Department operates directly under Mr. M. Türkay TARAR, the Vice President/CFO of our Company. The Investor Relations Department submits a report to the Board of Directors, at least once a year, in relation to its activities carried out. The Investor Relations Department has submitted its Activity Report for 2017 to the Board of Directors on 27 February 2018.

The Investor Relations Department is responsible for informing the shareholders and potential investors about the Company's operations, financial status and strategies, excluding confidential information and trade secrets and without leading to information inequality, and for management of bi-directional communication between the shareholders and company managers, upon receiving opinions from and in coordination with the other units if necessary.

The Department has answered over 300 inquiries made via telephone calls or e-mails throughout the year.

Utmost attention is paid to compliance with legislation in fulfillment of investors' requests.

2.2. Exercising Shareholders' Right to Information

No discrimination is made among shareholders in respect of exercise of their rights to obtain and review information; and all information except for those considered as trade secrets is shared with shareholders. All questions brought to the attention of the Investor Relations Department, excluding confidential information and trade secrets, are answered via telephone or in writing after discussion with the highest authorized person in the related field.

Our Company's website has a separate section entitled "Investor Relations" through which investors can have access to a wide range of complete, accurate and current data in English and Turkish. During the related period, our Company's website has not posted any information or disclosure likely to affect the exercise of shareholding rights.

Although the right to request a special auditor is not specified as an individual right in our Articles of Association; pursuant to article 438 of the Turkish Commercial Code, every shareholder may, even if not listed on the agenda, ask the General Assembly for clarification of certain incidents through a special audit, if necessary for exercising shareholding rights and if the right to request or review information was previously used. In 2017, shareholders have submitted requests to this effect (Section 2.3.).

In addition, the Company's operations are periodically audited by an Independent Auditor selected and appointed by the General Assembly.

2.3. General Assembly Meetings

The agenda of our Company's General Assembly meeting was announced on 8 March 2017 and the Annual Ordinary General Assembly Meeting was held on 30 March 2017 at 11:00 a.m. at the headquarters of our subsidiary, Boyner Büyük Mağazacılık A.Ş. located at Büyükdere Caddesi USO Center Binası No:245/A KAT:B01-Z02 Maslak- Şişli/İstanbul.

In the Ordinary General Assembly meeting dated 30 March 2017, it was decided by the Chairman of the Meeting upon the shareholders' request that the article 4 of the meeting agenda regarding the reading, discussion and approval of the financial statements for the fiscal year of 2016 and the related article 6 regarding release of each member of the Board of Directors from liability for the affairs of the Company for the year 2017; the article 7 regarding the discussion and approval of the Board of Director's proposal on distribution of profits for the fiscal year 2016 prepared within the scope of the Company's dividend policy; and the article 12 regarding the approval of the appointment of the Independent Audit Firm as selected by the Board of Directors, in accordance with

the Turkish Commercial Code and the Capital Markets Board regulations be discussed and resolved in the general assembly meeting to be held in the next month pursuant to article 420 of the Turkish Commercial Code; and therefore, the meeting be postponed to 2 May 2017, the first official business day after one month from the date of the meeting.

The ordinary general assembly meeting aimed at discussion of articles 4, 6, 7 and 12 of the agenda for our Company's Ordinary General Assembly meeting for 2016 held on 30 March 2017, the discussion of which was postponed upon the shareholders' request pursuant to Article 420 of the Turkish Commercial Code, was held on 2 May 2017 at 11:00 a.m. at the headquarters of our subsidiary, Boyner Büyük Mağazacılık A.Ş. located at Büyükdere Caddesi USO Center Binası No:245/A KAT:B01-Z02 Maslak, Şişli/İstanbul. The related agenda items were approved by the general assembly and each Member of the Board of Directors was released from liability for the affairs of the Company in 2016.

The decisions taken in our Company's Ordinary General Assembly meeting held for discussion of the postponed items of the agenda on 2 May 2017 were registered by Istanbul Trade Registry Office on 10 May 2017 and published and announced in TTRG (Turkish Trade Registry Gazette) on 16 May 2017.

Our disclosures with respect to five actions in total filed by our shareholders with a request for interim injunction for appointment of a special auditor to our Company in relation to some items of the agenda for the Ordinary General Assembly Meeting for 2016 and cancellation of the decisions taken in relation to some items of the agenda and stay of execution of such decisions until conclusion of such actions are posted and announced on PDP (Public Disclosure Platform). The summary details related with such actions are provided in the table on page 129.

Invitations to the General Assembly meetings are made by the Board of Directors in accordance with the provisions of the Turkish Commercial Code (TCC), the Capital Markets Law and the Company's Articles of Association. When a resolution is taken by the Board of Directors to hold a General Assembly meeting, it is disclosed to the public by making necessary disclosures via PDP and Electronic General Assembly System (EGAS). The announcements for the General Assembly meetings are posted on our website (www.boynerperakende.com) in order to ensure disclosure of the announcement to the highest number of shareholders possible not later than 21 days before the meeting in addition to the procedures specified in the required statutory legislation.

Before any General Assembly meeting, the necessary documents related with the items on the agenda are disclosed to the public following legal processes and legislation governing such disclosures. Within the framework of the items on the agenda of the General Assembly and three weeks before the General Assembly

meeting; the annual report, financial statements, corporate governance compliance report, dividend distribution proposal, independent audit report, draft amendments containing the former and new texts if any amendment is to be made in the Articles of Association, Remuneration Policy, Dividend Policy, and the resumes of all candidate members of the Board of Directors including the independent ones, are made available at the Company's headquarters and on its website ensuring easiest access for examination by the shareholders. In addition, detailed description of each item of the agenda is provided in the information documents regarding such items on the agenda; and the other information stipulated in the principles with respect to General Assembly Meetings is provided for the investors.

Accordingly, the invitation to meeting, including the copy of proxy form and the agenda, was published on 8 March 2017 through PDP and EGAS and in Turkish Trade Registry Gazette in accordance with the legislation and the provisions of Articles of Association and within the related statutory period.

The Ordinary General Assembly Meeting convened electronically on 30 March 2017 was held with a meeting quorum of 95,5% representing the shares at the amount of TL 54.442.097,16 out of our Company's total capital amount of TL 57.700.000. Except for the shareholders, no stakeholders or media participated in the meeting. The shareholders did not forward any proposal for the agenda in relation to such meeting.

For facilitation of participation in the meetings, our General Assembly meetings are held in the headquarters of our subsidiary Boyner Büyük Mağazacılık A.Ş. and through the Electronic General Assembly System. The venue of our General Assembly meetings is planned properly to enable participation by all shareholders.

In addition, the proxy form to be used by the shareholders that will be represented in proxy during the related General Assembly meeting is made available for use by the shareholders through its publication in our website and in a newspaper. The minutes of meetings are accessible through PDP, EGAS and our website. In addition, such minutes are also made available at the Company headquarters for review by our shareholders; and can be received upon request.

Shareholders are allowed to express their opinions and ask questions during the General Assembly Meeting; and our investments have asked questions in the meeting and the said questions were answered by our Company.

The Remuneration Policy was presented to the shareholders as a separate agenda item in the General Assembly Meeting dated 30 March 2017; and the shareholders were offered the opportunity to express their opinions related thereof. The Remuneration Policy issued to this effect is also published on the corporate website.

A separate item regarding the donations and aids made in 2016 was added to the Agenda of the General Meeting and the shareholders were informed in relation thereof; and in addition, 0,05% (five per ten thousand) of the Company's turnover in 2016 was specified as the upper limit for donations and aids to be made in 2017.

2.4. Voting Rights and Minority Rights

The shareholders or the proxies that are present in any Ordinary and Extraordinary General Assembly meetings have a single vote for each share that they own or represent.

There are no mutual affiliation relationships between any shareholder and the Company.

Voting by secret ballot may be preferred upon the request of the shareholders representing one tenth of the capital owned by the shareholders present in the Ordinary General Assembly meetings.

Shareholders are debarred from voting in the meetings in relation to a personal business or action between such shareholders or their spouses or any persons of lineal consanguinity and the Company.

There is no provision in our Articles of Association, which stipulates or hinders the representation of minority in the management or which defines the minority as less than one twentieth of the capital.

2.5. Dividend Right

There are no shares in the Company which are privileged in terms of receiving dividend and appointing the management.

In the ordinary General Assembly meeting held for discussion of the postponed items of the agenda on 2 May 2017, since the financial statements for the period of 01 January 2016 – 31 December 2016 prepared pursuant to the Capital Markets Board's (CMB) Communiqué no. II.14.1 entitled the Communiqué on Principles regarding Financial Reporting in Capital Markets and Turkish Accounting Standards / Turkish Financial Reporting Standards (TAS/TFRS) and audited by the Independent Audit Company named PwC Bağımsız Denetim ve Serbest Muhasebeci Mali Müşavirlik A.Ş. indicate that there is a loss at the amount of TL 470.245.469.- (net loss for the period attributable to the parent company), and the statutory financial statements prepared pursuant to the Tax Procedure Law indicate that there is a loss at the amount of TL 299.984.905.-; the issue of non-distribution of dividends and the addition of the amount of TL 299.984.905.- to the accumulated losses from the previous years, and the issue of using the Share Issuance Premium (Premium on Issued Shares) at the amount of TL 138.375.874.- shown on the Company's balance sheet dated 31 December 2016 for covering the losses specified in the Company's statutory financial statements pursuant to article 519 of the Turkish Commercial Code

and the Dividend Distribution Table for 2016 were agreed.

Our dividend policy arranged in accordance with the new Capital Market Legislation was approved by our shareholders at the Ordinary General Assembly meeting dated 5 April 2016; and is published on our corporate website. Our dividend policy has also been included in our company's annual report for 2016.

2.6. Transfer of Shares

There are no provisions restricting the transfer of shares in the Company's Articles of Association.

CHAPTER III PUBLIC DISCLOSURE AND TRANSPARENCY

3.1. Corporate Website and its Contents

The corporate website of Boyner Retail and Textile Investments (Boyner Perakende ve Tekstil Yatırımları A.Ş.) at www.boynerperakende.com is actively used for public disclosure as stipulated under the new Turkish Commercial Code and as recommended by the CMB Corporate Governance Principles. All public disclosures made by Boyner Retail and Textile Investments are accessible through its Website. Its website is configured and divided into sections accordingly. In this context, the corporate website provides information regarding Company operations for the last 5 years. The website has been prepared in Turkish in the form and content stipulated by the CMB Corporate Governance Principles; and most of the content in Turkish is also published in English on the website considering the foreign investors.

Our Company's Disclosure Policy updated pursuant to the Capital Markets Board's Material Events Communiqué no. II-15.1 and the "Guidance on Material Events" was adopted in our Company's Board of Directors' meeting dated 14 July 2014 upon its approval by the Corporate Governance Committee; and its official website address was changed as www.boynerperakende.com in line with our new trade-name. In addition, our Company's website was reviewed and necessary revisions were made to ensure full compliance with corporate governance principles.

3.2. Annual Report

The Annual Report of Boyner Perakende ve Tekstil Yatırımları A.Ş. is arranged by providing the information specified in the related Communiqué of the Capital Markets Board and the Corporate Governance Principles. Annual reports prepared in details are published in our Company's website at www.boynerperakende.com.

CHAPTER IV STAKEHOLDERS

4.1. Disclosure to Stakeholders

Attention is strictly paid to inform, in writing wherever possible, all of the Company's stakeholders, including shareholders, employees, creditors, customers, suppliers and all potential investors that may be interested in investing in the Company, and to arrange, if required, written agreements with them regulating their relationship with the Company to the extent possible.

If stakeholders' rights are not regulated by the legislation or under an agreement, stakeholders' interests are protected in good faith and to the extent possible, considering the Company's reputation. Information is communicated to employees through meetings held with various organizations, periodical meetings held with managers and via Internet. Some important announcements and messages are forwarded to all employees via electronic mail.

Stakeholders may report any suspicious transactions that they find illegal or unethical to the Corporate Governance Committee or the Audit Committee and Internal Audit Department via Boyner Group Ethics Committee. The Internal Audit Department and Audit Committee review and finalize any and all complaints received by the company in relation to the accounting, internal control system and independent audit of the company, and evaluate the reports by the company employees concerning the accounting and independent audit of the company in accordance with the principle of confidentiality.

4.2. Participation of Stakeholders in Management

The Articles of Association of the Company do not contain a provision that stipulates stakeholders' participation in the management of the company. However, independent members of the Board of Directors serve this purpose in a sense through representation of all stakeholders as well as the Company and shareholders in the management.

Our company is in constant communication with all of its stakeholders. Feedbacks received from them are processed through specific stages according to internal procedures and then presented to senior management and proposals for solutions and policies are developed. There are no union-member personnel in the Company; except for the union-member personnel working in our subsidiary, Altinyıldız Tekstil Konfeksiyon A.Ş.

Our Corporate Responsibility and Sustainability (CRS) Department organizes the necessary communication groups and meetings in order to ensure participation of our internal and external stakeholders in decision-making mechanisms and to receive their opinions and recommendations. The CRS department conducts communications in relation to this issue; and detailed information is provided in the sustainability chapter of the annual report.

Participation of employees in management has been arranged in writing under the heading of "participation in management" within "Boyner Group Working Principles" booklet.

4.3. Human Resources Policy

In the Group, equal opportunities are offered to all in terms of recruitment, employment relationship process, remuneration, participation in trainings, promotion, retirement and all other employment-related matters.

We do not tolerate any discrimination based on the factors such as race, colour, gender, religion, marital status, sexual preference, political opinion or affiliation, ethnical identity, health status, familial responsibilities, union activity or membership, physical disability or age. The information on human resources policies applied within the Group are explained in detail under "Boyner Retail at a Glance" and under the sub-heading of "Our Working Environment" in Sustainability chapter of this report. In addition, human resources policies and practices are described under each of our group Companies.

Human Resources policies and practices are documented in writing within "Boyner Group Working Principles".

During the recruitment process, employees are informed in details about the tasks that they are expected to fulfil and the human resources processes. The human resources processes after recruitment are managed in an integrated manner with the participation of employees.

Boyner Group implements a performance management process in order to ensure that the entire management team can properly guide employees and focus on development of employees and the company through continuous feedbacks for the purpose of achievement of the group strategies and the company goals and targets set accordingly. Performance management is a fair process. The employee and his/her manager jointly identify the goals and competencies that are required by the current role and that will contribute in the company's targets. Performance evaluation meetings are mutually held in the middle and at the end of the year; and they are shared with the human resources department.

There is a fair performance evaluation system in place in our Company. Boyner Group core values and position-based competencies and job objectives are evaluated.

Our employee representatives are taking part in our Occupational Health and Safety Committee that aims to establish the welfare and happiness of our employees. They are fully authorized to bring our employees' complaints and suggestions to the attention of the Committee and to take part in the decision-making process about the Committee resolutions.

Studies are conducted to ensure standardization and efficiency in the human resources processes implemented throughout Boyner Group.

Occupational Health and Safety

Our Company offers a business and work environment befitting human dignity. We respect our employees' right to have a healthy life; and to this effect, occupational health and safety measures are in place in all our buildings and facilities.

For us, offering healthier and safer work environments for our employees is as important as ensuring that our employees enjoy their jobs and their work environments. We support and encourage our employees to invest in themselves in the mental, physical, emotional and spiritual fields for their personal developments.

Besides Occupational Health and Safety trainings, we keep our employees informed through our manual entitled "Have a Healthy, Safe and Cheerful Working Day!" to which they can refer to receive practical information. Details of activities performed in relation to Occupational Health and Safety are provided in the Sustainability chapter.

4.4. Ethics Committees and Social Responsibility

Corporate responsibility and sustainability is addressed as a comprehensive management approach covering all our internal and external stakeholders in structuring of our business strategies and activities. Our sustainability efforts can be outlined as offering our employees a work environment befitting human dignity, serving our customers by embracing the unconditional customer happiness principle, minimizing environmental impact of our production and operations and launching environmentally-friendly practices, having social and environmental influence with our supply chain, implementing community projects, and ensuring participation and contribution of our business partners.

"Boyner Group Working Principles" have been documented in writing and communicated to all Boyner Group employees as a booklet. "Group Values and Working Principles" are also shared with the public via Boyner Group website.

Ethics Committee

There are Ethics Committees established under the structure of our group companies and at Boyner Retail and Textile Investments for the purpose of reviewing any warnings, complaints and denunciations related to violation of "Boyner Group Working Principles" and the laws and making the necessary assessments.

In case of any condition or event considered unethical, employees may raise a complaint and report the situation to the ethics committee in their company. In an attempt to resolve the situation, an initial research for verification is made; and when the accuracy of the case is verified, the details of the internal investigation are recorded over the reporting system. In order to allow the employees of Boyner Group companies to report any ethical issues or cases, e-mail addresses allocated for the ethics committee of each company were generated; and communication channels that can be used by the employees when they encounter any unethical situation were created. Ethics Committee carries out the necessary examination in relation to the issues reported to it; and when it identifies a breach committed, it may propose various sanctions extending up to termination of employment relationship along with the researches for verification. The issues that cannot be resolved in the ethics committees of our companies may be escalated to the Ethics Committee of Boyner Retail and Textile Investments.

All applications made to Boyner Retail Ethics Committee in 2017, including the complaints on discrimination received from our employees, were finalized through the necessary examination and reporting processes. The Ethics Committee has taken the necessary decisions on sanctions after evaluating the determinations made in the investigation reports.

Contribution to Society

We are implementing projects aimed at contributing to the society by cooperating with the persons, entities and institutions working for democratization and development of Turkey. Since we adopt an approach embracing human rights, gender equality, and respect for environment and diversity, we cooperate with institutions adopting the same approach.

Our Company mainly supports and encourages activities aimed at improving socio-economic status of women, educating the youth, and ensuring their personal development and democratic participation and expanding cultural-artistic events. In this context, we cooperate with non-governmental organizations to structure and launch our social responsibility projects, and we implement such projects through volunteer works of our employees and financial support of our companies. Details of our projects for contribution to society are provided in the sustainability chapter of our annual report.

Our Environmental Awareness

Our Company uses minimum amount of raw materials and auxiliary products, energy and water in order to minimize adverse environmental impacts of our products and services; and to this effect, we assort our solid wastes and store them in licensed areas.

We comply with national and international standards in terms of solid waste, water and air emissions generated after our processes. In this context, our companies implement different projects and we are aiming to expand our successful practices in our other companies as well. Our environmental awareness is not merely a principle adopted under the scope of our corporate performances; but it also applies for our supply chain and we monitor our suppliers' energy, water and waste managements through our social compliance audits in terms of regulatory compliance.

Solid wastes are stored at our Companies' headquarters and our stores; and we work with certified companies for disposal of such wastes. Our production plant under the structure of our subsidiary operates within the boundaries of an organized industrial zone. Cooperation was established with the municipality for solid wastes; and the water treatment plant of the organized industrial zone is used for waste waters. Details of our environmental projects are provided in the sustainability chapter of our annual report.

CHAPTER V BOARD OF DIRECTORS

5.1. Structure and Composition of the Board of Directors

The Board of Directors is comprised of executive and non-executive members.

The Company is represented and managed by the Board of Directors comprising not less than 5 and not more than 9 members to be elected by the General Assembly of shareholders. The General Assembly of Shareholders determines the number of members to be elected to the Board of Directors within the aforesaid limits at the time of election of Board Members.

The majority of the Board Members are comprised of the members without an executive function and without any administrative task or position in the Company except for their Board Membership.

Except for independent members, Board Members are elected for minimum one and maximum three years of service. Independent Board Members take office for a period of up to three years; and they may be re-nominated and re-elected. The Members of the Board of Directors whose term of office expire may be re-elected.

Except for independent members, in case of a vacancy in any membership for any reason and without expiry of the term of office, the other members are obliged to elect a new member for the vacant membership. The newly elected member takes office until the first General Assembly. After his/her full membership is approved at the first General Assembly meeting, his/her term of membership is extended up to the term of office of the predecessor.

The General Assembly may, at any time, replace the Members of the Board of Directors if and when required. The Board of Directors elects a chairman and a vice chairman among its own members at the first meeting to be held after its election.

Information on our Members of the Board of Directors and our Chief Executive Officer as of 31 December 2017 is provided below. In the Ordinary General Assembly Meeting held on 5 April 2016, it was decided that the Board of Directors be comprised of 9 members in total, 3 of which would be independent members; and that the independent members shall take office for 1 year while the other members shall take office for 3 years. In the Ordinary General Assembly meeting dated 30 March 2017, it was decided that the independent members shall take office for 2 years until the ordinary general assembly meeting in which the accounts for 2018 would be discussed in line with the terms of offices of the other board members.

Name & Surname	Title	Executive/ Non-executive/ Independent	Duties in Other Organizations
Sait Ergun Özen	Chairman	Non-executive	Extra-group -Garanti Bank – Board Member -Garanti Romania – Board Chairman -Doğuş Holding – Board Member -Doğuş Bilgi İşlem ve Teknoloji – Board Member -Doğuş Sportif Faaliyetler A.Ş. – Board Member -Pozitif Müzik A.Ş. – Board Member
Nazlı Ümit Boyner	Vice Chairman	Non-executive	Intra-group -Boyner Holding A.Ş.-Board Member -Boyner Büyük Mağazacılık A.Ş.- Board Member -Beymen Mağazacılık – Board Member -Altınyıldız Tekstil – Board Member -Board Member in other group companies Extra-group -Euler Hermes- Board Member
Hasan Cem Boyner	Member and Chief Executive Officer	Executive	Intra-group -Boyner Holding A.Ş.- Board Chairman and CEO -Boyner Büyük Mağazacılık A.Ş.- Board Chairman -AY Marka Mağ.- Board Chairman -Beymen Mağazacılık – Board Chairman -Altınyıldız Tekstil – Board Chairman -BR Mağazacılık – Board Chairman -Board Chairman in other group companies
Bernard Barbour	Member	Non-executive	Extra-group - EFH S.a.r.l. – Luxembourg – Board Member - Ambit Pvt. Ltd. – India – Board Member - QInvest – Director
Hasan Arat	Member	Non-executive	Extra-group - Fiba Holding –Board Member - Capital Partners– Chief Executive Officer
Reda Adly Tawfik	Member	Non-executive	Extra-group -Mayhoola - COO -Palzileri –Board Member
Tayfun Bayazit	Member	Non-executive/ Independent	Extra-group -Doğan Şirketler Grubu Holding A.Ş.-Independent Board Member -Migros Ticaret A.Ş.-Independent Board Member -TAV Havalimanları Holding A.Ş.-Independent Board Member -Bayazit Danışmanlık Hizmetleri Ltd. -Founder Partner -Marsh & McLennan Group –Country Board Member -Marsh Sigorta ve Reasürans Brokerliği A.Ş., Marsh Italia SpA – Board Member -Primist Gayrimenkul Geliştirme ve Yatırım A.Ş. –Board Member -Taaleri Portföy Yönetimi A.Ş.- Board Chairman
Kamil Ömer Bozer	Member	Non-executive/ Independent	Extra-group Anadolu Efes –Independent Board Member Anadolu Isuzu –Independent Board Member Adel Kalemçilik –Independent Board Member CarrefourSa –Board Member TeknoSa –Board Member Sabancı Holding-Consultant
Sabri Metin Ar	Member	Non-executive/ Independent	Extra-group -Borusan Yatırım ve Pazarlama A.Ş.- Independent Board Member -Canyon Venture Partners International Financial Advisors –Board Chairman -Columbia Hudson Ventures L.L.C. (Oregon/U.S.A) and Reydel Automotive (Paris/France) Board Member

In our Company, separate individuals occupy the positions of the Chairman of the Board and Chief Executive Officer/General Manager. Due attention is paid to ensure that Board Members spare adequate time for the Company affairs; however, there is no restriction concerning any other task/s that can be undertaken by them outside the Company. Such a restriction is not deemed necessary, particularly due to significant contribution of the independent members' business experience and sectoral experience in the Board of Directors.

On the other hand, an "Executive Committee" reporting to the Board of Directors was established in line with the provision of the second paragraph of article 370 of the Turkish Commercial Code no. 6102 and the Corporate Governance Communiqué no. II-17.1 upon the proposal of the Corporate Governance Committee; and the members of the Executive Committee were appointed as of 29 March 2017.

Our Company has three independent members. There is one female member (11,1%) in the board of directors. Neither a targeted number nor a targeted time has been determined in relation to the percentage of female members in the company's board of directors; however, the evaluations about this issue are ongoing.

There are 3 nominees for 3 independent memberships as submitted for 2017 to the Corporate Governance Committee undertaking the duties of the Nomination Committee; their statements of candidacy and resumes were evaluated in the Corporate Governance Committee and Board of Directors' meetings dated 7 March 2017; and it was decided that they were nominated as candidate independent members. No issue removing such independency was observed during the fiscal year of 2017.

The independency statements of our Independent Board Members are provided in the annual report on pages 135 – 137 – 139.

5.2. Operating Principles of the Board of Directors

The agenda of the meetings of Board of Directors is determined as follows: the relevant units notify the Company's senior management and the Board Members of the issues stipulated as the matters required to be resolved by the Board of Directors as clearly specified in the Company's Articles of Association. The Board of Directors also convenes at any time required by the company activities upon a call by the chairman or vice chairman.

The resolutions of the Board of Directors may also be taken by collecting the written approvals of the other members in relation to any proposal made by any member in relation to a definite issue unless a member requests for discussion of the related issue.

Calls to meetings can be made via telephone and e-mail.

The Company's Board of Directors convenes as frequently as required by the company activities. The Board of Directors took 38 resolutions in total in 2017, four of which were taken in the meetings about strategic issues. In general, all members attend the meetings. During the fiscal period of 2017, no opposition occurred. The questions asked during the meeting are not recorded. The Board Members do not have weighted voting rights and/or veto rights.

The Company has formed a secretariat to inform the Board Members about the internal services and to ensure their communication.

Since the independent members were not approved, there were no related party transaction or any material transaction required to be submitted to the General Assembly for approval purposes in 2017.

Boyrer Holding A.Ş. affiliates/subsidiaries hold a "Director Liability Insurance" covering also the Board Members and Senior Managers.

5.3. Number, Structure and Independency of the Committees established under the structure of the Board of Directors

Our Company has established Audit Committee, Corporate Governance Committee, Early Risk Assessment Committee and Nomination and Remuneration Committee.

While the Nomination and Remuneration Committee's tasks were conducted by the Corporate Governance Committee; a separate Nomination and Remuneration Committee was established by the Board's resolution no. 17 dated 03 April 2017.

All members of the Committee were appointed by the board resolution no. 17 dated 03 April 2017.

Independent Board Members serve as the chairmen of the committees. The Operating Principles of the Committees have been approved by the Board of Directors and published on our website.

Our Company's Board of Directors is comprised of 9 members; and the number of independent members is specified as 3. Assignments in Committees are made based on the related regulations considering the knowledge and experience of our Board Members; and some of our Board Members are assigned in more than one committee.

The Board of Directors regards that all committees have efficiently performed their functions and activities.

Committee	Committee Members	Title in the Committee	Title in the Board of Directors
Audit Committee	Sabri Metin Ar	Chairman	Independent Member
	Tayfun Bayazit	Member	Independent Member
Corporate Governance Committee	Sabri Metin Ar	Chairman	Independent Member
	Hasan Arat	Member	Board Member
	Taliye Yeşilürdü	Member	Investor Relations Manager
Nomination and Remuneration Committee	Tayfun Bayazit	Chairman	Independent Member
	Sait Ergun Özen	Member	Chairman of the Board of Directors
	Nazlı Ümit Boyner	Member	Vice Chairman of Board of Directors
Early Risk Detection Committee	Kamil Ömer Bozer	Chairman	Independent Member
		Member	Independent Member

The working principles of the Audit Committee have been published on our Company's website; and the Audit Committee has submitted to the Board of Directors in writing its decisions about election of an independent auditor; and its opinions regarding the accuracy and compliance of the annual and interim financial statements and the annual report with the real facts and the accounting principles followed by the company.

The working principles of the Corporate Governance have been announced in our Company's website; the Committee reviews the corporate governance practices and the Corporate Governance Principles Compliance Report, coordinates the activities of investor relations department and takes the related decisions.

Early Risk Assessment Committee conducts activities for early detection of risks that may endanger the existence, development and future of the Company, and for taking of necessary actions in relation to identified risks and management of such risks; and the working principles of the committee, which convenes 6 times a year to take decisions, has been announced on our Company's website.

5.4. Risk Management and Internal Control Mechanism

In order to protect the rights and interests of the Company shareholders, all company executives within their duties and responsibilities determine internal and external threats and manage and regularly audit all activities in accordance with the budget, regulations, procedures and instructions, statutory legislation and generally accepted accounting principles.

The audit and security of information technology systems are managed under ISO 27001 (International Information Security Management Systems).

All financial risks, including, particularly, the liquidity, credit, currency and stock management risks, are regularly monitored and the Board of Directors is kept informed of the results.

The efforts made within the company for structuring the internal audit unit have been completed and this unit is functioning in coordination with the Group companies. The efforts for establishment of a risk management system within the group companies are ongoing. The related units report to CFO in relation thereof. Main risks faced by the Group are monitored under five major titles such as financial risks, strategic risks, operational risks, reputation risk and legal risks; and the Risk Management Committee and the Board of Directors are informed of such risks. Detailed information on risk management is provided in the related section of the annual report.

5.5. Company's Strategic Goals

Our Company's strategic goals are determined by our Company's executives considering the economic parameters, market and competitive conditions and our Company's short- and long-term objectives and then presented to the Company's Board of Directors. These strategies and goals are reviewed and assessed by our Board of Directors.

The Board of Directors reviews the progress of these goals and strategies presented during meetings held every quarter within the statutory periods in line with applicable laws.

The annual budget submitted and the related progress levels are reviewed in the meetings of the Board of Directors by considering the conditions of the market segment of the Company, the position of the Company in the sector, the performance displayed by the company during the period, its the financial standing and its past performances.

Our Company's mission and vision and the growth and expansion strategies are reviewed and revised during the budget discussions every year.

5.6. Financial Rights

Our Company's "Remuneration Policy for Board Members and Senior Level Managers" covering any and all rights, benefits, and fees provided and paid to the Members of the Board of Directors and senior-level managers and the criteria and remuneration principles used in determination of the same was made available for review by our shareholders through its publication on our website via the "Information Document" published 3 weeks before our ordinary General Assembly meeting dated 30 March 2017; and it was put into practice following the said General Assembly meeting. The total sum of payments made for Board Members and senior level managers under the Remuneration Policy were evaluated by the Corporate Governance Committee until 03 April 2017, and has been evaluated by the Nomination and Remuneration Committee as of 03 April 2017.

In the footnotes to our financial statements, the payments made to Board Members and senior level managers are collectively disclosed to public in line with the general practices. In the Annual Ordinary General Assembly Meeting of our Company held on 30 March 2017, it was decided that a monthly gross fee of TL 10.000- be paid to the independent members of the Board of Directors.

There are no transactions likely to create conflicts of interest, such as lending of money or extension of credits to or issuance of guarantees by the Company in favour of our Board Members or managers.

Annex 1: Litigation Details

Court	Court Case No.	Claimant	Respondent	Matter in Dispute	Final Situation
Istanbul 16th Commercial Court of First Instance	2017/605	İstanbul Portföy Yönetimi A.Ş. -Istanbul Portfolio Ark II Hedge Fund	Boyrer Retail and Textile Investments	Action for appointment of a special auditor for the agenda item no. 9 related with the Ordinary General Assembly Meeting for 2016	The action was concluded in favour of the Company and dismissed.
7th Commercial Court of First Instance	2017/581	İstanbul Portföy Yönetimi A.Ş. -Istanbul Portfolio Ark II Hedge Fund	Boyrer Retail and Textile Investments	Action with a request for cancellation of the decisions taken in relation to the agenda items no. 3, 5, 9, 11, 13, and 15 for the Ordinary General Assembly Meeting dated 30 March 2017 and for the stay of execution of such decisions until conclusion of the action	The request for interim injunction requiring stay of execution was rejected unanimously; and the Claimant filed a request of appeal. The action is pending.
11th Commercial Court of First Instance	2017/710	Murat Barış Tansever	Boyrer Retail and Textile Investments	The action with a request for cancellation of the decisions taken in relation to the agenda items no. 4, 6, 7, and 12 for the Ordinary General Assembly Meeting for 2016 held on 2 May 2017, during which postponed items of the agenda were discussed, and for the stay of execution of such decisions until conclusion of the action	It was decided that the action be joined with the action with case no. 2017/676 E.; and the request for interim injunction be evaluated in the joined file.
Istanbul 5th Commercial Court of First Instance	2017/696	İstanbul Portföy Yönetimi A.Ş. -Istanbul Portfolio Ark II Hedge Fund	Boyrer Retail and Textile Investments	Action for appointment of a special auditor for the agenda item no. 4 related with the Ordinary General Assembly Meeting for 2016	The action was concluded in favour of the Company and dismissed.
Istanbul 7th Commercial Court of First Instance	2017/676	İstanbul Portföy Yönetimi A.Ş. -Istanbul Portfolio Ark II Hedge Fund	Boyrer Retail and Textile Investments	The action with a request for cancellation of the decisions taken in relation to the agenda items no. 4, 6, 7, and 12 for the Ordinary General Assembly Meeting for 2016 dated 2 May 2017, during which postponed items of the agenda were discussed, and for the stay of execution of such decisions until conclusion of the action	It was decided that the action with case no. 2017/710 E. be joined with this action. The action is pending.

RISK MANAGEMENT AND INTERNAL AUDIT

The Group maintains its success by creating opportunities from the increasing uncertainties/risks in the markets it is operating in. Through effective risk management realized by identification, measurement and management of threats, the damages that may be caused by such risks can be eliminated/minimized and sustainable growth can be ensured. With the awareness of the importance of risk management for a sustainable management and healthy growth, effective risk management approach is supported and the risks are systematically assessed in the management of business processes. The Group will continue to create value for all its stakeholders by managing its risks in line with this approach in the upcoming process.

An effective corporate governance must rely on a strong control environment supporting the management activities and determining the ethical rules and general codes of conduct of the company. Risk management and internal audit functions constitute important and inseparable parts of the control environment. Risk-driven activities oriented toward minimizing the impacts of risks are the main elements of our audit approach.

Risk-driven internal audit activities conducted in our Group include the following:

- I. Foreseeing the risks that might prevent realization of strategic business goals;
- II. Classification of the risks that can be listed, categorized and prioritized;
- III. Determining the probability and possible impacts of identified and classified risks;
- IV. Associating the key business processes of the organization with strategic and process-related risks;
- V. Planning updates and periodic changes required for revising the Internal Audit Plan according to changing business risks.

DONATIONS AND GRANTS

Pursuant to article 6 of the Capital Market Board's Communiqué no. II-19.1 on Dividends; the limit of donations shall be determined by the General Assembly, unless otherwise specified in the Articles of Association; and the donations and payments made should be presented to the shareholders for information at the Ordinary General Assembly meeting. The amount of donations made to associations and foundations in 2017 is TL 691.387,-.

DEBT INSTRUMENTS ISSUED IN 2017

Issue of Debt Instrument

In 2017, our Company did not issue any debt instruments within our issuance limits.

On 29 September 2017, a total amount of TL 110 million debt instrument was redeemed; and the principal amount and final coupon payments were made.

The issuance certificate for issuance of debt instruments at the nominal amount of TL 210.000.000 (two hundred and ten million) in total to be provided by Boyner Retail and Textile Investments via private placement and/or sales to qualified investors, without public offering, was approved by the Capital Markets Board on 23 October 2017 under the number 165/BA-1275.

LEGAL DISCLOSURES

Trade-Name	: Boyner Perakende ve Tekstil Yatırımları A.Ş.
Address	: Eski Büyükdere Cad. Park Plaza No:14 Kat:15-16 Maslak-Sarıyer/ ISTANBUL
Trade Registry and No.	: Istanbul Trade Registry Office / 45451
Website Address	: www.boynerperakende.com, www.boynergrup.com
Registered Capital Cap	: TL 500.000.000
Issued Capital	: TL 257.700.000
BIST Code	: BRP

Information on the Extraordinary General Assembly Meeting(s) held during the Year, if any

No Extraordinary General Assembly meeting was held during the year.

Amendments made in the Articles of Association during the year

Following the changes in the shareholding structure of Boyner Retail and Textile Investments, the Board of Directors' proposal for amendments to be made in some articles of the Company's Articles of Association, i.e. article 26 entitled "Quorums, A- Meeting Quorum" and article 27 entitled "B-Decision Quorum" with respect to reduction of specific majority rates for some of the General Assembly decisions (from 85,5% to 75%), as approved in compliance with the permit no. E.3036 dated 07 March 2017 received from the Capital Markets Board and the permit no. 23408588 dated 15 March 2017 received from the Republic of Turkey Ministry of Customs and Trade, was approved at the Ordinary General Assembly meeting dated 30 March 2017 and registered by Istanbul Trade Registry Office on 10 April 2017 and published and announced in the TTRG no. 9306 dated 14 April 2017.

Texts of amendments in the articles of association are provided in the annual report for 2016.

The new form of article 6 entitled "Capital of the Company" as specified in our Company's Articles of Association, indicating the increased capital amount of TL 257.700.000.000.-, was registered on 03 October 2017 and published and announced in the TTRG no. 9425 dated 09 October 2017.

Subsidiary Report

Pursuant to article 199 of the Turkish Commercial Code no. 6102 enforced on 1 July 2012; the Board of Directors of Boyner Retail and Textile Investments is liable to issue, within the first 3 months of the current fiscal year, a report on the relationships of the Company with the controlling shareholder as well as the subsidiaries of the controlling shareholder in the previous fiscal year and add the conclusion part of such report to the annual report.

In the Report prepared by the Board of Directors of Boyner Retail and Textile Investments, it is stated that "We have concluded that in all transactions of Boyner Retail and Textile Investments with its controlling shareholder as well as the subsidiaries of its controlling shareholder in 2017, based on our best knowledge of conditions at the moment when the transaction was carried out or the action was taken or avoided, an appropriate counter-performance was gained in each transaction and there is no action taken or avoided, which may cause damage to the company, and therefore, there are no transactions or actions which entail offsetting".

Information regarding legal actions filed against the Company which might affect its financial situation and activities and their possible consequences

There are no lawsuits filed against our Company, which might affect the financial position or activities of our Company. The related explanation is provided in the footnote 17 to our financial statements for the period of 01 January 2017 – 31 December 2017.

Explanations about the administrative or judicial sanctions imposed on the Company or the members of its management body due to the practices contrary to the provisions of legislation

There are no administrative or judicial sanctions imposed against the Company and members of its managing bodies due to the practices contrary to the provisions of applicable laws.

Information on Private Audits and Public Audits conducted in the Fiscal Period

Ordinary audits by public authorities were performed in 2017; and there is no significant official notification served to us.

Statement on Shareholder's Equity

Considering the Capital Markets Board's Decision no. 11/352 dated 10 April 2014 and within the framework of the application of the second and third paragraphs of article 376 of the Turkish Commercial Code (TCC), it was seen from the consolidated financial statements prepared as of 31 December 2017 within the frame of the Capital Markets Board's Communiqué II-14.1 that based on the shareholders' equity of TL 20.766.494,-, two thirds of the total sum of the capital and legal reserves remained uncovered due to the loss in the current period pursuant to the 2nd paragraph of article 376 of the TCC. The Company's Board of Directors decided for preparation of a balance sheet as per 376 of the TCC pursuant to the CMB's resolution no. 11/352 dated 10 April 2014.

The related explanation is provided in the footnote 2.1 to our financial statements for the period of 01 January 2017 – 31 December 2017.

Information on the Company's Own Shares acquired by the Company

Our Company does not have its own shares that it acquired within the fiscal period of 01 January 2017 – 31 December 2017.

AGENDA FOR THE ORDINARY GENERAL ASSEMBLY MEETING FOR 2017

1. Opening and election of the Chairman of the Meeting;
2. The presentation for discussion and approval of the Annual Report of the Company for the year 2017 as prepared by the Board of Directors;
3. The presentation of the Summary of the Independent Audit Report for the year 2017;
4. The presentation for discussion and approval of the financial statements of the Company for the year 2017;
5. Approval of the changes in the memberships of the Board of Directors made during the year under Article 363 of the Turkish Commercial Code;
6. Release of each member of the Board of Directors from liability for the affairs of the Company for the year 2017;
7. Approval, approval with modifications, or rejection of the Board of Directors' proposal on distribution of profits for the year 2017 within the scope of Company's Dividend Policy;
8. In accordance with the Corporate Governance Principles, the presentation to the Shareholders and approval by the General Assembly of the "Remuneration Policy" for the Members of the Board of Directors and Senior Executives and the payments made thereof;
9. Resolution of the monthly gross salaries to be paid to the Members of the Board of Directors;
10. Approval, approval with modification, or rejection of the Board of Directors' proposal to amend article 6 on "Capital of the Company", article 15 on "Composition of the Board of Directors and Qualification for Election" and article 17 on "Duties and Powers of the Board of Directors" of the Company's Articles of Association, provided that the proposal has been approved by the Capital Markets Board and the Republic of Turkey, Ministry of Customs and Trade;
11. Approval of the appointment of the Independent Audit Firm as selected by the Board of Directors, in accordance with the provisions of the Turkish Commercial Code and the Capital Markets Board regulations;
12. Presentation to the shareholders, of the donations and grants made by the Company in 2017, and resolution of an upper limit for donations and grants for the year 2017;
13. In accordance with the Capital Markets Board regulations, presentation to the shareholders of the securities, pledges and mortgages granted in favour of third parties in the year 2017 and of any benefits or income thereof;
14. Authorizing the shareholders holding the management control, the members of the Board of Directors, the senior executives and their spouses and relatives related by blood or affinity up to the second degree as per the provisions of articles 395 and 396 of the Turkish Commercial Code and presentation to the shareholders, of the transactions carried out thereof in the year 2017 pursuant to the "Corporate Governance Communiqué" of the Capital Markets Board.

Place of Meeting : Büyükdere Caddesi USO Center Binası No:245/A KAT:B01-Z02 Maslak Şişli İstanbul
 Meeting Date : 26 March 2018 Monday
 Meeting Time : 11:00

STATEMENTS OF INDEPENDENT MEMBERS FOR ORDINARY GENERAL ASSEMBLY MEETING FOR 2017

6 / 3 / 2017

BAĞIMSIZLIK BEYANI

Boşner Perakende ve Tekstil Yatırımları A.Ş. (Şirket) Yönetim Kurulu'nda, mevzuat, esas sözleşme ve Sermaye Piyasası Kurulu'nun "Kurumsal Yönetim İlkeleri Tebliği"nde belirlenen kriterler kapsamında "bağımsız üye" olarak görev yapmaya aday olduğumu, bu kapsamda;

- a) Şirket, şirketin yönetim kontrolü ya da önemli derecede etki sahibi olduğu ortaklıklar ile şirketin yönetim kontrolünü elinde bulunduran veya şirkette önemli derecede etki sahibi olan ortaklar ve bu ortakların yönetim kontrolüne sahip olduğu tüzel kişiler ile kendisi, eşi ve ikinci dereceye kadar kan ve sıhrî hısımları arasında; son beş yıl içinde önemli görev ve sorumluluklar üstlenecek yönetici pozisyonunda istihdam ilişkisinin bulunmadığını, sermaye veya oy haklarının veya imtiyazlı payların %5 inden fazlasına birlikte veya tek başına sahip olmadığını ya da önemli nitelikte ticari ilişki kurmadığımı,
- b) Son beş yıl içerisinde, başta şirketin denetimi (vergi denetimi, kanuni denetim, iç denetim de dahil), derecelendirilmesi ve danışmanlığı olmak üzere, yapılan anlaşmalar çerçevesinde şirketin önemli ölçüde hizmet veya ürün satın aldığı veya sattığı şirketlerde, hizmet veya ürün satın alındığı veya satıldığı dönemlerde, ortak (%5 ve üzeri), önemli görev ve sorumluluklar üstlenecek yönetici pozisyonunda çalışan veya yönetim kurulu üyesi olmadığımı,
- c) Bağımsız yönetim kurulu üyesi olmam sebebiyle üstleneceğim görevleri gereği gibi yerine getirecek mesleki eğitim, bilgi ve tecrübeye sahip olduğumu,
- d) Mevzuata uygun olması şartıyla, üniversite öğretim üyeliği hariç, üye olarak seçildikten sonra kamu kurum ve kuruluşlarında tam zamanlı çalışmayacağımı,
- e) 31/12/1960 tarihli ve 193 sayılı Gelir Vergisi Kanunu (G.V.K.)'na göre Türkiye'de yerleşmiş sayıldığımı,
- f) Şirket faaliyetlerine olumlu katkılarda bulunabilecek, şirket ile pay sahipleri arasındaki çıkar çatışmalarında tarafsızlığımı koruyabilecek, menfaat sahiplerinin haklarını dikkate alarak özgürce karar verebilecek güçlü etik standartlara, mesleki itibara ve tecrübeye sahip olduğumu,
- g) Şirket faaliyetlerinin işleyişini takip edebilecek ve üstlendiği görevlerin gereklerini tam olarak yerine getirebilecek ölçüde şirket işlerine zaman ayırabileceğimi,
- h) Şirketin yönetim kurulunda son on yıl içerisinde altıyıldan fazla yönetim kurulu üyeliği yapmamış olduğumu,
- ı) Şirketin veya şirketin yönetim kontrolünü elinde bulunduran ortakların yönetim kontrolüne sahip olduğu şirketlerin üçten fazlasında ve toplamda borsada işlem gören şirketlerin beşten fazlasında bağımsız yönetim kurulu üyesi olarak görev almıyor olduğumu,
- j) Yönetim kurulu üyesi olarak seçileceğim tüzel kişi adına tescil ve ilan edilmemiş olduğumu,

beyan ederim.

ADISOYADI

İMZA

Tayfun BAYAZIT

BAĞIMSIZLIK BEYANI

6 / 3 / 2017

Boynar Perakende ve Tekstil Yatırımları A.Ş. (Şirket) Yönetim Kurulu'nda, mevzuat, esas sözleşme ve Sermaye Piyasası Kurulu'nun "Kurumsal Yönetim İlkeleri Tebliği"nde belirlenen kriterler kapsamında "bağımsız üye" olarak görev yapmaya aday olduğumu, bu kapsamda;

- Şirket, şirketin yönetim kontrolünü ya da önemli derecede etki sahibi olduğu ortaklıklar ile şirketin yönetim kontrolünü elinde bulunduran veya şirkette önemli derecede etki sahibi olan ortaklar ve bu ortakların yönetim kontrolüne sahip olduğu tüzel kişiler ile kendisi, eşi ve ikinci dereceye kadar kan ve sıhrî hısımları arasında; son beş yıl içinde önemli görev ve sorumluluklar üstlenecek yönetici pozisyonunda istihdam ilişkimin bulunmadığını, sermaye veya oy haklarının veya imtiyazlı payların %5' inden fazlasına birlikte veya tek başına sahip olmadığımı ya da önemli nitelikte ticari ilişki kurmadığımı,
- Son beş yıl içerisinde, başta şirketin denetimi (vergi denetimi, kanuni denetim, iç denetim de dahil), derecelendirilmesi ve danışmanlığı olmak üzere, yapılan anlaşmalar çerçevesinde şirketin önemli ölçüde hizmet veya ürün satın aldığı veya sattığı şirketlerde, hizmet veya ürün satın alındığı veya satıldığı dönemlerde, ortak (%5 ve üzeri), önemli görev ve sorumluluklar üstlenecek yönetici pozisyonunda çalışan veya yönetim kurulu üyesi olmadığımı,
- Bağımsız yönetim kurulu üyesi olmam sebebiyle üstleneceğim görevleri gereği gibi yerine getirecek mesleki eğitim, bilgi ve tecrübeye sahip olduğumu,
- Mevzuata uygun olması şartıyla, üniversite öğretim üyeliği hariç, üye olarak seçildikten sonra kamu kurum ve kuruluşlarında tam zamanlı çalışmayacağımı,
- 31/12/1960 tarihli ve 193 sayılı Gelir Vergisi Kanunu (G.V.K.)'na göre Türkiye'de yerleşmiş sayıldığımı,
- Şirket faaliyetlerine olumlu katkılarda bulunabilecek, şirket ile pay sahipleri arasındaki çıkar çatışmalarında tarafsızlığını koruyabilecek, menfaat sahiplerinin haklarını dikkate alarak özgürce karar verebilecek güçlü etik standartlara, mesleki itibara ve tecrübeye sahip olduğumu,
- Şirket faaliyetlerinin işleyişini takip edebilecek ve üstlendiği görevlerin gereklerini tam olarak yerine getirebilecek ölçüde şirket işlerine zaman ayırabileceğimi,
- Şirketin yönetim kurulunda son on yıl içerisinde altı yıldan fazla yönetim kurulu üyeliği yapmamış olduğumu,
- Şirketin veya şirketin yönetim kontrolünü elinde bulunduran ortakların yönetim kontrolüne sahip olduğu şirketlerin üçten fazlasında ve toplamda borsada işlem gören şirketlerin beşten fazlasında bağımsız yönetim kurulu üyesi olarak görev almıyor olduğumu,
- Yönetim kurulu üyesi olarak seçileceğim tüzel kişi adına tescil ve ilan edilmemiş olduğumu.

beyan ederim.

ADISOYADI :

İMZA

Sabri Melih Ar

6/3/2017

BAĞIMSIZLIK BEYANI

Boynar Perakende ve Tekstil Yatırımları A.Ş. (Şirket) Yönetim Kurulu'nda, mevzuat, esas sözleşme ve Sermaye Piyasası Kurulu'nun "Kurumsal Yönetim İlkeleri Tebliği"nde belirlenen kriterler kapsamında "bağımsız üye" olarak görev yapmaya aday olduğumu, bu kapsamda;

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- Son beş yıl içerisinde, başta şirketin denetimi (vergi denetimi, kanuni denetim, iç denetim de dahil), derecelendirilmesi ve danışmanlığı olmak üzere, yapılan anlaşmalar çerçevesinde şirketin önemli ölçüde hizmet veya ürün satın aldığı veya sattığı şirketlerde, hizmet veya ürün satın alındığı veya satıldığı dönemlerde, ortak (%5 ve üzeri), önemli görev ve sorumluluklar üstlenecek yönetici pozisyonunda çalışan veya yönetim kurulu üyesi olmadığımı,
- Bağımsız yönetim kurulu üyesi olmam sebebiyle üstleneceğim görevleri gereği gibi yerine getirecek mesleki eğitim, bilgi ve tecrübeye sahip olduğumu,
- Mevzuata uygun olması şartıyla, üniversite öğretim üyeliği hariç, üye olarak seçildikten sonra kamu kurum ve kuruluşlarında tam zamanlı çalışmayacağımı,
- 31/12/1960 tarihli ve 193 sayılı Gelir Vergisi Kanunu (G.V.K.)'na göre Türkiye'de yerleşmiş sayıldığımı,
- Şirket faaliyetlerine olumlu katkılarda bulunabilecek, şirket ile pay sahipleri arasındaki çıkar çatışmalarında tarafsızlığını koruyabilecek, menfaat sahiplerinin haklarını dikkate alarak özgürce karar verebilecek güçlü etik standartlara, mesleki itibara ve tecrübeye sahip olduğumu,
- Şirket faaliyetlerinin işleyişini takip edebilecek ve üstlendiği görevlerin gereklerini tam olarak yerine getirebilecek ölçüde şirket işlerine zaman ayırabileceğimi,
- Şirketin yönetim kurulunda son on yıl içerisinde altı yıldan fazla yönetim kurulu üyeliği yapmamış olduğumu,
- Şirketin veya şirketin yönetim kontrolünü elinde bulunduran ortakların yönetim kontrolüne sahip olduğu şirketlerin üçten fazlasında ve toplamda borsada işlem gören şirketlerin beşten fazlasında bağımsız yönetim kurulu üyesi olarak görev almıyor olduğumu,
- Yönetim kurulu üyesi olarak seçileceğim tüzel kişi adına tescil ve ilan edilmemiş olduğumu.

beyan ederim.

ADISOYADI :

İMZA

Kamil Öner Barar

Kamil Öner Barar

2. RESUME OF THE BOARD MEMBER WHOSE APPOINTMENT WILL BE APPROVED PURSUANT TO ARTICLE 363 OF TCC FOR THE ORDINARY GENERAL ASSEMBLY MEETING FOR 2017

REDA ADLY TAWFIK

Having joined our board of directors as a member in November 2017, Reda Adly Tawfik currently serves as the COO at Doha-headquartered Mayhoola company. In addition, he is still a Board Member at the Italian Palzileri company. He graduated from the department of Mechanical Engineering at Alexandria University in Egypt in 1977. He started to work as Import-Export Manager at German Food Co. in 1977 and served as the General Manager of the said company between the years of 1987-1991. He continued his career as the General Manager at Dreem Co. company between the years of 1991-2004. Tawfik served as the Vice President at the Egypt-headquartered Mashreq Group that had business partnerships with many international companies from 2004 to the beginning of 2017; and then as a Board Member in the Egyptian Aramex Masreq company providing logistic services between the years of 2008-2016.

For resumes of other Board Members
See Page 22

3. DIVIDEND DISTRIBUTION PROPOSAL AND STATEMENT FOR 2017

The financial statements for the period of 01 January 2017 – 31 December 2017 prepared pursuant to the Capital Markets Board's Communiqué no. II.14.1 entitled Communiqué on Principles regarding Financial Reporting in Capital Markets and Turkish Accounting Standards / Turkish Financial Reporting Standards and audited by the Independent Audit Company named PwC Bağımsız Denetim ve Serbest Muhasebeci Mali Müşavirlik A.Ş. indicate that there is a loss at the amount of TL 294.651.883- (net loss for the period attributable to the parent company), and the legal financial statements prepared pursuant to the Tax Procedure Law indicate that there is a loss at the amount of TL 165.855.573,-; therefore, it is resolved that the issue of non-distribution of dividends and the addition of the amount of TL 165.855.573,- to the accumulated losses from the previous years and the enclosed Dividend Distribution Table for 2017 be presented to the General Assembly for approval. Dividend Distribution Table for 2017 is given below.

BOYNER RETAIL AND TEXTILE INVESTMENTS DIVIDENDS DISTRIBUTION TABLE FOR 2017 (TL)						
	Consolidated, Uncontrollable Equity of Participations (-)	937.197				
5	Net Profit/Loss of Period (=) (3)	-294.651.883	-165.855.572,84			
6	Prior Years' Losses (-)	-	-			
7	General Legal Reserves (-)	-	-			
8	NET DISTRIBUTABLE PROFIT/LOSS FOR THE PERIOD (=)	-294.651.883				
9	Donations made within the year (+)	691.387				
10	Net Distributable Profit/Loss of the Period including Donations	-293.960.496				
11	First Dividend to the Shareholders	-				
	Cash					
	Free of charge					
	Total					
12	Dividend Distributed to Privileged Shareholders					
13	Other Dividends Distributed					
	To Board of Directors					
	to the Employees					
	To Entities other than Shareholders					
14	Dividend Distributed to Redeemed Shareholders					
15	Second Dividend to the Shareholders					
16	General Legal Reserves					
17	Statutory Reserves					
18	Special Reserves					
19	Extraordinary Reserve					
20	Other Resources to be distributed					
	INFORMATION REGARDING THE RATIO OF DISTRIBUTED DIVIDEND					
	INFORMATION ON DIVIDEND PER SHARE					
	GROUP	TOTAL DIVIDEND DISTRIBUTED (TRY)	TOTAL DIVIDEND DISTRIBUTED/ NET DISTRIBUTABLE PROFIT FOR THE PERIOD	DIVIDEND CORRESPONDING TO A SHARE WITH A NOMINAL VALUE OF TRY 1		
		CASH (TRY)	FREE OF CHARGE (TL)	PERCENT (%)	AMOUNT (TRY)	PERCENT (%)
NET	A(*)					
	B					
	TOTAL	-	-	-	-	-

(1) Consists of the total "Loss Before Tax from Continued Operations".

(2) Consists of the total "Net Tax Expense for the Period" and "Deferred Tax Income".

(3) Net period loss attributable to the parent company.

4. REMUNERATION POLICY FOR THE BOARD OF DIRECTORS AND SENIOR-LEVEL MANAGERS

REMUNERATION POLICY FOR THE BOARD OF DIRECTORS AND EXECUTIVE COMMITTEE MEMBERS AND SENIOR LEVEL MANAGERS OF BOYNER PERAKENDE VE TEKSTİL YATIRIMLARI A.Ş.

This policy document defines the remuneration system and practices for the members of our Board of Directors, the members of our Executive Committee and our Senior Level Managers that have an administrative responsibility under Republic of Turkey Prime Ministry Capital Markets Board's regulations. In this context, the principles listed below set out the rules and principles regarding remuneration for the Board of Directors, Executive Committee and Senior Level Managers.

1. In all of our Company's human resources policies and practices such as recruitment, promotion, transfer, rotation and remuneration, we are adopting a fair approach; and we find it unacceptable to make discrimination based on the factors such as language, race, colour, gender, political thoughts, beliefs, religion, sect, age, physical disability or any similar reasons. The same principle also applies for members of the Board of Directors, members of the Executive Committee and Senior Level Managers.
2. In determination of remuneration payable to the members of our Company's Board of Directors and Executive Committee and the Senior Level Managers, current market conditions are taken into consideration in such a manner to be competitive with the roles in the relevant functions and in the relevant sectors where our Company operates. Such information is gathered through yearly independent wage surveys.
3. The members of the Board of Directors are paid a fixed remuneration determined in the ordinary general assembly meeting every year. The Company's performance-based remuneration plans cannot be used for remuneration of the Independent Board Members.
4. The Chairman and the Members of the Board of Directors, the Chairman of the Executive Committee, the Senior Level Managers and the other Executive Board members are remunerated under the principles as explained in details below.
 - (i) The remunerations of the members of the Board of Directors, members of the Executive Committee and Senior Level Managers are comprised of fixed and performance-based monetary and non-monetary payments. In

addition, the Chairman of our Company's Executive Committee (Boyner Perakende CEO – Chief Executive Officer) is evaluated by the Board of Directors considering his performance based on financial and operational criteria and is responsible towards the Board of Directors.

- (ii) The fixed remunerations are determined depending on the fields of responsibility of the members of the Board of Directors, members of the Executive Committee and Company Senior Level Managers in accordance with international standards and legal obligations by also taking into consideration the macroeconomic data, wage levels currently applicable in the market, the company's size and its long-term targets and goals.
- (iii) Bonuses payable to the members of the Board of Directors, members of the Executive Committee and Senior Level Managers are calculated based on the company's performance and individual performance. Information on the related criteria is summarized below:

Company's Performance: The Company's performance is determined by evaluating, at the end of each period, the achievements of financial and operational targets (market share, exports, foreign operations, efficiency, etc.) set out for the company in the beginning of every year. The main principles taken into account while determining the Company's goals mainly include sustainability of success and improvements compared to previous years.

Individual Performance: While determining individual performance, the goals related with the employee, customer, process, technology and long-term strategy as well as the Company's goals are taken into account. In measurement of individual performance, due attention is paid to the principle of long-term sustainable improvement beyond the financial areas in line with the company's performance. The remunerations payable to the members of the Executive Committee are determined, made and approved by the Board of Directors taking the opinions of Boyner Retail Executive Committee Chairman and our Company's Corporate Governance Committee/Remuneration Committee.

- (iv) The costs and expenses (transportation, telephone, insurance, etc.) incurred by the members of the Board of Directors and the Executive Committee due to their contributions in the company may be borne and paid by the company.

5. BOYNER RETAIL AND TEXTILE INVESTMENTS (BOYNER PERAKENDE VE TEKSTİL YATIRIMLARI ANONİM ŞİRKETİ) DRAFT AMENDMENT TO ARTICLES OF ASSOCIATION

FORMER VERSION

CAPITAL OF THE COMPANY:

Article 6.

The Company has adopted the registered capital system in accordance with the repealed provisions of the Law no. 2499 and implemented this system with the permit no. 878 dated 31 August 1994 issued by the Capital Markets Board.

The registered capital ceiling of the Company is ~~TRY 500.000.000 (Five hundred million)~~; and it has been divided into ~~50.000.000.000 (fifty billion)~~ units of bearer shares each with a nominal value of 1 (One) Kurush.

The authorization granted by the Capital Markets Board for registered capital ceiling is applicable between the years of ~~2014-2018~~ (5 years). Even though the ceiling authorized for registered capital has not been achieved by the end of ~~2018~~, it is required to obtain permission from the General Assembly for a new period of not more than 5 years by obtaining the permission of the Capital Markets Board for the previously authorized ceiling or a new ceiling amount in order that the Board of Directors take a resolution concerning capital increase after ~~2018~~.

The Company's issued capital is TRY 257.700.000,- (Two hundred and fifty-seven million and seven hundred thousand); and the said issued capital has been fully paid up free of any collision.

Company's shares are bearer shares. The shares representing the capital are recorded within the framework of dematerialization principles. The Company's capital may be increased or decreased within the frame of the provisions of the Turkish Commercial Code and the Capital Markets Legislation when required.

NEW VERSION

CAPITAL OF THE COMPANY:

Article 6.

The Company has adopted the registered capital system in accordance with the repealed provisions of the Law no. 2499 and implemented this system with the permit no. 878 dated 31 August 1994 issued by the Capital Markets Board.

The registered capital ceiling of the Company is **TRY 1.000.000.000 (One billion)**; and it has been divided into **100.000.000.000 (one hundred billion)** units of bearer shares each with a nominal value of 1 (One) Kurush.

The authorization granted by the Capital Markets Board for registered capital ceiling is applicable between the years of **2018-2022** (5 years). Even though the ceiling authorized for registered capital has not been achieved by the end of **2022**, it is required to obtain permission from the General Assembly for a new period of not more than 5 years by obtaining the permission of the Capital Markets Board for the previously authorized ceiling or a new ceiling amount in order that the Board of Directors take a resolution concerning capital increase after **2022. In case that the said permission is not obtained, the capital may not be increased by a resolution of the board of directors.**

The Company's issued capital is TRY 257.700.000,- (Two hundred and fifty-seven million and seven hundred thousand); and the said issued capital has been fully paid up free of any collision.

Company's shares are bearer shares. The shares representing the capital are recorded within the framework of dematerialization principles.

The Company's capital may be increased or decreased within the frame of the provisions of the Turkish Commercial Code and the Capital Markets Legislation when required.

FORMER VERSION

The Board of Directors is authorized to increase the issued capital by issuing new shares up to the registered capital ceiling if and when required according to the provisions of the Capital Markets Law. The Board of Directors is authorized to take decisions on issuance of shares above or below the nominal value and limitation of the shareholders' pre-emptive right to acquire new shares. The Board of Directors' power to restrict pre-emptive rights cannot be exercised in a manner that may lead to inequality among the shareholders.

Article 15.

The Board of Directors is comprised of executive and non-executive members.

The Company is represented and managed by the board of directors ~~comprising not less than 5 and not more than 9 members to be elected by the general assembly of shareholders.~~ The general assembly of shareholders determines the number of members to be elected to the board of directors within the aforesaid limits at the time of election of board members.

The majority of the board members are comprised of the members without an executive function and without any administrative task or position in the company except for their board membership.

Non-executive board members shall include independent members bearing the qualifications listed in the Capital Markets Board's Corporate Governance Principles.

DUTIES AND POWERS OF THE BOARD OF DIRECTORS:**Article 17.**

The Board of Directors is empowered to resolve and execute on all matters excluding the matters that the general assembly is exclusively empowered to resolve on.

NEW VERSION

The Board of Directors is authorized to increase the issued capital by issuing new shares up to the registered capital ceiling if and when required according to the provisions of the Capital Markets Law. The Board of Directors is authorized to take decisions on issuance of shares above or below the nominal value and limitation of the shareholders' pre-emptive right to acquire new shares. The Board of Directors' power to restrict pre-emptive rights cannot be exercised in a manner that may lead to inequality among the shareholders.

Article 15.

The Board of Directors is comprised of executive and non-executive members.

The Company is represented and managed by the Board of Directors **comprising at least 9 (nine) members to be elected by the General Assembly in accordance with the provisions of the Turkish Commercial Code, capital markets legislation and these Articles of Association.** The general assembly determines the number of members to be elected to the board of directors within the aforesaid limits at the time of election of board members.

The majority of the board members are comprised of the members without an executive function and without any administrative task or position in the company except for their board membership.

Non-executive board members shall include independent members bearing the qualifications listed in the Capital Markets Board's Corporate Governance Principles.

DUTIES AND POWERS OF THE BOARD OF DIRECTORS:**Article 17.**

The Board of Directors is empowered to resolve and execute on all matters excluding the matters that the general assembly is exclusively empowered to resolve on.

FORMER VERSION

The Board of Directors shall issue an internal directive within the scope of this Article and in line with articles 367, 419, and other related articles of the Turkish Commercial Code numbered 6102. Such internal directive shall regulate the management of the company and determine the necessary duties, descriptions, and locations and particularly and reporting obligations in relation to management of the company.

Provisions of Article 375 of the Turkish Commercial Code are reserved. The Board of Directors shall convene, whenever necessary, at least twice a year. The Board of Directors shall also convene at any time required by the company's affairs upon a call by the chairman or vice chairman.

The resolutions of the board of directors may also be taken by collecting the written approvals of other members in relation to any proposal made by any member in relation to a definite issue unless a member requests for discussion of the related issue.

NEW VERSION

The Board of Directors shall issue an internal directive within the scope of this Article and in line with articles 367, 371, 419, and other related articles of the Turkish Commercial Code numbered 6102. Such internal directive shall regulate the management of the company and determine the necessary duties, descriptions, and locations and particularly and reporting obligations in relation to management of the company.

Provisions of Article 375 of the Turkish Commercial Code are reserved. The Board of Directors shall convene, whenever necessary, at least twice a year. The Board of Directors shall also convene at any time required by the company's affairs upon a call by the chairman or vice chairman.

The resolutions of the board of directors may also be taken by collecting the written approvals of other members in relation to any proposal made by any member in relation to a definite issue unless a member requests for discussion of the related issue. **However, in such cases, it is required that the same proposal must be made to all Members of the Board of Directors.**

It is not necessary for the approvals to be specified within the same paper; but it is required for the validity of the resolution that all papers bearing the signatures of approval should be attached to the board of directors' minutes book or transformed into a resolution bearing the signatures of those approving the resolution and entered into the minutes book accordingly.

FORMER VERSION

Those that are entitled to attend board meetings of the company may also attend such meetings electronically, pursuant to article 1527 of the Turkish Commercial Code. The Company may either establish an Electronic Meeting System, allowing right holders to attend such meetings and vote electronically pursuant to the provisions of the Communiqué on the Assemblies held in Business Companies via Electronic Means except for the General Assembly Meetings of the Joint Stock Companies, or may purchase services from systems created for such purpose. Right holders shall be allowed to use their rights specified in the relevant legislation over that system established pursuant to this provision of the articles of association or the system from which support service will be received in all meetings to be held within the framework of the provisions of the Communiqué.

The Board of Directors convenes by the attendance of board members with simple majority. The Board of Directors resolves with the affirmative votes of the simple majority of its members attending the board meeting.

However, the Board of Directors convenes with the attendance of all board members in order to discuss the matters listed below ("Board of Directors' Material Transactions") and such matters are resolved with the affirmative votes of the simple majority of the attending board members on the condition that there is no negative vote cast by any of the board members other than the independent board members. In the event that a negative vote is cast by any of the other board members except for the independent members in relation to Board of Directors' Important Transactions, then the related transaction shall not be realized.

NEW VERSION

Those that are entitled to attend board meetings of the company may also attend such meetings electronically, pursuant to article 1527 of the Turkish Commercial Code. The Company may either establish an Electronic Meeting System, allowing right holders to attend such meetings and vote electronically pursuant to the provisions of the Communiqué on the Assemblies held in Business Companies via Electronic Means except for the General Assembly Meetings of the Joint Stock Companies, or may purchase services from systems created for such purpose. Right holders shall be allowed to use their rights specified in the relevant legislation over that system established pursuant to this provision of the articles of association or the system from which support service will be received in all meetings to be held within the framework of the provisions of the Communiqué.

The Board of Directors convenes by the attendance of board members with simple majority. The Board of Directors resolves with the affirmative votes of the simple majority of its members attending the board meeting.

However, the Board of Directors convenes with the attendance of all board members in order to discuss the matters listed below ("Board of Directors' Material Transactions") and such matters are resolved with the affirmative votes of the simple majority of the attending board members on the condition that there is no negative vote cast by any of the board members other than the independent board members. In the event that a negative vote is cast by any of the other board members except for the independent members in relation to Board of Directors' Important Transactions, then the related transaction shall not be realized.

FORMER VERSION*Acquisitions or disposals*

1. excluding (i) intra-group transactions; (ii) the transactions that the Company is a party to in its ordinary course of business and in line with its past practices; and (iii) the transactions related with BYN Gayrimenkul Geliştirme A.Ş., acquisition or disposal of substantial amount of asset(s) or any business (or a substantial part of any business) or any shares or share options in any company, whether by one transaction or a series of transactions, provided that it is below the materiality criteria specified in the capital markets legislation and the Turkish Commercial Code and on condition that the transaction should be related to a single transaction or a series of transactions completed in a 12-month period and assets or activities over the amount of 20.000.000 US Dollars (including, but not limited to revenues from disposals). For the avoidance of doubt, the quorums specified in article 26 of these Articles of Association shall apply for the transactions that have fulfilled the materiality criteria specified in the capital markets legislation and the Turkish Commercial Code.

Capital Increase and approval of share transfers

2. Without prejudice to the matters required under the relevant legislation, issuance or allotment by the Company of shares in any Group company in an amount within the Company's registered capital ceiling, debt convertible to capital or issuance of any other securities convertible to capital to any third person; or entitling any third person with the right to contribute or contribution option to the shares in any Group company in an amount within the Company's registered capital ceiling, debt convertible to capital or any other securities convertible to capital (including those to be made by restricting the pre-emptive rights or privileges of existing shareholders).

NEW VERSION*Acquisitions or disposals*

1. excluding (i) intra-group transactions; (ii) the transactions that the Company is a party to in its ordinary course of business and in line with its past practices; and (iii) the transactions related with BYN Gayrimenkul Geliştirme A.Ş., acquisition or disposal of substantial amount of asset(s) or any business (or a substantial part of any business) or any shares or share options in any company, whether by one transaction or a series of transactions, provided that it is below the materiality criteria specified in the capital markets legislation and the Turkish Commercial Code and on condition that the transaction should be related to a single transaction or a series of transactions completed in a 12-month period and assets or activities over the amount of 20.000.000 US Dollars (including, but not limited to revenues from disposals). For the avoidance of doubt, the quorums specified in article 26 of these Articles of Association shall apply for the transactions that have fulfilled the materiality criteria specified in the capital markets legislation and the Turkish Commercial Code.

Capital Increase and approval of share transfers

2. Without prejudice to the matters required under the relevant legislation, issuance or allotment by the Company of shares in any Group company in an amount within the Company's registered capital ceiling, debt convertible to capital or issuance of any other securities convertible to capital to any third person; or entitling any third person with the right to contribute or contribution option to the shares in any Group company in an amount within the Company's registered capital ceiling, debt convertible to capital or any other securities convertible to capital (including those to be made by restricting the pre-emptive rights or privileges of existing shareholders).

FORMER VERSION*Accounts*

3. To change the major accounting policies of the Company, without prejudice to the conditions as required under the legislation or the accounting standards that are from time to time accepted in Turkey.

Re-organization

4. The Company to become a party to simplified merger and/or demerger transactions with another company within the group.

NEW VERSION*Accounts*

3. To change the major accounting policies of the Company, without prejudice to the conditions as required under the legislation or the accounting standards that are from time to time accepted in Turkey.

Re-organization

4. The Company to become a party to simplified merger and/or demerger transactions with another company within the group.

DIVIDEND DISTRIBUTION POLICY

Our Company conducts a dividend policy within the framework of the provisions of the Turkish Commercial Code, Capital Markets Regulations, Tax Legislation and the other regulations as well as the related article on profit distribution specified in our Articles of Association. In distribution of profits, a consistent policy is followed ensuring the balance between the benefits of the shareholders and of the Company in line with the Corporate Governance Principles; and our long-term corporate strategy, investment and financing policies, profitability and cash position are taken into account for determining the profit distribution amount.

In principle, if the ratio of our consolidated equities to our total assets exceeds 30%, minimum 20% of the distributable profit for the period calculated under the Capital Markets Regulations and the other applicable laws is distributed in cash taking into account the matters mentioned above. As for bonus share distribution; there are no conditions established for the ratio of our equities to our total assets and there are no restrictions in relation to the distribution ratio.

It is intended to distribute the dividend within three months following the General Assembly meeting at the latest; but the General Assembly decides the final date of dividend distribution. The General Assembly, or if authorized by the General Assembly, the Board of Directors may decide to distribute the dividends in installments in line with the Capital Markets Regulations.

The General Assembly may decide to distribute the dividends in advance among the shareholders in line with the Capital Markets Board regulations and applicable laws.

INDEPENDENT AUDITOR'S REPORT ON ANNUAL REPORT



CONVENIENCE TRANSLATION INTO ENGLISH OF INDEPENDENT AUDITOR'S REPORT ON THE BOARD OF DIRECTORS' ANNUAL REPORT ORIGINALLY ISSUED IN TURKISH

To the General Assembly of Boyner Perakende ve Tekstil Yatırımları A.Ş.

1. Opinion

We have audited the annual report of Boyner Perakende ve Tekstil Yatırımları A.Ş. (the "Company") and its subsidiaries (collectively referred to as the "Group") for the 1 January - 31 December 2017 period.

In our opinion, the financial information and the analysis made by the Board of Directors by using the information included in the audited financial statements regarding the Group's position in the Board of Directors' Annual Report are consistent and presented fairly, in all material respects, with the audited full set consolidated financial statements and with the information obtained in the course of independent audit.

2. Basis for Opinion

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

3. Our Audit Opinion on the Full Set Consolidated Financial Statements

We expressed an unqualified opinion in the auditor's report dated 27 February 2018 on the full set consolidated financial statements for the 1 January - 31 December 2017 period.



4. Board of Director's Responsibility for the Annual Report

Group management's responsibilities related to the annual report according to Articles 514 and 516 of Turkish Commercial Code ("TCC") No. 6102 and Capital Markets Board's ("CMB") Communiqué Serial II, No:14,1, "Principles of Financial Reporting in Capital Markets" (the "Communiqué") are as follows:

- a) to prepare the annual report within the first three months following the balance sheet date and present it to the general assembly;
- b) to prepare the annual report to reflect the Group's operations in that year and the financial position in a true, complete, straightforward, fair and proper manner in all respects. In this report financial position is assessed in accordance with the financial statements. Also in the report, developments and possible risks which the Group may encounter are clearly indicated. The assessments of the Board of Directors in regards to these matters are also included in the report.
- c) to include the matters below in the annual report:
 - events of particular importance that occurred in the Company after the operating year,
 - the Group's research and development activities,
 - financial benefits such as salaries, bonuses, premiums and allowances, travel, accommodation and representation expenses, benefits in cash and in kind, insurance and similar guarantees paid to members of the Board of Directors and senior management.

When preparing the annual report, the Board of Directors considers secondary legislation arrangements enacted by the Ministry of Customs and Trade and other relevant institutions.



5. Independent Auditor's Responsibility in the Audit of the Annual Report

Our aim is to express an opinion and issue a report comprising our opinion within the framework of TCC and Communiqué provisions regarding whether or not the financial information and the analysis made by the Board of Directors by using the information included in the audited financial statements in the annual report are consistent and presented fairly with the audited consolidated financial statements of the Group and with the information we obtained in the course of independent audit.

Our audit was conducted in accordance with the TSAs. These standards require that ethical requirements are complied with and that the independent audit is planned and performed in a way to obtain reasonable assurance of whether or not the financial information and the analysis made by the Board of Directors by using the information included in the audited financial statements in the annual report are consistent and presented fairly with the audited consolidated financial statements and with the information obtained in the course of audit.

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

Cihan Harman, SMMM
Partner

Istanbul, 2 March 2018



INDEPENDENT AUDITOR'S REPORT & FINANCIAL STATEMENTS



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

INDEPENDENT AUDITOR'S REPORT

To the General Assembly of Boyner Perakende ve Tekstil Yatırımları A.Ş.

A. Audit of the Consolidated Financial Statements

1. Opinion

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

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

2. Basis for Opinion

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



3. Key Audit Matters

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

Key audit matters	How our audit addressed the key audit matter
<p>Impairment tests of indefinite-life intangible assets</p> <p>The consolidated financial statements as of and for the year ending 31 December 2017 include brands and goodwill under intangible assets, with carrying values of TRY 473,424,395 and TRY 797,708,560, respectively. These indefinite-life intangible assets should be tested for impairment annually, as required by TAS.</p> <p>Goodwill and brands are material to the consolidated financial statements. In addition, significant judgements and estimates are used in the impairment tests performed by management. For goodwill and brand impairment tests; these are earnings before interest, tax, depreciation and amortization growth forecasts, long term growth rates and discount rates. In addition, royalty rates used in the relief from royalty method for the brand impairment tests are also key estimates. The outcome of such estimates is very sensitive to changes in market conditions. Therefore, these impairment tests are key matters for our audit.</p> <p>Please refer to notes 2.6, 2.7 and 16 to the consolidated financial statements for the relevant disclosures, including the accounting policy and sensitivity analysis.</p>	<p>We performed the following procedures in relation to the impairment tests of goodwill and brands:</p> <ul style="list-style-type: none"> Evaluating the appropriateness of the Cash Generating Units ("CGUs") determined by management, Evaluating management's forecasts and future plans in the light of macroeconomic data, Assessing reasonableness of forecasted cash flows for each CGU by comparing them against their historical financial performance, Through involvement of our internal valuation experts, assessing and challenging key assumptions, including long term growth rates, discount rates and royalty rates and benchmarking these against rates used in the relevant industries, Testing the setup of the discounted cash flow models and their mathematical accuracy, Testing management's sensitivity analysis for key assumptions, Testing the disclosures in the consolidated financial statements in relation to the impairment tests of indefinite-life intangible assets, and evaluating the adequacy of such disclosures for TAS' requirements. <p>We had no material findings related to the impairment tests of indefinite-life intangible assets as a result of these procedures.</p>



3. Key Audit Matters (Continued)

Key audit matters	How our audit addressed the key audit matter
<p>Provision for the impairment of inventories</p> <p>Inventories amounting to TRY 1,256,687,460 constitute a significant portion of the consolidated assets of the Group as of 31 December 2017. Main portion of these inventories are related to the ready to wear inventories for sale and they carry a risk of diminution in value due to changing fashion trends and macroeconomic developments. Determining the provision for such diminution in value involves judgements and estimates. These judgments and estimates include evaluation of the slow moving inventories due to various reasons such as changing customer demands and seasons and evaluation of the provision for non-moving, obsolete and damaged inventories.</p> <p>Therefore, the provision for the impairment of inventories is a key matter for our audit.</p> <p>Please refer to notes 2.7 and 12 to the consolidated financial statements for the Group's disclosures on this provision, including the related accounting policy.</p>	<p>Procedures performed to ensure the adequacy of the provision for the diminution of the value of inventories are as follows:</p> <ul style="list-style-type: none"> • Understanding and evaluating the reasonableness of the provisioning policy and the assessment of its compliance with TAS. • Inquiry with the Group management about the impairment assessment performed in accordance with the changing customer demands and fashion trends, and analysis of risk factors determined by the management. • Understanding of business processes and internal controls related to inventories for sale, test of the design and effectiveness of key controls related to the calculation of provision for the impairment of inventories. • Observation of obsolete and damaged inventories during cycle counts of stores and inventory counts of warehouses performed by the Management. • Evaluation of the adequacy of the provision recognised in the current period in comparison to the write downs realized in the prior period. • Testing of mathematical accuracy of aging reports which are used for the calculation of the provision for the impairment of inventories, reconciliation of the reports with trial balance and assessment of the provision provided by analytical procedures. • Testing, on a sample basis, the net selling prices used in the calculation for the net realizable value of inventories. • Testing the mathematical accuracy of calculations. <p>We had no material findings related to the provision for the impairment of inventories as a result of these procedures.</p>



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

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

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

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

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

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

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

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

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



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

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

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

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

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



B. Other Responsibilities Arising From Regulatory Requirements

1. No matter has come to our attention that is significant according to subparagraph 4 of Article 402 of Turkish Commercial Code ("TCC") No. 6102 and that causes us to believe that the Company's bookkeeping activities concerning the period from 1 January to 31 December 2017 period are not in compliance with the TCC and provisions of the Company's articles of association related to financial reporting.
2. In accordance with subparagraph 4 of Article 402 of the TCC, the Board of Directors submitted the necessary explanations to us and provided the documents required within the context of our audit.
3. In accordance with subparagraph 4 of Article 398 of the TCC, the auditor's report on the early risk identification system and committee was submitted to the Company's Board of Directors on 27 February 2018.

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

Cihan Harman, SMMM
Partner

Istanbul, 27 February 2018

CONVENIENCE TRANSLATION INTO ENGLISH OF CONSOLIDATED FINANCIAL STATEMENTS ORIGINALLY ISSUED IN TURKISH
BOYNER PERAKENDE VE TEKSTİL YATIRIMLARI A.Ş.
CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD 1 JANUARY - 31 DECEMBER 2017

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

BOYNER PERAKENDE VE TEKSTİL YATIRIMLARI A.Ş.

**CONSOLIDATED FINANCIAL STATEMENTS AS OF 31 DECEMBER 2017
TOGETHER WITH INDEPENDENT AUDITOR'S REPORT**

TABLE OF CONTENTS	PAGE
CONSOLIDATED BALANCE SHEETS	162 - 164
CONSOLIDATED STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME	165
CONSOLIDATED STATEMENTS OF CHANGE IN EQUITY	166
CONSOLIDATED STATEMENTS OF CASH FLOWS	167 - 168
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS	169 - 235
NOTE 1 GROUP'S ORGANIZATION AND NATURE OF ACTIVITIES	169
NOTE 2 BASIS OF PRESENTATION OF FINANCIAL STATEMENTS	169-186
NOTE 3 BUSINESS COMBINATIONS	187-188
NOTE 4 SEGMENT REPORTING	188-190
NOTE 5 CASH AND CASH EQUIVALENTS	192
NOTE 6 FINANCIAL ASSETS AND INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD	192-193
NOTE 7 FINANCIAL LIABILITIES	194-197
NOTE 8 DERIVATIVE FINANCIAL INSTRUMENTS	198
NOTE 9 OTHER FINANCIAL LIABILITIES	198
NOTE 10 TRADE RECEIVABLES AND PAYABLES	199-200
NOTE 11 OTHER RECEIVABLES AND PAYABLES	201
NOTE 12 INVENTORIES	202
NOTE 13 PREPAID EXPENSES AND DEFERRED REVENUE	202-203
NOTE 14 INVESTMENT PROPERTIES	203-205
NOTE 15 PROPERTY, PLANT AND EQUIPMENT	205-206
NOTE 16 INTANGIBLE ASSETS	207-208
NOTE 17 PROVISIONS, CONTINGENT ASSETS AND LIABILITIES	209-210
NOTE 18 COMMITMENTS	210-211
NOTE 19 EMPLOYEE BENEFITS	211-212
NOTE 20 OTHER ASSETS AND LIABILITIES	213
NOTE 21 EQUITY	214-216
NOTE 22 REVENUE AND COST OF SALES	216
NOTE 23 MARKETING, RESEARCH AND DEVELOPMENT AND GENERAL ADMINISTRATIVE EXPENSES	217
NOTE 24 EXPENSES BY NATURE	218
NOTE 25 OTHER OPERATING INCOME/(EXPENSE)	218-219
NOTE 26 INCOME/(EXPENSES) FROM INVESTING ACTIVITIES	219
NOTE 27 FINANCIAL INCOME	219
NOTE 28 FINANCIAL EXPENSES	220
NOTE 29 TAX ASSETS AND LIABILITIES	220-223
NOTE 30 EARNINGS/(LOSSES) PER SHARE	223
NOTE 31 RELATED PARTY DISCLOSURES	224-225
NOTE 32 FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT	226-234
NOTE 33 FAIR VALUE DISCLOSURES AND FINANCIAL INSTRUMENTS	235
NOTE 34 SUBSEQUENT EVENTS	235

CONVENIENCE TRANSLATION INTO ENGLISH OF CONSOLIDATED FINANCIAL STATEMENTS ORIGINALLY ISSUED IN TURKISH
BOYNER PERAKENDE VE TEKSTİL YATIRIMLARI A.Ş.
CONSOLIDATED BALANCE SHEETS AT 31 DECEMBER 2017 AND 2016
(Amounts expressed in Turkish Lira ("TRY") unless otherwise stated.)

	Notes	Audited 31 December 2017	Restated (Note 2.5) Audited 31 December 2016	Restated (Note 2.5) Audited 31 December 2015
ASSETS				
Current assets		2.252.346.162	2.234.521.243	1.718.721.933
Cash and cash equivalents	5	356.896.837	187.633.837	88.246.065
Trade receivables		366.257.607	353.435.702	338.838.865
- Trade receivables from related parties	10 and 31	54.202.835	32.488.570	53.415.614
- Trade receivables from third parties	10	312.054.772	320.947.132	285.423.251
Other receivables		16.021.620	264.007.042	50.876.943
- Other receivables from related parties	11 and 31	4.057.556	246.245.160	47.731.069
- Other receivables from third parties	11	11.964.064	17.761.882	3.145.874
Inventories	12	1.256.687.460	1.217.509.627	1.079.453.324
Prepaid expenses		51.173.196	35.504.794	24.703.455
- Prepaid expenses to third parties	13	51.173.196	35.504.794	24.703.455
Derivative instruments		52.226.406	44.803.537	22.855.160
- Derivative instruments used for hedging	8	52.226.406	44.803.537	22.855.160
Other current assets		145.078.558	131.626.704	113.748.121
- Other current assets from related parties	20	145.078.558	131.626.704	113.748.121
Current assets for sale	6	8.004.478	-	-
Non-current assets		2.314.146.981	2.245.434.295	2.354.764.670
Financial investments	6	104.891	104.891	104.891
Trade receivables		6.511.521	12.123.504	16.249.356
- Trade receivables from third parties	10	6.511.521	12.123.504	16.249.356
Other receivables		1.887.594	1.763.853	1.629.829
- Other receivables from third parties	11	1.887.594	1.763.853	1.629.829
Investments accounted for using the equity method	6	2.001.302	9.981.064	8.855.416
Investment properties	14	34.265.000	32.995.000	159.479.700
Property and equipment	15	410.252.415	367.379.747	351.251.660
- Lands		48.883.306	48.883.306	48.883.306
- Land improvements		465.666	213.539	-
- Buildings		46.243.884	43.824.886	26.268.115
- Machinery and equipment		9.370.136	11.720.087	13.752.871
- Vehicles		77.314	177.621	306.751
- Furniture and fixtures		137.861.716	112.051.638	107.027.615
- Leasehold improvements		164.576.446	141.336.759	149.591.895
- Construction in progress		2.773.947	9.171.911	5.421.107
Intangible assets		1.645.958.668	1.692.417.074	1.730.846.094
- Goodwill	3	797.708.560	797.708.560	797.708.560
- Rights		375.167	448.737	1.813.952
- Brands		473.224.395	473.224.395	469.359.395
- Computer licenses		17.705.256	17.100.917	11.040.547
- Other intangible assets		356.945.290	403.934.465	450.923.640
Prepaid expenses		15.397.681	3.445.546	251.659
- Prepaid expenses to third parties	13	15.397.681	3.445.546	251.659
Deferred tax assets	29	33.232.448	27.907.331	21.188.383
Derivative instruments		160.082.567	84.439.496	36.905.607
- Derivative instruments used for hedging	8	160.082.567	84.439.496	36.905.607
Other non-current assets		4.452.894	12.876.789	28.002.075
- Other non-current assets from third parties	20	4.452.894	12.876.789	28.002.075
TOTAL ASSETS		4.566.493.143	4.479.955.538	4.073.486.603

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

CONVENIENCE TRANSLATION INTO ENGLISH OF CONSOLIDATED FINANCIAL STATEMENTS ORIGINALLY ISSUED IN TURKISH
BOYNER PERAKENDE VE TEKSTİL YATIRIMLARI A.Ş.
CONSOLIDATED BALANCE SHEETS AT 31 DECEMBER 2017 AND 2016
(Amounts expressed in Turkish Lira ("TRY") unless otherwise stated.)

	Notes	Audited 31 December 2017	Restated (Note 2.5) Audited 31 December 2016	Restated (Note 2.5) Audited 31 December 2015
LIABILITIES				
Current liabilities		2.482.630.321	2.863.449.689	2.181.273.016
Short-term financial liabilities		162.455.889	181.956.206	183.865.059
Short term financial liabilities to third parties		162.455.889	181.956.206	183.865.059
- Bank borrowings	7	162.455.889	181.956.206	183.865.059
Current portion of long-term financial liabilities		574.540.507	831.824.364	674.813.259
Current portion of long term financial liabilities to third parties		574.540.507	831.824.364	674.813.259
- Bank borrowings	7	560.450.912	711.914.524	515.708.738
- Finance lease liabilities	7	14.089.595	10.337.640	5.161.304
- Issued financial debt instruments	7	-	109.572.200	153.943.217
Other financial liabilities		3.873.241	175.657.399	16.081.947
- Other financial liabilities	9	3.873.241	175.657.399	16.081.947
Trade payables		1.391.321.147	1.324.487.544	1.127.355.482
- Trade payables to related parties	10 and 31	21.295.548	16.856.300	12.024.345
- Trade payables to third parties	10	1.370.025.599	1.307.631.244	1.115.331.137
Payables related to employee benefits	19	52.828.212	39.368.827	21.006.779
Other payables		6.247.885	67.056.573	23.620.903
- Other payables to related parties	11 and 31	700.000	35.192.000	-
- Other payables to third parties	11	5.547.885	31.864.573	23.620.903
Deferred revenue		189.547.341	178.835.918	85.497.419
- Deferred revenue to third parties	13	189.547.341	178.835.918	85.497.419
Corporate tax payable	29	2.261.072	6.077.289	1.739.493
Short term provisions		73.662.930	39.483.257	36.548.537
- Short term provisions for employee benefits	17	22.510.807	14.653.442	17.781.353
- Other short term provisions	17	51.152.123	24.829.815	18.767.184
Other current liabilities		25.892.097	18.702.312	10.744.138
- Other current liabilities to third parties	20	25.892.097	18.702.312	10.744.138
Non-current liabilities		2.061.074.982	1.493.910.144	1.285.230.464
Long term financial liabilities		1.595.119.106	1.222.308.625	956.974.784
Long term financial liabilities to third parties		1.595.119.106	1.222.308.625	956.974.784
- Bank borrowings	7	1.591.629.705	1.216.571.326	844.919.028
- Finance lease liabilities	7	3.489.401	5.737.299	2.570.285
- Issued financial debt instruments	7	-	-	109.485.471
Trade payables		37.310.367	52.358.847	59.073.112
- Trade payables to third parties	10	37.310.367	52.358.847	59.073.112
Other payables		175.208.527	202.655	28.366.675
- Other payables to related parties	11 and 31	175.000.000	-	-
- Other payables to third parties	11	208.527	202.655	28.366.675
Long term provisions		45.782.522	36.627.258	32.683.148
- Long term provisions for employee benefits	19	45.782.522	36.627.258	32.683.148
Deferred revenue		27.455.102	14.801.962	15.570.889
- Deferred revenue to third parties	13	27.455.102	14.801.962	15.570.889
Deferred tax liability	29	172.223.944	167.610.797	192.561.856
Other long term liabilities		7.975.414	-	-
- Other long term liabilities to third parties	20	7.975.414	-	-
TOTAL LIABILITIES		4.543.705.303	4.357.359.833	3.466.503.480

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

CONVENIENCE TRANSLATION INTO ENGLISH OF CONSOLIDATED FINANCIAL STATEMENTS ORIGINALLY ISSUED IN TURKISH
BOYNER PERAKENDE VE TEKSTİL YATIRIMLARI A.Ş.
CONSOLIDATED BALANCE SHEETS AT 31 DECEMBER 2017 AND 2016
(Amounts expressed in Turkish Lira ("TRY") unless otherwise stated.)

	Notes	Audited 31 December 2017	Restated (Note 2.5) Audited 31 December 2016	Restated (Note 2.5) Audited 31 December 2015
EQUITY		22.787.840	122.595.705	606.983.123
Equity attributable to parent		20.766.494	121.282.016	606.630.756
Paid-in share capital	21	257.700.000	57.700.000	57.700.000
Adjustments to share capital	21	56.061.369	56.061.369	56.061.369
Share premium	21	565.433	138.375.874	867.300.000
Other comprehensive income/(expenses) not to be reclassified to profit or loss		(25.888.544)	(14.410.421)	(2.539.551)
- Gain/(loss) on revaluation and re-measurement	21	8.392.742	13.424.284	15.930.274
- Actuarial (loss)/gain arising from employee benefits		(34.281.286)	(27.834.705)	(18.469.825)
Other comprehensive income/(expenses) to be reclassified to profit or loss		(873.116)	(804.504)	(852.163)
- Currency translation differences		(873.116)	(804.504)	(852.163)
Impact of business combinations of entities under common control	21	(316.555.195)	(316.555.195)	(311.626.838)
Restricted reserves	21	33.451.107	33.451.107	33.451.107
- Profit from sales of participation shares or property that will be added to share capital		22.983.739	22.983.739	22.983.739
- Legal reserves		10.467.368	10.467.368	10.467.368
Retained earnings		310.957.323	638.566.948	289.597.828
Net loss for the period		(294.651.883)	(471.103.162)	(382.460.996)
Non-controlling interest		2.021.346	1.313.689	352.367
TOTAL LIABILITIES		4.566.493.143	4.479.955.538	4.073.486.603

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

CONVENIENCE TRANSLATION INTO ENGLISH OF CONSOLIDATED FINANCIAL STATEMENTS ORIGINALLY ISSUED IN TURKISH
BOYNER PERAKENDE VE TEKSTİL YATIRIMLARI A.Ş.
CONSOLIDATED STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE YEARS ENDED
31 DECEMBER 2017 AND 2016
(Amounts expressed in Turkish Lira ("TRY") unless otherwise stated.)

	Notes	Audited 31 December 2017	Restated (Note 2.5) Audited 31 December 2016
INCOME OR LOSS			
Revenue	22	4.230.282.696	3.482.640.466
Cost of sales (-)	22	(2.487.015.111)	(2.043.730.652)
GROSS PROFIT		1.743.267.585	1.438.909.814
Marketing expenses (-)	23	(1.263.483.543)	(1.103.489.520)
General administrative expenses (-)	23	(295.518.438)	(265.916.123)
Research and development expenses (-)	23	(3.031.743)	(3.616.251)
Other operating income	25	198.268.911	155.597.229
Other operating expenses (-)	25	(187.838.462)	(187.375.639)
OPERATING PROFIT		191.664.310	34.109.510
Income from investing activities	26	1.034.443	2.113.107
Expenses from investing activities (-)	26	(959.009)	(1.906.456)
Share of profit of investments accounted for using the equity method	6	24.716	1.485.624
OPERATING PROFIT BEFORE FINANCIAL INCOME/EXPENSES		191.764.460	35.801.785
Financial income	27	227.700.715	209.495.067
Financial expenses (-)	28	(686.275.667)	(650.782.289)
LOSS BEFORE TAX FROM CONTINUED OPERATIONS		(266.810.492)	(405.485.437)
Corporate tax expense (-)	29	(26.004.519)	(18.143.822)
Deferred tax (loss)/income	29	(899.675)	8.576.527
LOSS FROM CONTINUED OPERATIONS		(293.714.686)	(415.052.732)
LOSS FROM DISCONTINUED OPERATIONS	4	-	(55.584.022)
NET LOSS FOR THE PERIOD		(293.714.686)	(470.636.754)
Loss for the period attributable to			
Non-controlling interest		937.197	466.408
Equity holders of the parent		(294.651.883)	(471.103.162)
Loss per share			
Loss per share from continued operations	30	(2,49)	(7,19)
Loss per share from discontinued operations		-	(0,96)
OTHER COMPREHENSIVE LOSS			
Items not to be classified to profit or loss			
Actuarial losses arising from employee benefits	19	(8.058.226)	(11.706.100)
Deferred tax income	29	1.611.645	2.341.220
Items to be classified to profit or loss			
Currency translation differences		17.509	47.659
OTHER COMPREHENSIVE LOSS		(6.429.072)	(9.317.221)
TOTAL COMPREHENSIVE LOSS		(300.143.758)	(479.953.975)
Total comprehensive loss attributable to:			
Non-controlling interests		937.197	466.408
Equity holders of the parent		(301.080.955)	(480.420.383)

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

CONVENIENCE TRANSLATION INTO ENGLISH OF CONSOLIDATED FINANCIAL STATEMENTS ORIGINALLY ISSUED IN TURKISH
BOYNER PERAKENDE VE TEKSTİL YATIRIMLARI A.Ş.
CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY FOR THE YEARS ENDED 31 DECEMBER 2017 AND 2016
(Amounts expressed in Turkish Lira ("TRY") unless otherwise stated.)

	Other comprehensive income/ (expenses) not to be reclassified to profit or loss	Other comprehensive income/ (expenses) reclassified to profit or loss	Gain/(loss) on revaluation of property and re-measurement	Other gain/ losses	Actuarial loss	Impact of business combinations regarding common transactions	Restricted reserves	Retained earnings	Net loss for the period	Equity attributable to the parent	Non-controlling interest	Total equity
Balance at 1 January 2016	57.700.000	867.300.000	56.061.369	15.930.274	(18.469.825)	(311.626.838)	33.451.107	296.322.343	(381.635.406)	616.180.859	352.367	616.533.226
Effects of restatements (Note 2.5)	-	-	-	-	-	-	-	(8.724.515)	(825.588)	(9.550.103)	-	(9.550.103)
Balance at 1 January 2016 (restated)	57.700.000	867.300.000	56.061.369	15.930.274	(18.469.825)	(311.626.838)	33.451.107	289.597.828	(382.460.996)	606.630.756	352.367	606.983.123
Transfers (Note 21)	-	(728.924.126)	-	(2.505.990)	-	-	-	348.969.120	382.460.996	-	-	-
Dividend payment	-	-	-	-	-	-	-	-	-	-	(261.051)	(261.051)
Total comprehensive loss	-	-	-	-	(9.364.880)	-	-	-	(471.103.162)	(480.420.383)	466.408	(479.953.975)
Transactions with non-controlling interest (Note 21)	-	-	-	-	-	(4.928.357)	-	-	-	(4.928.357)	755.965	(4.172.392)
Balance at 31 December 2016	57.700.000	138.375.874	56.061.369	13.424.284	(27.834.705)	(316.555.195)	33.451.107	638.566.948	(471.103.162)	121.282.016	1.313.689	122.995.705
Balance at 1 January 2017	57.700.000	138.375.874	56.061.369	13.424.284	(27.834.705)	(316.555.195)	33.451.107	638.566.948	(471.103.162)	121.282.016	1.313.689	122.995.705
Effects of restatements (Note 2.5)	-	-	-	-	-	-	-	(9.550.103)	(857.703)	(10.407.806)	-	(10.407.806)
Balance at 1 January 2017 (restated)	57.700.000	138.375.874	56.061.369	13.424.284	(27.834.705)	(316.555.195)	33.451.107	638.566.948	(471.103.162)	121.282.016	1.313.689	122.995.705
Transfers (Note 21)	-	(138.375.874)	-	(5.031.542)	-	-	-	(327.695.746)	471.103.162	-	-	-
Dividend payment	-	-	-	-	-	-	-	-	-	-	(229.540)	(229.540)
Total comprehensive loss	-	-	-	-	(6.446.581)	-	-	-	(294.651.883)	(301.080.955)	937.197	(300.143.758)
Capital increase (Note 21)	200.000.000	565.433	-	-	-	-	-	-	-	200.565.433	-	200.565.433
Disposals of subsidiaries (Note 6)	-	-	-	-	-	-	-	86.121	-	-	-	-
Balance at 31 December 2017	257.700.000	565.433	56.061.369	8.392.742	(34.281.286)	(316.555.195)	33.451.107	310.957.323	(294.651.883)	20.766.494	2.021.346	22.787.840

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

CONVENIENCE TRANSLATION INTO ENGLISH OF FINANCIAL STATEMENTS ORIGINALLY ISSUED IN TURKISH
BOYNER PERAKENDE VE TEKSTİL YATIRIMLARI 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	Audited 1 January -31 December 2017	Audited 1 January -31 December 2016
A. CASH FLOWS FROM OPERATING ACTIVITIES		270.148.550	147.543.466
Net loss for the period		(293.714.686)	(470.636.754)
Loss from continuing operations		(293.714.686)	(415.052.732)
Loss from discontinued operations		-	(55.584.022)
Adjustments to reconcile loss for the period		1.034.358.891	956.286.438
Depreciation and amortization expense	15 and 16	133.849.241	123.424.730
Adjustments related to impairment		27.425.573	76.844.861
Adjustments related to impairment on receivables	10	2.171.200	19.801.635
Adjustments related to impairment on inventories	12	15.573.530	18.989.152
Adjustments related to impairment on investment properties	14	(1.270.000)	31.650.474
Adjustments related to other provisions		10.950.843	6.403.600
Adjustments related to provisions		108.767.498	68.397.789
Adjustments related to provisions for employment termination benefits		66.623.755	51.899.441
Adjustments related to provision for litigations	17	6.233.438	3.013.258
Adjustments related to other provisions	17	35.910.305	13.485.090
Adjustments related to interest income/(expenses)		382.963.396	310.145.580
Adjustments related to interest income	27	(29.391.740)	(29.517.061)
Adjustments related to interest expenses		419.798.200	347.290.102
Rediscount expense		7.116.288	(6.936.920)
Rediscount income		(14.559.352)	(690.541)
Adjustments related to unrealized gain/loss foreign currency differences		106.912.389	219.179.442
Adjustments related to fair value (gain)/loss		(83.065.940)	(141.703.334)
Adjustments related to fair value changes of derivative instruments	8	(83.065.940)	(141.703.334)
Adjustments related to the sale of non-current assets		(75.434)	(206.651)
Adjustments related to the (gain)/loss on sales of property and equipment	26	(75.434)	(206.651)
Adjustments related to undistributed profits of investments accounted for using equity method	6	(24.716)	(1.485.624)
Adjustments related to undistributed profit of associates		-	(1.267.699)
Adjustments related to undistributed profit of joint ventures		(24.716)	(217.925)
Adjustments related to tax (income)/losses		26.904.194	650.567
Other adjustments		330.702.690	301.039.078
Changes in net working capital		(41.426.797)	34.831.056
Adjustments related to decrease/(increase) in trade receivables		(25.099.696)	(36.913.209)
Decrease/(increase) in trade receivables from related parties		(23.259.234)	13.565.372
Decrease/(increase) in trade receivables from third parties		(1.840.462)	(50.478.581)
Adjustments related to decrease/(increase) in other receivables		5.128.359	(14.750.032)
Decrease/(increase) in other receivables from related parties		(544.155)	-
Decrease/(increase) in other receivables from third parties		5.672.514	(14.750.032)
Adjustments related to decrease/(increase) in inventories		(58.262.831)	(155.187.049)
Adjustments related to (increase)/decrease in prepaid expenses		(27.620.537)	(14.240.405)
Decrease/(increase) in prepaid expenses from third parties		(27.620.537)	(14.240.405)
Adjustments related to increase/(decrease) in trade payables		73.408.670	159.233.586
Increase/(decrease) in trade payables to related parties		4.578.269	4.878.123
Increase/(decrease) in trade payables to third parties		68.830.401	154.355.463
Adjustments related to increase/decrease in employee benefits payable		13.459.385	18.362.048
Adjustments related to increase/decrease in other payables		(55.941.951)	(19.920.350)
Increase (decrease) in other payables to related parties		(34.492.000)	-
Increase (decrease) in other payables to third parties		(21.449.951)	(19.920.350)
Adjustments related to increase/decrease in deferred income		23.364.563	92.579.224
Decrease (increase) in deferred income to third parties		23.364.563	92.579.224
Adjustments related to increase/(decrease) in other working capital		10.137.241	5.667.243
Increase/decrease in other assets related to operations		(5.027.959)	(2.753.297)
Increase/decrease in other liabilities related to operations)		15.165.200	8.420.540
Rent payments		(336.504.418)	(295.054.535)
Rent income		1.561.664	2.044.131
Employee termination benefits paid		(61.475.456)	(65.308.531)
Payments for other provisions	17	(2.467.853)	(906.541)
Other cash inflows (outflows)		(30.182.795)	(13.711.798)

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

CONVENIENCE TRANSLATION INTO ENGLISH OF FINANCIAL STATEMENTS ORIGINALLY ISSUED IN TURKISH
BOYNER PERAKENDE VE TEKSTİL YATIRIMLARI 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	Audited 1 January - 31 December 2017	Audited 1 January - 31 December 2016
B. CASH FLOWS FROM INVESTING ACTIVITIES		(141.138.913)	(25.352.875)
Cash outflows from purchases of tangible and intangible assets		(145.548.505)	(117.984.622)
Purchases of tangible assets	15	(132.830.426)	(98.524.073)
Purchase of intangible assets	16	(12.718.079)	(19.460.549)
Proceeds from disposal of property, equipment and intangible assets		4.409.592	10.646.357
Proceeds from disposal of property, equipment		4.369.053	10.619.998
Proceeds from disposal of intangible assets		40.539	26.359
Cash inflows from losing control of subsidiaries or other businesses		-	85.797.806
Cash outflows from purchase of additional shares of subsidiaries	21	-	(4.172.392)
Dividends received	6	-	359.976
C. CASH FLOWS FROM FINANCING ACTIVITIES		40.235.854	(22.850.478)
Proceeds from issuing shares or other equity instruments		200.565.433	-
Proceeds from issues of shares	21	200.000.000	-
Proceed from issues of other equity instrument	21	565.433	-
Proceeds from borrowings	7	1.490.533.421	2.953.144.948
Proceeds from bank borrowings		1.446.702.054	2.526.347.743
Proceeds from factoring transactions		39.688.200	416.451.581
Proceeds from other financial liabilities		4.143.167	10.345.624
Payments of financial liabilities	7	(1.701.201.282)	(2.565.424.971)
Cash outflows due to payments of bank borrowings		(1.372.234.843)	(2.152.690.080)
Cash outflows due to payments of issued debt instruments		(110.000.000)	(153.856.488)
Cash outflows due to the payments of factoring liabilities		(211.472.358)	(256.876.129)
Disposal related to other financial liabilities payments		(7.494.081)	(2.002.274)
Cash inflows from derivative instruments	8	-	72.221.068
Dividends paid		(229.540)	(261.051)
Increase in other payables to related parties		417.751.120	-
Decrease in other payables to related parties		-	(163.341.880)
Interest paid		(396.575.038)	(348.705.653)
Interest received		29.391.740	29.517.061
NET INCREASE IN CASH AND CASH EQUIVALENTS BEFORE THE EFFECT OF EXCHANGE RATE CHANGES (A+B+C)		169.245.491	99.340.113
D. EFFECTS OF EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS		17.509	47.659
NET INCREASE IN CASH AND CASH EQUIVALENTS (A+B+C+D)		169.263.000	99.387.772
E. CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE PERIOD	5	187.633.837	88.246.065
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD (A+B+C+D+E)	5	356.896.837	187.633.837

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

CONVENIENCE TRANSLATION INTO ENGLISH OF CONSOLIDATED FINANCIAL STATEMENTS ORIGINALLY ISSUED IN TURKISH
BOYNER PERAKENDE VE TEKSTİL YATIRIMLARI A.Ş.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS AT 31 DECEMBER 2017
(Amounts expressed in Turkish Lira ("TRY") unless otherwise stated.)

NOTE 1 - GROUP'S ORGANIZATION AND NATURE OF ACTIVITIES

Boyner Perakende ve Tekstil Yatırımları A.Ş. (the "Company" or "Boyner Perakende") incorporated by Boyner family with the registry of the Articles of Association dated 14 January 1952, published in the Trade Registry Gazette on 26 January 1952. The title of the Company formerly named as "Altinyıldız Mensucat ve Konfeksiyon Fabrikaları A.Ş." is changed as "Boyner Perakende ve Tekstil Yatırımları A.Ş." in accordance with the decision of the Board of Directors dated 27 January 2014, the approval of Capital Markets Board ("CMB") and the Republic of Turkey the Ministry of Customs and Trade on 10 April 2014. The Company is jointly controlled by Boyner Holding and Mayhoola for Investment OPC ("Mayhoola") as of 31 December 2017. The Company is registered to CMB and 15% of its shares offered to İstanbul Stock Exchange ("ISE") for the first time in 1991.

The registered address of the Company is "Eski Büyükdere Caddesi No: 14 Park Plaza K 15-16, Maslak, Sarıyer, İstanbul".

The core business of the Group is the investments of retail and production of textile products. The Company operates in retail industry through its subsidiaries AY Marka Mağazacılık A.Ş. ("AY Marka"), Boyner Büyük Mağazacılık A.Ş. ("BBM"), Beymen Mağazacılık A.Ş. ("Beymen"), and İzkar Giyim Ticaret ve Sanayi A.Ş. ("İzkar") and in textile through Altinyıldız Tekstil ve Konfeksiyon A.Ş. ("AYTK"). The subsidiaries of the Company, Alticom GmbH incorporated in Germany, Altinyıldız Corporation incorporated in USA and A&Y LLC incorporated in Dubai operate in foreign markets for the sale and marketing of textile products. Other subsidiaries of the Group disclosed in Note 2.6.. The Company together with its consolidated subsidiaries will be referred to as the "Group" hereafter.

The Group owns retail space of 371.879 square meters (298.999 square meters of its own stores and 72.880 square meters of others) (31 December 2016: 353.123 square meters (282.424 square meters of its own stores, and 70.699 square meters of others) and operates in 381 stores (294 own stores and 87 other) (31 December 2016: 351 stores (257 own stores and 94 other)).

The consolidated financial statements as at and for the year ended 31 December 2017 have been approved and authorized for issue on 27 February 2018 by the Board of Directors, and signed by the member of Board of Directors, Mustafa Türkay Tatar and Director of Financial Affairs, Ömer Akdoğan on behalf of Board of Directors. The General Assembly and specified regulatory bodies have the right to make amendments to the financial statements after issue.

NOTE 2 - BASIS OF PREPARATION OF FINANCIAL STATEMENTS

2.1 Basis of presentation

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

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

The Group and its Turkish subsidiaries maintains their books of accounts and prepares their statutory financial statements in accordance with the principles issued by CMB, the Turkish Commercial Code ("TCC"), tax legislation, the Uniform Chart of Accounts issued by the Ministry of Finance. The foreign subsidiary maintains its books of account in accordance with the laws and regulations in force in the countries in which they operate. These consolidated financial statements have been prepared under historical cost conventions except for the financial assets and investment properties carried at fair value. The consolidated financial statements are based on the statutory records, which are maintained under historical cost conventions, with the required adjustments and reclassifications reflected for the purpose of fair presentation in accordance with TAS. The consolidated financial statements are presented in accordance with "Announcement regarding with TAS Taxonomy" which was published on 2 June 2016 by POAASA and the format and mandatory information recommended.

CONVENIENCE TRANSLATION INTO ENGLISH OF CONSOLIDATED FINANCIAL STATEMENTS ORIGINALLY ISSUED IN TURKISH
BOYNER PERAKENDE VE TEKSTİL YATIRIMLARI A.Ş.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS AT 31 DECEMBER 2017
(Amounts expressed in Turkish Lira ("TRY") unless otherwise stated.)

NOTE 2 - BASIS OF PREPARATION OF FINANCIAL STATEMENTS (CONTINUED)

2.1 Basis of presentation (Continued)

Going concern assumption

The consolidated financial statements have been prepared assuming that the Company and its consolidated subsidiaries will continue as a going concern on the basis that they will be able to realize its assets and discharge its liabilities in the normal course of business. As of 31 December 2017, the total current liabilities of the Group exceed its total current assets by TRY 230.284.159 (31 December 2016: TRY 628.928.446, 31 December 2015: TRY 462.551.083). In addition, based on the evaluation performed in accordance with Article 376 of the Turkish Commercial Code, two out of three of the Group's capital and legal reserves are uncovered due to the current period loss. The management of the Group started to work on the compliance of their legal requirements. In this context, in the meeting of Board of Directors held on 27 February 2018, it is decided to prepare proforma interim balance sheet based on the going concern assumption in accordance with TCC 376. The Group management plans to increase its gross profit by increasing its retail revenue in 2018 and to reduce its costs through wholesale purchase and logistic efficiency plans. Nevertheless, the Group's shareholders continue to pursue financial and operational support to the Group. In addition, in 2018, the Group management started to work to sell up to 49% shares of its wholly owned subsidiary, Beymen, through public offering. As a result of this transaction, the total equity of the Group will increase as the amount of sales and it will continue its operations with its existing capital.

2.2 New and amended international financial reporting standards

The accounting policies adopted in preparation of the consolidated financial statements as at 31 December 2017 are consistent with those of the previous financial year, except for the adoption of new and amended TFRS and TFRIC interpretations effective as of 1 January 2018. The effects of these standards and interpretations on the Group's financial position and performance have been disclosed in the related paragraphs.

- a) In accordance with TAS 8 paragraph 28, standards, amendments and TFRICS applicable in annual periods starting from 31 December 2017
- Amendments to TAS 7, "Statement of cash flows"; on disclosure initiative effective from annual periods beginning on or after 1 January 2017. These amendments introduce an additional disclosure that will enable users of financial statements to evaluate changes in liabilities arising from financing activities. The amendment is part of the IASB's Disclosure Initiative, which continues to explore how financial statement disclosure can be improved. Related changes are applied but do not have any impact on Group's consolidated financial statements and performance.
 - Amendments TAS 12, "Income Taxes"; effective from annual periods beginning on or after 1 January 2017. The amendments clarify the accounting for deferred tax where an asset is measured at fair value and that fair value is below the asset's tax base. It also clarify certain other aspects of accounting for deferred tax assets. Related changes do not have any impact on Group's consolidated financial statements and performance.
 - Annual improvements 2014-2016, effective from annual periods beginning on or after 1 January 2017. Related changes do not have any impact on Group's consolidated financial statements and performance.
 - TFRS 12, "Disclosure of interests in other entities"; regarding clarification of the scope of the standard. These amendments should be applied retrospectively for annual periods beginning on or after 1 January 2017. This amendment clarifies that the disclosures requirement of TFRS 12 are applicable to interest in entities classified as held for sale except for summarized financial information. Related changes do not have any impact on Group's consolidated financial statements and performance.
- b) In accordance with TAS 8 paragraph 30, standards, amendments and interpretations issued as of 31 December 2017 but not early adopted by Group:
- TFRS 9, "Financial instruments"; effective from annual periods beginning on or after 1 January 2018. This standard replaces the guidance in IAS 39. It includes requirements on the classification and measurement of financial assets and liabilities; it also includes an expected credit losses model that replaces the current incurred loss impairment model. The effect of this standard on the consolidated financial statements of the Group is related to the new impairment model that will be applied and when adopted, the Group does not expect any material impact on the consolidated financial statements and performance.

CONVENIENCE TRANSLATION INTO ENGLISH OF CONSOLIDATED FINANCIAL STATEMENTS ORIGINALLY ISSUED IN TURKISH
BOYNER PERAKENDE VE TEKSTİL YATIRIMLARI A.Ş.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS AT 31 DECEMBER 2017
(Amounts expressed in Turkish Lira ("TRY") unless otherwise stated.)

NOTE 2 - BASIS OF PREPARATION OF FINANCIAL STATEMENTS (CONTINUED)

2.2 New and amended international financial reporting standards (Continued)

- TFRS 15, "Revenue from contracts with customers"; effective from annual periods beginning on or after 1 January 2018. TFRS 15, "Revenue from contracts with customers" is a converged standard from the IASB and FASB on revenue recognition. The standard will improve the financial reporting of revenue and improve comparability of the top line in financial statements globally. The effect of this standard on the consolidated financial statements is related with the accounting of discount cheques given to customers within sales campaigns, revenue related to these cheques will be deferred until the cheques are used when the standard is adopted. Due to this change in standard, the Group does not expect any material impact on the consolidated financial statements and performance.
- Amendment to TFRS 15, "Revenue from contracts with customers", effective from annual periods beginning on or after 1 January 2018. These amendments comprise clarifications of the guidance on identifying performance obligations, accounting for licences of intellectual property and the principal versus agent assessment (gross versus net revenue presentation). New and amended illustrative examples have been added for each of those areas of guidance. The IASB has also included additional practical expedients related to transition to the new revenue standard. The effect of this standard on the consolidated financial statements is related with the accounting of discount cheques given to customers within sales campaigns, revenue related to these cheques will be deferred until the cheques are used when the standard is adopted. Due to this change in standard, the Group does not expect any material impact on the consolidated financial statements and performance.
- Amendment to TAS 40, "Investment property" relating to transfers of investment property; effective from annual periods beginning on or after 1 January 2018. These amendments clarify that to transfer to, or from, investment properties there must be a change in use. To conclude if a property has changed use there should be an assessment of whether the property meets the definition. This change must be supported by evidence. The Group does not expect any material impact on the consolidated financial statements and performance.
- Annual improvements 2014-2016; effective from annual periods beginning on or after 1 January 2018. These amendments impact 2 standards. The Group does not expect any material impact on the consolidated financial statements and performance.
 - TFRS 1, "First time adoption of IFRS", regarding the deletion of short-term exemptions for first-time adopters regarding TFRS 7, TAS 19 and TFRS 10,
 - TAS 28, "Investments in associates and joint venture" regarding measuring an associate or joint venture at fair value.
- TFRIC 22, "Foreign currency transactions and advance consideration"; effective from annual periods beginning on or after 1 January 2018. This IFRIC addresses foreign currency transactions or parts of transactions where there is consideration that is denominated or priced in a foreign currency. The interpretation provides guidance for when a single payment/receipt is made as well as for situations where multiple payments/receipts are made. The guidance aims to reduce diversity in practice. The Group does not expect any material impact on the consolidated financial statements and performance.
- Amendment to TFRS 9, "Financial instruments"; effective from annual periods beginning on or after 1 January 2019. This amendment confirm that when a financial liability measured at amortized cost is modified without this resulting in de-recognition, a gain or loss should be recognized immediately in profit or loss. The gain or loss is calculated as the difference between the original contractual cash flows and the modified cash flows discounted at the original effective interest rate. This means that the difference cannot be spread over the remaining life of the instrument which may be a change in practice from TAS 39. The effect of this standard on the consolidated financial statements of the Group is related to the new impairment model that will be applied and when adopted, the Group does not expect any material impact on the consolidated financial statements and performance.
- Amendment to TAS 28, "Investments in associates and joint venture"; effective from annual periods beginning on or after 1 January 2019. These amendments clarify that company's account for long-term interests in associate or joint venture to which the equity method is not applied using TFRS 9. The Group does not expect any material impact on the consolidated financial statements and performance.

CONVENIENCE TRANSLATION INTO ENGLISH OF CONSOLIDATED FINANCIAL STATEMENTS ORIGINALLY ISSUED IN TURKISH
BOYNER PERAKENDE VE TEKSTİL YATIRIMLARI A.Ş.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS AT 31 DECEMBER 2017
(Amounts expressed in Turkish Lira ("TRY") unless otherwise stated.)

NOTE 2 - BASIS OF PREPARATION OF FINANCIAL STATEMENTS (CONTINUED)

2.2 New and amended international financial reporting standards (Continued)

- TFRS 16, "Leases"; effective from annual periods beginning on or after 1 January 2019, this standard replaces the current guidance in TAS 17 and is a far-reaching change in accounting by lessees in particular. Under TAS 17, lessees were required to make a distinction between a finance lease (on balance sheet) and an operating lease (off balance sheet). TFRS 16 now requires lessees to recognize a lease liability reflecting future lease payments and a 'right of use asset' for virtually all lease contracts. At the very least, the new accounting model for lessees is expected to impact negotiations between lessors and lessees. Under TFRS 16, a contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. Right of use assets will be amortized during the rent period, liability arising from the right of use assets will be carried at its amortized cost. Moreover, amortization expense, interest expense and foreign exchange income/expense will be recognized in the consolidated statement of income instead of rent expenses. Group Management expects that this standard will significantly affect the financial ratios and performance indicators of the Group, and they are in the process of assessment of impacts for the related changes on the consolidated financial statements and performance.
- TFRIC 23, "Uncertainty over income tax treatments"; effective from annual periods beginning on or after 1 January 2019. This IFRIC clarifies how the recognition and measurement requirements of TAS 12 "Income taxes" will be accepted by the tax authority. For example, a decision to claim a deduction for a specific expense or not to include a specific item of income in a tax return is an uncertain tax treatment if its acceptability is uncertain under tax law. TFRIC 23 applies to all aspects of income tax accounting where there is an uncertainty regarding the treatment of an item, including taxable profit or loss, the tax bases of assets and liabilities, tax losses and credits and tax rates. The Group does not expect any material impact on the consolidated financial statements and performance.
- An uncertain tax treatment is any tax treatment applied by an entity where there is uncertainty over whether that treatment will be accepted by the tax authority. For example, a decision to claim a deduction for a specific expense or not to include a specific item of income in a tax return is an uncertain tax treatment if its acceptability is uncertain under tax law. TFRIC 23 applies to all aspects of income tax accounting where there is an uncertainty regarding the treatment of an item, including taxable profit or loss, the tax bases of assets and liabilities, tax losses and credits and tax rates. The Group does not expect any material impact on the consolidated financial statements and performance.

2.3 Compliance with TAS

The Group prepared its consolidated financial statements as of 31 December 2017 in accordance with Communiqué Serial II, No: 14.1 and the related announcements. The consolidated financial statements and notes are presented in accordance with the formats recommended by the CMB including the implementation of mandatory disclosures.

2.4 Presentation and functional currency

The individual financial statements of each group entity are presented in the currency of the primary economic environment in which the entity operates (its functional currency). The results and financial position of each consolidated entity are expressed in Turkish Lira ("TRY"), which is the functional currency of the Company and the presentation currency of the consolidated financial statements. The functional currency of the Company's subsidiaries, Alticom GmbH and Altinyıldız Corporation are Euro ("EUR") and United States Dollars ("USD") respectively. In the consolidated financial statements, the balance sheet accounts of foreign subsidiaries whose functional currency are EUR and USD are translated into TRY which the Group's presentation and functional currency by using exchange rates as at the balance sheet date; the accounts of the statement of comprehensive income are translated into TRY by using the average exchange rate calculated for the year. The foreign currency exchange differences calculated related to the usage of closing and average exchange rates are recognized under currency translation differences classified under equity.

The foreign currency exchange rates used for the purpose of translation of foreign operations included in the consolidation are as follows:

Currency	31 December 2017		31 December 2016	
	Period End	Period Average	Period End	Period Average
USD	3,7719	3,6444	3,5192	3,0181
EUR	4,5155	4,1158	3,7099	3,3375

CONVENIENCE TRANSLATION INTO ENGLISH OF CONSOLIDATED FINANCIAL STATEMENTS ORIGINALLY ISSUED IN TURKISH
BOYNER PERAKENDE VE TEKSTİL YATIRIMLARI A.Ş.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS AT 31 DECEMBER 2017
(Amounts expressed in Turkish Lira ("TRY") unless otherwise stated.)

NOTE 2 - BASIS OF PREPARATION OF FINANCIAL STATEMENTS (CONTINUED)

2.5 Comparatives and restatement of prior periods' financial statements

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

The Group's 33% associate, Nile Bosphorus was carried at cost in prior periods. The Group decided that they do not have any significant influence over the investment based on the assessment made by the Group management as of 31 December 2017. As a result of the subsequent evaluations, the Group has provided provision for the investment amounting to TRY 5.472.508 as of 1 January 2015. In addition, the Group provided provision for the trade receivables amounting to TRY 3.252.007. As a result of these adjustments, provision provided for the investment of Nile Bosphorus amounting to TRY 5.472.508 and long term trade receivables amounting to TRY 3.252.007, and the retained earnings as of 31 December 2014 decreased by TRY 8.724.515 (31 December 2015: decreased by TRY 9.550.103, 31 December 2016: decreased by TRY 10.407.806), net profit of the period decreased by TRY 857.703 as of 31 December 2016 (31 December 2015: decreased by TRY 825.588).

The reconciliation of these restatements with the prior period's financial statement is as follows:

	Previously reported 31 December 2016	Restated 31 December 2016	Difference
Trade receivables from related parties (long term)	4.935.298	-	(4.935.298)
Investments accounted for using the equity method	5.472.508	-	(5.472.508)
Retained earnings	648.117.051	638.566.948	(9.550.103)
Net loss for the period	(470.245.459)	(471.103.162)	(857.703)
Equity attributable to parent	131.689.822	121.282.016	(10.407.806)
Non-controlling interest	1.313.689	1.313.689	-
Total equity	133.003.511	122.595.705	(10.407.806)

	Previously reported 31 December 2015	Restated 31 December 2015	Difference
Trade receivables from related parties (long term)	4.077.595	-	(4.077.595)
Investments accounted for using the equity method	5.472.508	-	(5.472.508)
Retained earnings	298.322.343	289.597.828	(8.724.515)
Net loss for the period	(381.635.408)	(382.460.996)	(825.588)
Equity attributable to parent	616.180.859	606.630.756	(9.550.103)
Non-controlling interest	352.367	352.367	-
Total equity	616.533.226	606.983.123	(9.550.103)

As of 31 December 2017, in order to comply with the presentation of the consolidated financial statements in the current period, inventory count differences amounting to TRY 7.039.010 classified in sales marketing expenses in the income statement for the period ended 31 December 2016 are classified as cost of goods sold. Income amounting to TRY 38.437.230, which is net of from revenues in the income statement for the year ended 31 December 2016, is reclassified to the cost of goods sold. Foreign exchange gains and losses amounting to TRY 138.904.558 which are classified as gross in finance income and expenses and foreign exchange gains and losses amounting to TRY 30.467.402 classified as other income and expenses from operating activities are net off in the same accounts.

CONVENIENCE TRANSLATION INTO ENGLISH OF CONSOLIDATED FINANCIAL STATEMENTS ORIGINALLY ISSUED IN TURKISH
BOYNER PERAKENDE VE TEKSTİL YATIRIMLARI A.Ş.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS AT 31 DECEMBER 2017
(Amounts expressed in Turkish Lira ("TRY") unless otherwise stated.)

NOTE 2 - BASIS OF PREPARATION OF FINANCIAL STATEMENTS (CONTINUED)

2.6 Summary of significant accounting policies

Principles of consolidation

The consolidated financial statements include the parent company, Boyner Perakende, and its subsidiaries; BBM, Beymen, AY Marka, AYTK, Nişantaşı Turistik İşletmeleri A.Ş. ("Nişantaşı Turistik"), İzkar, Beymen İç ve Dış Ticaret A.Ş. ("Beymen İç ve Dış"), A&Y LLC, Alticom ve Altinyıldız Corporation for the period ended at 31 December 2017. Subsidiaries are fully consolidated from the date on which control is transferred to the Company.

Basis of Consolidation

The consolidated financial statements include the accounts of the Group on the basis set out in sections below. The financial statements of the fully consolidated subsidiaries have been prepared with required adjustments and reclassifications for the purpose of compliance with CMB financial reporting standards and the accounting policies of the Group. The financial results of the subsidiaries are fully consolidated from the date on which control is transferred to the Group or deconsolidated from the date that control ceases.

The control is provided with influence on the activities of an entity's financial and operational policies in order to obtain economic benefit from those activities.

Subsidiaries are companies over which the company has the power to control the financial and operating policies for the benefit of the Company, either (a) through the power to exercise more than 50% of the voting rights relating to shares in the companies as a result of ownership interest owned directly and indirectly by itself, or (b) although not having the power to exercise more than 50% of the ownership interest, and/or as a result of agreements by certain the company members and companies owned by them whereby the company exercises control over the ownership interest of the shares held by them; otherwise the power to exercise control over the financial and operating policies.

The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the group controls another entity.

The table below sets out the subsidiaries fully consolidated, the proportion of ownership interest and the effective interest of the Group in these subsidiaries as of 31 December 2017 and 2016:

Subsidiary	Country of registration	Nature of business	31 December 2017 Effective ownership (%)	31 December 2016 Effective ownership (%)	31 December 2015 Effective ownership (%)
AY Marka	Turkey	Retail operations	100,00	100,00	100,00
BBM	Turkey	Retail operations	100,00	100,00	99,08
Beymen (1)	Turkey	Retail operations	100,00	100,00	100,00
AYTK	Turkey	Sale and marketing of textile products Real estate development	100,00	100,00	100,00
Alticom (2)	Germany	Sale and marketing of textile products	-	100,00	100,00
Altinyıldız Corporation	USA	Sale and marketing of textile products	100,00	100,00	100,00
A&Y LLC	Dubai	Sale and marketing of textile products	100,00	100,00	100,00
Nişantaşı Turistik	Turkey	Restaurant operations	75,00	75,00	75,00
İzkar	Turkey	Retail Operations	74,60	74,60	74,60
Beymen İç ve Dış Ticaret	Turkey	Export-Import	100,00	100,00	100,00
Anka Mağazacılık A.Ş.(3)	Turkey	Retail Operations	-	100,00	100,00
Bulin (3)	Turkey	Export-Import	-	100,00	-

- (1) As stated in the announcement of Public Disclosure Platform made on 20 December 2017, the Company decided to start working on the public offering of its shares up to 49% within the framework of market conditions.
- (2) The liquidation process of Alticom has started in 2014 and the process is continuing as of 31 December 2017.
- (3) Anka and Anka's fully owned subsidiary, Bulin merged with Beymen, the subsidiary of the Group, as of 30 November 2017.

CONVENIENCE TRANSLATION INTO ENGLISH OF CONSOLIDATED FINANCIAL STATEMENTS ORIGINALLY ISSUED IN TURKISH
BOYNER PERAKENDE VE TEKSTİL YATIRIMLARI A.Ş.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS AT 31 DECEMBER 2017
(Amounts expressed in Turkish Lira ("TRY") unless otherwise stated.)

NOTE 2 - BASIS OF PREPARATION OF FINANCIAL STATEMENTS (CONTINUED)

2.6 Summary of significant accounting policies (Continued)

Subsidiaries are fully consolidated from the date on which control is transferred to the Group, and they are deconsolidated from the date that control ceases. Accounting policies of subsidiaries are changed to ensure consistency with the policies adopted by the Group.

The result of operations of subsidiaries acquired or sold during the year are included in the consolidated statement of comprehensive income from the date of acquisition or until the date of sale.

The balance sheets and statements of income of the subsidiaries are consolidated on line-by-line basis and the carrying value of the investment held by the Company and its subsidiaries is net off against the related shareholders' equity. Intercompany transactions and balances between the Company and its Subsidiaries are net off during the consolidation. The cost of, and the dividends arising from, shares held by the Group in its subsidiaries are net off from shareholders' equity and income for the period, respectively.

The share of non-controlling parties in the net assets and the results of subsidiaries for the period are separately classified as non-controlling interest in the consolidated balance sheets and statements of income. The non-controlling interests consist of shares from initial business combinations and the non-controlling shares from the changes in equity after the acquisition date. When the loss applicable to the non-controlling shareholders exceed the non-controlling interest in the equity of the subsidiary, the excess loss and the further losses applicable to the non-controlling shareholders are charged against the non-controlling interest.

Equity method

Associates and joint ventures of Beymen, which is the subsidiary of the Group, are accounted for using the equity method. These are entities over which the Group has significant influence but not control, generally accompanying a shareholding of between 20% and 50% of the voting rights. Under the equity method, these investments are initially recognized at cost, and the carrying amount is increased or decreased to recognize the Group's share of the profit or loss or the investees after the date of acquisition. The consolidated statements of income reflect the Group's share of the net results of operations of the associates and joint ventures.

Investments are accounted for using the equity method considering the Group's total share portions which are owned directly or indirectly from its subsidiaries. Non-controlling interests are calculated by taking into consideration of the effective rate on investments over the subsidiaries.

The investments in associates are carried on the balance sheet at cost plus post-acquisition changes in the Group's share of net assets of the associates. Goodwill relating to an associate is included in the carrying amount of the investment and is not amortized, if any. The income statement reflects the Group's share of the results of operations of the associates. When there is a change recognized directly in the equity of an associate, the Group recognizes its share of any changes and discloses this when applicable, in the statement of changes in equity. Profits and losses resulting from the transactions between the Group and the associate are eliminated to the extent of the interest in the associate. The reporting dates of the associates and the Group are identical and the associates' accounting policies conform to those of the Group for like transactions and events in similar circumstances.

The associates and joint ventures accounted for using the equity method and the rates of effective ownership as of 31 December 2017 and 2016 are as follows:

Subsidiary	Country of registration	Nature of business	31 December 2017 Effective ownership (%)	31 December 2016 Effective ownership (%)	31 December 2015 Effective ownership (%)
Christian Dior İstanbul Mağazacılık A.Ş. ("Christian Dior")	Turkey	Commerce	49,00	49,00	49,00
Elif Co. For General Trading Ltd. ("Elif Co") (*)	Iraq	Commerce	-	50,00	50,00
Christian Louboutin Mağazacılık A.Ş. ("Christian Louboutin")	Turkey	Commerce	30,00	30,00	30,00

(*) The liquidation process of Elif Co. which started in 2016 has completed on 12 April 2017.

CONVENIENCE TRANSLATION INTO ENGLISH OF CONSOLIDATED FINANCIAL STATEMENTS ORIGINALLY ISSUED IN TURKISH
BOYNER PERAKENDE VE TEKSTİL YATIRIMLARI A.Ş.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS AT 31 DECEMBER 2017
(Amounts expressed in Turkish Lira ("TRY") unless otherwise stated.)

NOTE 2 - BASIS OF PREPARATION OF FINANCIAL STATEMENTS (CONTINUED)

2.6 Summary of significant accounting policies (Continued)

Offsetting

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

Accounting estimates

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

Significant estimates used in the preparation of these financial statements and the significant judgments with the most significant effect on amounts recognized in the financial statements are mainly related with deferred tax assets, provisions, provision for impairment on special costs, impairment test of intangible assets and goodwill, provision for impairment on inventories and the fair value of investment properties (Note 2.7).

Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable, and represents amounts receivable for goods supplied, stated net of discounts, returns and value added taxes. The Group recognizes revenue when the amount of revenue can be reliably measured; when it is probable that future economic benefits will flow to the entity; and when specific criteria have been met for each of the Group's activities.

Sale of goods - retail

The Group operates in retail sector. Sales of goods are recognized when a group company sells a product to the customer. Retail sales are usually in cash or by credit card. Group's policy is to sell its products to the retail customer with a right to return within a particular time. The provisions for sales returns and discounts are determined in accordance with Group's return policy and recognized in the consolidated financial statements.

Sales of goods - wholesale

The Group manufactures and sells a range of textile and ready to wear products in the wholesale market. Sales of goods are recognized when the Group has delivered products to the wholesaler, the wholesaler has full discretion over the channel and price to sell the products, and there is no unfulfilled obligation that could affect the wholesaler's acceptance of the products. Delivery does not occur until the products have been shipped to the specified location, the risks of obsolescence and loss have been transferred to the wholesaler, and either the wholesaler has accepted the products in accordance with the sales contract, the acceptance provisions have lapsed or the group has objective evidence that all criteria for acceptance have been satisfied. The Group used accumulated experience to estimate provisions for sales returns and discounts and recognized related provisions in the consolidated financial statements.

When it is collected cash or cash equivalents in return to sales, revenue amount recognized is equal to the amount of cash and cash equivalents. However, the wholesale transactions of the Group effectively constitute a financing transaction; the fair value of the consideration is determined by discounting all future receipts using an imputed rate of interest. The difference between the fair value and the nominal amount of the consideration is recognized in the period on an accrual basis as other operating income.

Online sales

Revenue of online sales is recognized when the Group has delivered the risk and rewards of the products to the courier company. Transactions are performed via debit cards or credit cards.

The products are sold to the customers with a right to return in a time limit defined in accordance with the Group accounting policies. The Group accounted for return accrual based on historical experience in its consolidated financial statements.

CONVENIENCE TRANSLATION INTO ENGLISH OF CONSOLIDATED FINANCIAL STATEMENTS ORIGINALLY ISSUED IN TURKISH
BOYNER PERAKENDE VE TEKSTİL YATIRIMLARI A.Ş.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS AT 31 DECEMBER 2017
(Amounts expressed in Turkish Lira ("TRY") unless otherwise stated.)

NOTE 2 - BASIS OF PREPARATION OF FINANCIAL STATEMENTS (CONTINUED)

2.6 Summary of significant accounting policies (Continued)

Rent income obtained from investment properties

Rent income from investment properties is recognized on an accrual basis. Revenue is realized when economic benefits arising from the transaction have passed, and when the amount of such income can be reliably measured. Rent discounts and similar promotions granted to existing tenants from time to time are net off from rent revenues as they are not rent incentives for acquisition of new contracts.

Gain on sales of real estate inventories

Real estate inventories are carried at their costs until they are sold. Revenue is recognized when the risk and benefit of these inventories are transferred to the buyer (from the Group to the customers) and the revenue amount is reliably measured.

Other income

Other income of the Group recognized according to following terms:

- Rent and royalty income - according to substance over form about the agreements, on accruals basis,
- Interest income - accrued using the effective interest method which brings the remaining principal amount and expected future cash flows,
- Dividend income - recorded as income of the collection right transfer date.

Cash and cash equivalents

Cash and cash equivalents includes cash in hand, credit card receivables, deposits held at call with banks and other short-term liquid investments with original maturities of 3 months or less.

Trade receivables

Trade receivables are recognized initially at fair value and subsequently measured at amortized cost using the effective interest method, less provision for impairment. Trade receivables net of deferred finance income, are calculated using the effective interest method based on the collection amount in the subsequent period instead on the amount at the invoice date. Short term trade receivables with no determined interest rate are measured at the original invoice amount if the effect of interest accrual is not significant. Management estimates provision for doubtful receivables when the collection of the trade receivable is not probable. If some portion or total of doubtful receivables which the management provided provision for, are collected in the subsequent period, the collection amount is recognized as other income and provision provided for these receivables is released.

Inventories

Inventories are stated at the lower of cost or net realizable value. The cost of inventories comprises all purchase costs and the overheads that have been incurred in bringing the inventories to their present location and condition. The cost is determined using the monthly weighted average method for all inventories; the cost of semi-finished goods and finished goods takes portion from production cost. Net realizable value is the estimated selling price in the ordinary course of business, less applicable variable selling expenses. The cost of inventories excludes borrowing costs.

Investment properties

In accordance with TAS 40 "Investment properties"; land and buildings those are held for rent income generation or value appreciation or both, rather than for using in the production of goods or the sale in the ordinary course of business are classified as "Investment property" and carried at fair value in the consolidated financial statements. The gain or loss related to the change in the fair value determined for the first time and the cost of investment properties is recognized in equity, gain or loss determined in the subsequent periods is recognized in the consolidated financial statements.

The investment properties are derecognized if it is not expected to achieve any economic benefit by the sale or the use in the subsequent periods. The gain and loss occurred related to the disposal of investment properties is recognized in the income statements when they occur.

CONVENIENCE TRANSLATION INTO ENGLISH OF CONSOLIDATED FINANCIAL STATEMENTS ORIGINALLY ISSUED IN TURKISH
BOYNER PERAKENDE VE TEKSTİL YATIRIMLARI A.Ş.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS AT 31 DECEMBER 2017
(Amounts expressed in Turkish Lira ("TRY") unless otherwise stated.)

NOTE 2 - BASIS OF PREPARATION OF FINANCIAL STATEMENTS (CONTINUED)

2.6 Summary of significant accounting policies (Continued)

Property, plant and equipment

All property and equipment is initially recorded at cost and recorded at cost less accumulated depreciation and accumulated impairment loss. When assets are sold or retired, their cost and accumulated depreciation are eliminated from the related accounts and any gain or loss resulting from their disposal is included in the statement of income.

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

Assets to be used for administrative purposes, or used in the production of goods and services and are in the course of construction are carried at cost, less any recognized impairment loss. Legal fees are included in the cost. For assets that need considerable time to be ready for sale or use, borrowing costs are capitalized in accordance with the Group's accounting policy. As it is for the other fixed assets, such assets are depreciated when the assets are ready for their intended use.

Except for the land and construction in progress, depreciation is computed on a straight-line basis over the estimated useful lives. The depreciation terms are as follows

	Useful Life (Year)
Land improvements	20
Buildings	40-50
Machinery	5-15
Equipment, machinery and installations	3-20
Motor vehicles	4-5
Furniture and fixtures	3-16
Leasehold improvements	3-15

Expected useful life, residual value and depreciation method are evaluated every year for the probable effects of changes arising in the expectations; the analogy of the depreciation method and useful life used for the calculation with the economic benefits obtained from the asset are checked, the changes in the assumptions, if any, are accounted for prospectively.

Properties and equipment 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. Fair value less cost to sell is the amount obtainable from the sale of an asset less the costs of disposal.

Gains or losses on disposals or suspension of property, plant and equipment are determined by sale revenue less net book value and collected amount and included in the related other income or other expense accounts, as appropriate.

Gain on revaluation and re-measurement fund classified under equity is transferred to retained earnings when the assets carried at fair value are sold.

Intangible assets

Intangible assets acquired

Intangible assets acquired separately are carried at cost, less accumulated amortization and any accumulated impairment losses. Amortization is charged on a straight-line basis over their estimated useful lives. Estimated useful life and amortization method are reviewed at the end of each year and the effect of any change in the estimate is accounted for prospectively. The costs of intangible assets includes their purchase cost and they are amortized based on their economic lives (5-15 years).

CONVENIENCE TRANSLATION INTO ENGLISH OF CONSOLIDATED FINANCIAL STATEMENTS ORIGINALLY ISSUED IN TURKISH
BOYNER PERAKENDE VE TEKSTİL YATIRIMLARI A.Ş.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS AT 31 DECEMBER 2017
(Amounts expressed in Turkish Lira ("TRY") unless otherwise stated.)

NOTE 2 - BASIS OF PREPARATION OF FINANCIAL STATEMENTS (CONTINUED)

2.6 Summary of significant accounting policies (Continued)

Brands

Separately acquired brands are shown at historical cost; brands acquired in a business combination are recognized at fair value at the acquisition date in the consolidated financial statements.

The Group has assessed the useful lives of brands as indefinite due to the fact that there is no foreseeable limit to the period over which brands are expected to generate net cash inflows for the Group. Brands that have an indefinite useful life are not subject to amortization. Brands are tested for impairment annually or whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. If there is an indicator initial recognition value in an asset is greater than estimated net realizable value, the value of asset should be recorded at recoverable value.

Customer and franchise network

Customer and franchise network acquired in a business combination are recognized at fair value in the consolidated financial statements at the acquisition date. They are amortized over their estimated useful lives (10-20 years).

Favorable lease contracts

Favorable lease contracts acquired in a business combination are recognized at fair value in the consolidated financial statements at the acquisition date. They are amortized over their estimated useful lives (10-15 years)

Business combinations and goodwill

A business combination is the bringing together of separate entities or businesses into one reporting entity. Business combinations are accounted for using the purchase method in accordance with TFRS 3 (Note 3).

The cost of a business combination is the fair value, at the date of exchange, of assets given, liabilities incurred or assumed, and equity instruments issued by the acquirer, in exchange for control of the acquired business and in addition, any costs directly attributable to the business combination. The cost of the business combination at the date of the acquisition is adjusted if a business combination contract includes clauses that enable adjustments to the cost of business combination depending on events after acquisition date, and the adjustment is measurable more probable than not. Costs of the acquisition are recognized in the related period. Goodwill arises on the acquisition of subsidiaries and represents the excess of the consideration transferred over the Group's 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 acquire. For the purpose of impairment testing, 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 is monitored at the operating segment level. 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 to sell. Any impairment is recognized immediately as an expense and is not subsequently reversed.

Legal mergers arising between companies controlled by the Group are not considered within the scope of TFRS 3. Consequently, no goodwill is recognized in these transactions. Similarly, the effects of all transactions between the legally merged enterprises, whether occurring before or after the legal merger, are corrected in the preparation of the consolidated financial statements.

Impairment of non-financial assets

The carrying values of assets are reviewed for impairment when events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. 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 of disposal and value in use. Value in use is the present value of estimated future cash flows expected to arise from the use of an asset and from its disposal at the end of its useful life while the net selling price is the amount that will be collected from the sale of the asset less costs of disposal. A cash-generating unit is the smallest identifiable group of assets that generates cash inflows that are largely independent of the cash flows from other assets or group of assets.

Reversal of impairment losses recognized in prior years is recorded when there is an indication that the impairment losses recognized for the asset no longer exist or has decreased. The reversal is recorded in the statement of income.

CONVENIENCE TRANSLATION INTO ENGLISH OF CONSOLIDATED FINANCIAL STATEMENTS ORIGINALLY ISSUED IN TURKISH
BOYNER PERAKENDE VE TEKSTİL YATIRIMLARI A.Ş.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS AT 31 DECEMBER 2017
(Amounts expressed in Turkish Lira ("TRY") unless otherwise stated.)

NOTE 2 - BASIS OF PREPARATION OF FINANCIAL STATEMENTS (CONTINUED)

2.6 Summary of significant accounting policies (Continued)

Financial investments

Classification

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

Receivables

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 reporting period. Those with maturities greater than 12 months are classified as non-current assets. The receivables are classified as "trade and other receivables" in the consolidated balance sheets.

Other receivables

Other receivables are receivables other than the trade receivables and financial investments. Other receivables consist of deposits and guarantees, other receivables from related parties, receivables from public administrations other than those related to the current period tax, advances for inventory and other various receivables. Other receivables are classified as current assets if their maturity is less than 12 months and classified as non-current assets if it is more than 12 months as of the balance sheet date.

Available for sale financial assets

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

Held to maturity financial assets

Held to maturity financial assets are debt securities with fixed maturities, where management has both the intent and the ability to hold to the maturity, excluding the financial assets classified as originated loans and advances to customers. Held-to-maturity financial assets are carried at amortized cost using the effective interest method.

Recognition and measurement

Regular purchases and sales of financial assets are recognized on the trade date - the date on which the group commits to purchase or sell the asset. Investments are initially recognized at fair value plus transaction costs for all financial assets. Financial assets are derecognized when the rights to receive cash flows from the investments have expired or have been transferred and the group has transferred substantially all risks and rewards of ownership. Available-for-sale financial assets are subsequently carried at fair value.

Loans and receivables are carried at amortized cost using the effective interest method. Changes in the fair value of monetary securities denominated in a foreign currency and classified as available for sale are analyzed for translation differences resulting from changes in amortized cost of the security and other changes in the carrying amount of the security. The translation differences on monetary securities are recognized in the income statement; translation differences on non-monetary securities are recognized in equity. Changes in the fair value of monetary and non-monetary securities classified as available for sale are recognized in equity. Held-for-trading derivative financial instruments are initially recognized in the consolidated financial statements at cost and are subsequently measured at their fair value. Changes in the fair values of held-for-trading derivative financial instruments are included in the consolidated statements of income.

The fair values of quoted investments are based on current bid prices. If the market for a financial asset is not active (and for unlisted securities), the Group establishes fair value by using valuation techniques. These include the use of recent arm's length transactions, reference to other instruments that are substantially the same, discounted cash flow analysis, and option pricing models. If the market for a financial asset is not active and the fair value of the financial asset cannot be measured reliably, aforementioned financial assets are accounted for cost less impairment in the consolidated financial statements.

CONVENIENCE TRANSLATION INTO ENGLISH OF CONSOLIDATED FINANCIAL STATEMENTS ORIGINALLY ISSUED IN TURKISH
BOYNER PERAKENDE VE TEKSTİL YATIRIMLARI A.Ş.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS AT 31 DECEMBER 2017
(Amounts expressed in Turkish Lira ("TRY") unless otherwise stated.)

NOTE 2 - BASIS OF PREPARATION OF FINANCIAL STATEMENTS (CONTINUED)

2.6 Summary of significant accounting policies (Continued)

The Group assesses at each balance sheet date whether there is objective evidence that a financial asset or a group of financial assets is impaired. In the case of equity securities classified as available for sale, a significant or prolonged decline in the fair value of the security below its cost is considered as an indicator that the securities are impaired. If any such evidence exists for available-for-sale financial assets, the cumulative loss measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognized in profit or loss is removed from equity and recognized in the statement of income. Impairment losses recognized in the statement of income on equity instruments are not reversed through the statement of income.

Unrealized gains and losses arising from changes in the fair value of securities classified as available-for-sale are accounted in equity net of tax under "financial assets fair value reserve". When available-for-sale securities are sold, collected or otherwise disposed of, related deferred gains and losses in equity are transferred to the consolidated statement of profit or loss. If the difference between the cost and the fair value of the available-for-sale securities is permanent, gains and losses are transferred to the consolidated statement of profit or loss.

Derivative financial instruments

The Group enters swap contracts in order to hedge foreign exchange risk occurred due to the fluctuations in foreign exchange rates. The derivative financial instruments are initially recognized at fair value and are subsequently re-measured at fair value. Transaction costs are recognized in the income statement on date a derivative contract is entered into.

The changes in fair value of the derivative instruments are recognized in financial income and expense accounts in the consolidated statement of income. As of 31 December 2017, 2016 and 2015, the Group did not applied hedge accounting (Note 8).

Trade payables

Trade payables are initially recorded at fair value and subsequently measured at amortized cost using the effective interest method. The carried trade payables are the fair value of consideration to be paid in the future for goods and services received, whether billed or not billed.

Borrowing costs

Borrowings are recognized initially at fair value, net of transaction costs incurred. Borrowings are subsequently carried at amortized cost; any difference between proceeds (net of transaction costs) and the redemption value is recognized in the statement of income over the period of the borrowings using the effective interest method.

In case of foreign exchange income is included in the financing activities; the related income is deducted from the total of capitalized financial expenses.

Borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset are capitalized as part of the cost of that asset in the period in which the asset is prepared for its intended use or sale. All other borrowing costs are recognized in the profit or loss in the period in which they are incurred.

Foreign exchange differences relating to borrowings, to the extent that they are regarded as an adjustment to interest costs, are also capitalized. The gains and losses that are an adjustment to interest costs include the interest rate differential between borrowing costs that would be incurred if the entity borrowed funds in its functional currency, and borrowing costs actually incurred on foreign currency borrowings.

Foreign currency transactions

The individual financial statements of each group entity are presented in the currency of the primary economic environment in which the entity operates (its functional currency). The results and financial position of each consolidated entity are expressed in Turkish Lira ("TRY"), which is the functional currency of the Company and the presentation currency of the consolidated financial statements.

During the preparation of the financial statements of the individual entities, transactions in foreign currencies other than TRY (foreign currencies or currencies other than functional currencies) are recorded at the rates of exchange prevailing on the dates of the transactions. At each balance sheet date, monetary items denominated in foreign currencies are translated at the rates prevailing on the balance sheet date.

CONVENIENCE TRANSLATION INTO ENGLISH OF CONSOLIDATED FINANCIAL STATEMENTS ORIGINALLY ISSUED IN TURKISH
BOYNER PERAKENDE VE TEKSTİL YATIRIMLARI A.Ş.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS AT 31 DECEMBER 2017
(Amounts expressed in Turkish Lira ("TRY") unless otherwise stated.)

NOTE 2 - BASIS OF PREPARATION OF FINANCIAL STATEMENTS (CONTINUED)

2.6 Summary of significant accounting policies (Continued)

Non-monetary items carried at fair value that are denominated in foreign currencies are translated at the rates prevailing on the date when the fair value was determined.

Non-monetary items that are measured in terms of historical cost in a foreign currency are not translated.

For the purpose of presentation of the consolidated financial statements, the assets and liabilities of the Group's foreign operations are expressed in TRY using exchange rates prevailing at the balance sheet date. Income and expense items are translated at the average exchange rates for the period, unless exchange rates fluctuate significantly during that period, in which case the exchange rates at the dates of the transactions are used. Exchange differences arising, if any, are classified as equity and transferred to the translation differences. Such exchange differences are recognized in profit or loss in the period in which the foreign operation is disposed of.

Lease transactions

Financial leases

Financial leases - The Group as the lessee

Leasing of property, plant and equipment where the Group has substantially all the risks and rewards of ownership are classified as finance leasing. Finance leases are capitalized at the inception of the lease at the lower of the fair value of the leased property or the present value of the minimum lease payments. Financial costs of leasing are distributed over the lease period with a fixed interest rate. The property, plant and equipment acquired under financial leases are depreciated over the useful lives of the assets. If there is a decrease in the value of the property, plant and equipment under financial leasing, the Group provides impairment. The foreign exchange and interest expenses related with financial leasing have been recorded in the income statement. Lease payments have been deducted from leasing debts.

Operating leases - The Group as the lessee

Leases where 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 statement of income on a straight-line basis over the period of the lease.

Earnings/(losses) per share

Earnings/loss per share are calculated by dividing net income to the weighted average number of shares that have been issued during the period. In the case that the capital increase is realized from the internal resources during the period, final number of shares at the end of the period is accepted as the same with the number of shares at the beginning of the period.

In Turkey, companies are allowed to increase their share capital by distributing "bonus shares" to shareholders from retained earnings and adjustments to share capital. Earnings per share are calculated by taking those bonus shares into consideration as issued shares. Accordingly, the weighted average of the number of shares is calculated by taking those bonus shares into consideration retrospectively in the calculation of earnings per share.

Provisions, contingent assets and liabilities

Provisions are recognized when the Group has a present obligation as a result of a past events, and it is probable that an outflow or resources will be required to settle the obligation, and the amount has been reliably estimated.

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

Where the effect of the time value of money is significant, the amount of provision shall be the present value of the expenditures expected to be required to settle the obligation. The discount rate reflects current market assessments of the time value of money and the risks specific to the liability. The discount rate shall be a pre-tax rate and shall not reflect risks for which future cash flow estimates have been adjusted.

CONVENIENCE TRANSLATION INTO ENGLISH OF CONSOLIDATED FINANCIAL STATEMENTS ORIGINALLY ISSUED IN TURKISH
BOYNER PERAKENDE VE TEKSTİL YATIRIMLARI A.Ş.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS AT 31 DECEMBER 2017
(Amounts expressed in Turkish Lira ("TRY") unless otherwise stated.)

NOTE 2 - BASIS OF PREPARATION OF FINANCIAL STATEMENTS (CONTINUED)

2.6 Summary of significant accounting policies (Continued)

Related parties

For the purpose of these consolidated financial statements, shareholders, key management personnel (general managers, vice general managers, vice head of group) and Board members, in each case together with the companies controlled by/or affiliated with them, associated companies and other companies within the Group are considered and referred to as "related parties".

Advertisement and promotion expenses

Advertisement campaigns including advertisement, catalogue and promotion expenses are recorded as expense once they are reachable by the Group or when advertising and promotion expenses are incurred.

Taxes

Current and deferred tax

Income tax is the aggregate amount included in the determination of net profit or loss for the period in respect of current and deferred tax. Tax is recognized in the statement of income, except for the items recognized directly in equity. In such case, the tax is recognized in shareholders' equity together with related transaction.

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

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

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

Deferred tax assets are recognized for all deductible temporary differences, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and unused tax losses can be utilized.

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

Provision for employee benefits

Employment termination benefits, as required by the Turkish Labor Law and the laws applicable in the countries where the subsidiaries operate, represent the estimated present value of the total reserve of the future probable obligation of the Group arising in case of the retirement of the employees. According to Turkish Labor Law and other laws applicable in Turkey, the Group is obliged to pay employment termination benefit to all personnel in cases of termination of employment without due cause, call for military service, retirement or death upon the completion of a minimum one year service. The provision which is allocated by using the defined benefit pension's current value is calculated by using the estimated liability method. Current service costs and interest costs are recognized in the consolidated statement of income and all actuarial profits and losses are recognized in the consolidated statements of income.

Unused vacation rights

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

CONVENIENCE TRANSLATION INTO ENGLISH OF CONSOLIDATED FINANCIAL STATEMENTS ORIGINALLY ISSUED IN TURKISH
BOYNER PERAKENDE VE TEKSTİL YATIRIMLARI A.Ş.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS AT 31 DECEMBER 2017
(Amounts expressed in Turkish Lira ("TRY") unless otherwise stated.)

NOTE 2 - BASIS OF PREPARATION OF FINANCIAL STATEMENTS (CONTINUED)

2.6 Summary of significant accounting policies (Continued)

Customer loyalty programs

The Group operates a loyalty program where customers accumulate points for purchases made which entitle them to discounts on future purchases. The reward points are recognized 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 recognized as deferred revenue at their fair value. Revenue from the reward points is recognized when the points are redeemed. Breakage is recognized as reward points are redeemed based upon expected redemption rates.

Gift vouchers

Gift vouchers sold by the Group to its customers are classified under deferred revenue. Moreover, gift vouchers are recorded as income as they are used by the customers. The Group also accounts for income for the estimated amount of gift vouchers that are not expected to be used by the customers.

Store decoration support incomes and shopping center participation fees

The Group receives store decoration support income from lessors for the stores opened and shopping mall participation fees for opening stores in the shopping malls. The store decoration support income is recognized as deferred income on the day of collection and recognized as income during the rental period. The shopping center participation fees paid for opening the stores in the shopping malls are recognized as deferred income on the day of collection and recognized as other income on the day of the actual opening of the store.

Statement of cash flows

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

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

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

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

Subsequent events

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

Segment reporting

The Group has three business segments determined by the management based on information available for the evaluation of performances and the allocation of resources. These segments of the Group are textile and ready-to-wear clothing, retail operations, real estate development and management. These segments are managed separately since they are affected by different economic conditions in terms of risks and returns. The Group Management assesses the performance of operating segments by the "Earnings Before Interest Tax Depreciation and Amortization" ("EBITDA") figure generated by adjusting the EBITDA calculated based on the financial statements prepared in accordance with TAS with necessary adjustments and reclassifications. Those adjustments and reclassifications are the omission of non-recurring income/ expense, adding back the net effect of the time difference and foreign exchange gains and losses generated from commercial operations in accordance with TAS and adding non-recurring expenses determined by the Group Management (Note 4).

Operating segments are reported in a manner consistent with the reports provided to the chief operating decision-maker of the Group. The chief operating decision-maker of the Group is responsible for allocating resources and assessing performance of the operating segments.

CONVENIENCE TRANSLATION INTO ENGLISH OF CONSOLIDATED FINANCIAL STATEMENTS ORIGINALLY ISSUED IN TURKISH
BOYNER PERAKENDE VE TEKSTİL YATIRIMLARI A.Ş.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS AT 31 DECEMBER 2017
(Amounts expressed in Turkish Lira ("TRY") unless otherwise stated.)

NOTE 2 - BASIS OF PREPARATION OF FINANCIAL STATEMENTS (CONTINUED)

2.7 Significant accounting estimations

The preparation of consolidated financial statements requires estimates and assumptions to be made regarding the amounts for the assets and liabilities at the balance sheet date, and explanations for the contingent assets and liabilities as well as the amounts of income and expenses realized in the reporting period. The Group makes estimates and assumptions concerning the future. The accounting estimates and assumptions, by definition, may not be equal to the related actual results. The estimates and assumptions that may cause a material adjustment to the carrying amounts of assets and liabilities within the next financial period are addressed below:

i) Impairment tests for the intangible assets with indefinite useful lives

As explained in Note 2.6, intangible assets that have an indefinite useful life are not subject to amortization. They are tested annually for impairment. For the purpose of assessing impairment, the discounted cash flows calculated based on the Group's revenue projections are compared to the carrying value of the intangible asset. The Group has performed an impairment test on intangible assets as at 31 December 2017 and has not identified any impairment as a result of this test (Note 16).

ii) Impairment tests for goodwill

In accordance with the accounting policies explained in Note 2.6, the Group performs impairment test on goodwill to assess whether an impairment exists. Recoverable amount of cash generating units are calculated based on value in use. These calculations require estimations. For the purpose of assessing impairment, the discounted cash flows calculated based on the Group's revenue projections for five years are compared to the carrying value of goodwill.

The Group has calculated the discounted cash flows based on the revenue plans for five years with 6,5% growth projection and a discount rate of 17,08% for the purpose of impairment test of goodwill arising from the acquisition of BBM. If the estimated pre-tax discount rate used for the calculation of discounted cash flows had been 1% higher/lower than the management's estimate (instead of 17,08%, 18,08% or 16,08%), the fair value as at 31 December 2017 would decrease by TRY 301 million and increase by TRY 365 million.

The Group has calculated the discounted cash flows based on the revenue plans for five years with 6,5% growth projection and a discount rate of 17,08% for the purpose of impairment test of goodwill arising from the acquisition of Beymen. If the estimated pre-tax discount rate used for the calculation of discounted cash flows had been 1% higher/lower than the management's estimate (instead of 17,08%, 18,08% or 16,08%), the fair value as at 31 December 2017 would decrease by TRY 160 million and increase by TRY 195 million.

As a result of the impairment tests for goodwill performed based on the assumptions explained above, the Group did not identify any impairment as of 31 December 2017.

iii) Provision for net realizable value of inventories

As explained in Note 2.6, inventories are valued at the lower of cost or net realizable value less costs to sell. The Group reviews their inventories annually whether any impairment exists. The selling prices of inventories in the subsequent period are estimated by the management considering the cost of inventories. The management determines the estimated selling price considering current market conditions and fluctuations in current prices.

In a case of unexpected changes in market conditions, impairment estimations are subject to change as they are calculated based on the estimation and assumptions of the Group (Note 12).

iv) Fair value of investment properties

The assumptions of the independent valuation reports obtained for the purpose of determining the fair value of tangible assets classified as investment properties in the consolidated financial statements are as follows:

Independent valuation reports of experts licensed by CMB are used for the determination of fair value of the shop in Unkapanı which was carried at cost in the prior periods.

The assumptions of the independent valuation reports obtained for the purpose of determining the fair value of tangible assets classified as investment properties in the consolidated financial statements are as follows based on valuation method, annual rent increase, capitalization ratio (discount rate used for the final value) and comparison of square meters.

CONVENIENCE TRANSLATION INTO ENGLISH OF CONSOLIDATED FINANCIAL STATEMENTS ORIGINALLY ISSUED IN TURKISH
BOYNER PERAKENDE VE TEKSTİL YATIRIMLARI A.Ş.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS AT 31 DECEMBER 2017
(Amounts expressed in Turkish Lira ("TRY") unless otherwise stated.)

NOTE 2 - BASIS OF PREPARATION OF FINANCIAL STATEMENTS (CONTINUED)

2.7 Significant accounting estimations

31 December 2017	Expert Report date	Valuation method	Discount rate	Annual rent increase rate	Capitalization ratio (%)	Comparison of m ² value (TRY)
Unkapani Shop (a)	06.08.2013	Comparison	-	-	-	1.400
Istwest Shop (b)	29.12.2017	Comparison	-	-	6	-
31 Aralık 2016						
Unkapani Shop (a)	06.08.2013	Comparison	-	-	-	1.400
Istwest Shop (b)	09.02.2017	Comparison	-	-	6	-

a) a) Shop located in İstanbul, Fatih with a floor space of 125 m² is classified as investment property as of 31 December 2017 and 2016, and is accounted at its fair value of TRY 175.000 determined by the valuation report of Elit Gayrimenkul Değerleme A.Ş. dated 6 August 2013 and numbered 2013/5901.

b) On 29 December 2017, Istwest stores were revalued by comparable method by Elit Gayrimenkul Değerleme A.Ş. and the fair value of 14 re-valued stores was determined as TRY 34.090.000. As at 31 December 2017, TRY 1.270.000 of fair value change is accounted under other income from main operations in the income statement (Note 14 and 25).

The stores are revalued by comparable method by Elit Gayrimenkul Değerleme A.Ş. on 9 February 2017 and the fair value of 14 stores after revaluation was determined as TRY 32.820.000. The fair value change of TRY 13.880.500 as of 31 December 2016 has been accounted under other income from main operations in the income statement (Note 14 and 25).

c) Starcity Shopping Mall ("Starcity") located in İstanbul - Bahçelievler, has come into operation on 15 April 2010 with a floor space of 34.119,06 m² and is classified as investment properties as of 31 December 2016. BYN and Merkur İnşaat Ticaret A.Ş. are the owners of the Starcity with the portions of 2/5 and 3/5 respectively. The management of the Mall is conducted by Merkur İnşaat Ticaret A.Ş. As a result of the transaction process that took place on 15 June 2016, Starcity AVM was disposed from investment property.

v) Provision for doubtful receivables

When there is an indicator that the collection of receivables will be impossible, provision is provided for the receivables. The amount of the provision is determined based on the assessment of the Group based on the aging of receivables and the payment performance of the customers. The provision for doubtful receivables is an accounting estimate determined based on the past payment performance and financial situations of the customers (Note 10).

vi) Value of intangible assets acquired through the business combination

The fair values of brands have been determined by refining from royalty method. This method is based on the discounted cash flows of futures operation of the brand, and the royalty is compared with the royalties set a precedent in the market. While using this method for the valuation, the amount of royalty payments to own the brand is projected and the saving amount by possessing the brand is calculated. Significant assumptions are; a) projected revenues for the future operations, b) determination of the discount rate used for the discounted cash flows and c) determination of royalty rate. The weighted average cost of capital has been used as the discount rate.

The fair values of favorable lease contracts are determined by comparing the monthly rental fees defined in the rent agreements with the rental fees in the market and by discounting favorable rental fees to the present value. The weighted average cost of capital has been used as the discount rate. The rental fees of the market are determined by an independent valuation company.

The fair values of franchise agreements and customer network are determined based on the revenue projections from the customers registered in the customer loyalty program of the Group. The weighted average cost of capital has been used as the discount rate (Note 16).

CONVENIENCE TRANSLATION INTO ENGLISH OF CONSOLIDATED FINANCIAL STATEMENTS ORIGINALLY ISSUED IN TURKISH
BOYNER PERAKENDE VE TEKSTİL YATIRIMLARI A.Ş.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS AT 31 DECEMBER 2017
(Amounts expressed in Turkish Lira ("TRY") unless otherwise stated.)

NOTE 3 - BUSINESS COMBINATIONS

The Group applies the acquisition method for business combinations. The subsidiaries acquired or sold during the year are fully consolidated from the date on which control is transferred to the Group or deconsolidated from the date that control ceases.

a) Acquisition of BBM and Beymen

50,01% shares of BBM and 30,05% shares of Beymen which were accounted for using the equity method, acquired from Fennella S.a.r.l. ("Fennella") on 31 May 2013. As a result of these transactions, the change in the control has been regarded as a step acquisition in business combinations in accordance with Business Combinations ("IFRS 3"). Therefore, Beymen and BBM which had been accounted for using the equity method until 31 May 2013, are fully consolidated starting from 1 June 2013.

The fair value of assets and liabilities acquired at the transaction date is as follows:

Fair value	BBM	Beymen	Total
Net total assets	356.877.013	547.462.796	904.339.809
Acquired assets (A)	344.564.759	547.462.796	892.027.555
Net assets of non-controlling interests	12.312.257	-	12.312.257
Fair value of initially held shares (B)	(184.659.258)	(506.387.734)	(691.046.992)
Cash paid portion of total cost (C)	-	(20.527.100)	(20.527.100)
Liability due to acquisition (D)	(397.010.887)	(461.083.811)	(858.094.698)
Contingent consideration (E)	-	(12.446.229)	(12.446.229)
Purchased cash and cash equivalents (F)	141.284.478	32.338.563	173.623.041
Total net cash paid (C+D+E+F)	(255.726.409)	(461.718.577)	(717.444.986)
Goodwill recognized through acquisition (G)	106.041.968	-	106.041.968
Goodwill (-A-B-C-D-E+G)	343.147.354	452.982.078	796.129.432

b) Merger of BBA

BBA, owned by Boyner Holding with 99,98% shares, has been transferred to AYTK through merger with all its net assets and the mentioned merger was registered on trade gazette on 29 August 2013. As a result, 25% of the shares of AYTK were transferred to Boyner Holding. 25% shares of AYTK owned by Boyner Holding and other shares which are less than 1% of the capital of AYTK acquired back by the Group in exchange of TRY 20.097.783 on 29 November 2013. As a result of this transaction, negative merger fund amounting to TRY 12.105.679 (Note 21) is accounted under "Effect of business combinations under common control".

c) Acquisition of Nişantaşı Turistik

On 2 March 2015, Beymen acquired 75% of the shares amounting to TRY 1.046.693 of Nişantaşı Turistik from Boyner Holding in exchange of TRY 4.796.865. The Group accounted the negative fund amounting to TRY 3.750.172 (Note 21) arising from this transaction in "Impact of business combinations of entities under common control" in accordance with the resolution of POAASA dated 21 July 2013 and titled "Accounting of business combinations under common control".

CONVENIENCE TRANSLATION INTO ENGLISH OF CONSOLIDATED FINANCIAL STATEMENTS ORIGINALLY ISSUED IN TURKISH
BOYNER PERAKENDE VE TEKSTİL YATIRIMLARI A.Ş.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS AT 31 DECEMBER 2017
(Amounts expressed in Turkish Lira ("TRY") unless otherwise stated.)

NOTE 3 - BUSINESS COMBINATIONS (CONTINUED)

d) Acquisition of İzkar

On 28 April 2015, Beymen Mağazacılık acquired additional 25,40% of shares of İzkar which was an associate of Beymen Mağazacılık till that date with 49,60% shares and was accounted for using the equity method. The share purchase agreement is signed with Ran Konfeksiyon Ltd. Şti. at the same date. Beymen Mağazacılık provided notes payables amounting to TRY 2.032.445 in total for this transaction, with maturity terms on 31 August 2015 and 31 December 2016.

The change in the control has been considered as step acquisition in business combinations in accordance with Business Combinations "TFRS 3". Within this framework, İzkar which had been accounted for using the equity method until 28 April 2015, is fully consolidated starting from 1 May 2015.

Fair value	İzkar
Net total assets	1.784.712
Acquired assets (A)	1.338.537
Net assets of non-controlling interests	446.175
Fair value of previously held interests (B)	(885.220)
Liability arising from the acquisition (C)	(2.032.445)
Cash and cash equivalents acquired (D)	1.390.180
Cash paid (C+D)	(642.265)
Goodwill (-A-B-C)	1.579.128

NOTE 4 - SEGMENT REPORTING

The business operations of the Group are organized and managed with respect to the range of products and services provided by the Group. The information regarding the business activities of the Group as of 31 December 2017 and 2016 comprise the performance and the management of textile products and retail store operations.

The Group Management assesses the performance of operating segments by the "Earnings Before Interest Tax Depreciation and Amortization" ("EBITDA") figure generated by adjusting the EBITDA calculated based on the financial statements prepared in accordance with TAS with necessary adjustments and reclassifications. Those adjustments and reclassifications are the omission of non-recurring income/ expense, adding back the net effect of the term difference, rediscount and foreign exchange gains and losses generated from commercial operations in accordance with TAS and adding non-recurring expenses determined by the Group Management. EBITDA calculated based on this approach is defined as "Adjusted EBITDA".

CONVENIENCE TRANSLATION INTO ENGLISH OF CONSOLIDATED FINANCIAL STATEMENTS ORIGINALLY ISSUED IN TURKISH
BOYNER PERAKENDE VE TEKSTİL YATIRIMLARI A.Ş.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS AT 31 DECEMBER 2017
(Amounts expressed in Turkish Lira ("TRY") unless otherwise stated.)

NOTE 4 - SEGMENT REPORTING (CONTINUED)

The segment analysis for the period ended 31 December 2017 is as follows:

1 January - 31 December 2017	Retail Operations	Textile	Undistributed	Elimination	Total
Revenue	4.083.919.766	203.397.938	46.188.543	(103.223.551)	4.230.282.696
Gross profit	1.708.116.517	30.870.012	31.803.381	(27.522.325)	1.743.267.585
Capital expenditures (based on balance sheet)	163.841.507	4.826.332	1.854.127	(24.973.461)	145.548.505
Depreciation and amortization expenses	88.009.361	4.372.808	41.467.072	-	133.849.241
Net profit / loss	107.413.402	(35.560.864)	(123.699.640)	(241.867.584)	(293.714.686)

1 January - 31 December 2017	Retail Operations	Textile	Undistributed	Elimination	Total
Assets and liabilities					
Segment assets	3.303.113.346	327.421.065	2.252.233.517	(1.316.274.785)	4.566.493.143
Total assets	3.303.113.346	327.421.065	2.252.233.517	(1.316.274.785)	4.566.493.143
Segment liabilities	2.950.014.064	158.394.552	2.217.429.003	(782.132.316)	4.543.705.303
Total liabilities	2.950.014.064	158.394.552	2.217.429.003	(782.132.316)	4.543.705.303

The segment analysis for the period ended 31 December 2016 is as follows:

1 January - 31 December 2016	Retail Operations	Textile (*)	Real estate management (*)	Undistributed	Elimination	Total
Revenue	3.384.392.142	171.886.600	-	36.769.755	(110.408.031)	3.482.640.466
Gross profit	1.410.617.521	26.021.519	-	27.909.143	(25.638.369)	1.438.909.814
Capital expenditures (based on balance sheet)	94.719.289	22.170.226	-	1.095.107	-	117.984.622
Depreciation and amortization expenses	77.588.951	5.382.231	-	40.453.548	-	123.424.730
Net profit/loss	(53.327.057)	(69.803.933)	-	(243.642.952)	(103.862.812)	(470.636.754)

31 December 2016	Retail Operations	Textile (*)	Real estate management	Undistributed	Elimination	Total
Assets and liabilities						
Segment assets	3.542.136.743	506.627.528	-	2.345.533.754	(1.914.342.487)	4.479.955.538
Total assets	3.542.136.743	506.627.528	-	2.345.533.754	(1.914.342.487)	4.479.955.538
Segment liabilities	3.150.708.898	537.145.998	-	2.269.103.280	(1.599.598.343)	4.357.359.833
Total liabilities	3.150.708.898	537.145.998	-	2.269.103.280	(1.599.598.343)	4.357.359.833

(*) Information related to discontinued operations and sale of subsidiary

CONVENIENCE TRANSLATION INTO ENGLISH OF CONSOLIDATED FINANCIAL STATEMENTS ORIGINALLY ISSUED IN TURKISH
BOYNER PERAKENDE VE TEKSTİL YATIRIMLARI A.Ş.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS AT 31 DECEMBER 2017
(Amounts expressed in Turkish Lira ("TRY") unless otherwise stated.)

NOTE 4 - SEGMENT REPORTING (CONTINUED)

Discontinued operation of real estate development and management

In accordance with the agreement signed on 7 May 2016, Group transferred all the shares of its subsidiary, BYN to Gençoğlu AVM Yatırımları A.Ş. on 15 June 2016 for an amount of EUR 26 million (TRY 85.676.500). As a result of this transaction, Group discontinued its operations related to this shopping mall investment and management, and reported the results of its operation until 15 June 2016 as a discontinued operation in the current period. In accordance with this agreement, impairment loss of TRY 43.798.954 recognized in the consolidated financial statements as of 31 March 2016. Additional impairment loss of TRY 1.732.020 calculated as of the date of share transfer, is recognized in the consolidated financial statements as of 30 June 2016. Total impairment loss of TRY 45.530.974 (Note 14) related to the change in fair value is classified in "loss from discontinued operations" in the consolidated statement of profit or loss and other comprehensive income together with the other income and expenses from BYN.

As of 31 December 2016, BYN operations have been classified discontinued operations in consolidated statement of profit or loss:

	1 January - 15 June 2016
Gross profit	6.264.390
Operating and financial expenses, net	(9.391.830)
Expenses from investing activities (-) (Note 14)	(45.530.974)
Loss before tax from discontinued operations	(48.658.414)
Deferred tax income	8.940.469
Loss from discontinued operations	(39.717.945)

Detailed information related to the sale of subsidiary is as follows:

	15 June 2016
Cash consideration	85.676.500
Financial liabilities of BYN	(43.778.099)
Net cash consideration (Transfer of BYN shares)	41.898.401
Carrying amount of net assets sold	42.019.707
Loss recognized due to the sale of subsidiary	(121.306)

CONVENIENCE TRANSLATION INTO ENGLISH OF CONSOLIDATED FINANCIAL STATEMENTS ORIGINALLY ISSUED IN TURKISH
BOYNER PERAKENDE VE TEKSTİL YATIRIMLARI A.Ş.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS AT 31 DECEMBER 2017
(Amounts expressed in Turkish Lira ("TRY") unless otherwise stated.)

NOTE 4 - SEGMENT REPORTING (CONTINUED)

Discontinued operations of ready to wear production

The Group's subsidiary AYTK, aims to increase its export sales and focus on the production of textile products with higher profit margin; and decided to discontinue its operations in production of ready-to-wear segment in 2016. As of 31 December 2016, ready to wear operations has been classified discontinued operations in consolidated statement of profit or loss:

	1 January - 31 December 2016
Gross loss	(12.687.649)
Operating expenses, net	(2.523.994)
Investing and financing expenses, net	(630.690)
Loss before tax from discontinued operations	(15.842.333)
Deferred tax expense	(23.744)
Loss from discontinued operations	(15.866.077)

Since the financial performance and cash flow information related to the sale transaction classified as discontinued operations as of 31 December 2016 are not material to the consolidated financial statements of the Group, financial information related to prior periods are not restated.

The reconciliation of EBITDA as of 31 December 2017 and 2016 is as follows:

	1 January - 31 December 2017	1 January - 31 December 2016
Revenue	4.230.282.696	3.482.640.466
Gross profit	1.743.267.585	1.438.909.814
EBITDA	325.613.701	159.226.515
Adjustments:		
Reclassification in accordance with the format recommended by CMB	26.347.325	49.785.487
Foreign currency gains	(30.968.203)	(32.683.779)
Rediscount income	(61.569.873)	(52.307.823)
Term difference income	(27.491.105)	(19.052.577)
Foreign currency losses	47.135.139	67.885.673
Term difference expenses	63.161.660	47.160.482
Rediscount expense	36.079.707	38.783.511
Non-recurring (income)/expenses, per Group Management, net (*)	35.309.838	39.914.325
Other non-recurring operational expenses	35.309.838	39.914.325
Adjusted EBITDA (*)	387.270.864	248.926.327

* Adjusted EBITDA and non-recurring income/expenses are not defined by TFRS. These items determined by the principles defined by the Group management comprises income/expenses which are assumed by the Group management that are not part of the normal course of business and are non-recurring items. These items which are not defined by TFRS and are not in the scope of review or audit, are disclosed by the Group management separately for a better understanding and measurement of the sustainable performance of the Group.

CONVENIENCE TRANSLATION INTO ENGLISH OF CONSOLIDATED FINANCIAL STATEMENTS ORIGINALLY ISSUED IN TURKISH
BOYNER PERAKENDE VE TEKSTİL YATIRIMLARI A.Ş.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS AT 31 DECEMBER 2017
(Amounts expressed in Turkish Lira ("TRY") unless otherwise stated.)

NOTE 5 - CASH AND CASH EQUIVALENTS

The details of the cash and cash equivalents as of 31 December 2017, 2016 and 2015 are as follows:

	31 December 2017	31 December 2016	31 December 2015
Cash	10.973.283	6.560.419	5.124.210
Banks (*)	284.693.198	139.002.621	36.215.805
- Time deposit (**)	194.206.123	90.134.630	8.067.248
- Demand deposit	90.487.075	48.867.991	28.148.557
Credit card receivables (***)	54.783.401	35.344.335	41.245.399
Cheques given for collection	6.446.955	6.726.462	5.660.651
	356.896.837	187.633.837	88.246.065

(*) The Group has restricted cash amounting to TRY 93.880.520 as of 31 December 2017 (31 December 2016: TRY 89.287.235, 31 December 2015: TRY 6.471.697).

(**) The time deposits of the Group which consist of overnights, have interest rate of 14,10% in average as of 31 December 2017 (31 December 2016: 8,68%, 31 December 2015: 6,39%).

(***) As of 31 December 2017, the pledge on the credit card receivables of the Group is amounting to TRY 17.447.014 (31 December 2016: TRY 18.630.158, 31 December 2015: TRY 11.047.198).

The total insurance coverage on cash and cash equivalents is amounting to TRY 75.400.000 as of 31 December 2017 (31 December 2016: TRY 74.950.000, 31 December 2015: TRY 71.840.000).

NOTE 6 - FINANCIAL ASSETS AND INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD

The details of the financial investments and investments in associates accounted for using the equity method as of 31 December 2017, 2016 and 2015 are as follows:

	31 December 2017		31 December 2016		31 December 2015	
	Effective ownership ratio (%)	Amount	Effective ownership ratio (%)	Amount	Effective ownership ratio (%)	Amount
Doğu Yatırım Holding A.Ş.	<1	104.891	<1	104.891	<1	104.891
Nile Bosphorus (*)	33,33	5.472.508	33,33	5.472.508	33,33	5.472.508
Impairment for financial assets (-) (*)		(5.472.508)		(5.472.508)		(5.472.508)
Total		104.891		104.891		104.891

(*) The Group made a provision for the investment since its fair value cannot be measured reliably and there are indicators of impairment related to this investment (Note 2.5).

CONVENIENCE TRANSLATION INTO ENGLISH OF CONSOLIDATED FINANCIAL STATEMENTS ORIGINALLY ISSUED IN TURKISH
BOYNER PERAKENDE VE TEKSTİL YATIRIMLARI A.Ş.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS AT 31 DECEMBER 2017
(Amounts expressed in Turkish Lira ("TRY") unless otherwise stated.)

NOTE 6 - FINANCIAL ASSETS AND INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD (CONTINUED)

The financial assets on which the Group has investment on less than 1% are carried at cost.

	31 December 2017		31 December 2016		31 December 2015	
	Effective ownership ratio (%)	Amount	Effective ownership ratio (%)	Amount	Effective ownership ratio (%)	Amount
Associates						
Accounted for using the equity method						
Christian Dior (**)	-	-	49,00	8.004.478	49,00	6.736.779
Joint ventures						
Accounted for using the equity method						
Christian Louboutin	30,00	2.001.302	30,00	1.976.586	30,00	2.118.637
Elif Co. (***)	-	-	50,00	-	50,00	-
		2.001.302		9.981.064		8.855.416

(**) In accordance with the agreement signed with Christian Dior Couture on 4 August 2017, the Group sold its shares of Christian Dior on 2 January 2018 (Note 34). Thus, as of 31 December 2017 Christian Dior's associate is classified as non-current assets held for sale.

(***) The liquidation process of Elif Co. which started in 2016 has been completed on 12 April 2017.

The movement of investments accounted for using the equity method during the period is as follows:

	2017	2016
Opening balance - 1 January	9.981.064	8.855.416
Amount recognized in the current year profit	24.716	1.485.624
Dividends received	-	(359.976)
Change in ownership rate due to share purchase	-	-
Transfer (****)	(8.004.478)	-
Closing balance - 31 December	2.001.302	9.981.064

(****) The transfer represents the classification of Christian Dior as non-current asset held for sale.

CONVENIENCE TRANSLATION INTO ENGLISH OF CONSOLIDATED FINANCIAL STATEMENTS ORIGINALLY ISSUED IN TURKISH
BOYNER PERAKENDE VE TEKSTİL YATIRIMLARI A.Ş.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS AT 31 DECEMBER 2017
(Amounts expressed in Turkish Lira ("TRY") unless otherwise stated.)

NOTE 7 - FINANCIAL LIABILITIES**Short-term financial liabilities**

	31 December 2017	31 December 2016	31 December 2015
Interest free bank borrowings (*)	-	290.000	6.780.760
Short-term bank borrowings	162.455.889	181.956.206	177.084.299
	162.455.889	181.956.206	183.865.059

(*) Interest free bank borrowings consist of interest free loans which were borrowed for the payments of Social Security Institution as of 31 December 2015.

Short-term portion of long term financial liabilities

	31 December 2017	31 December 2016	31 December 2015
Short-term portion of long-term financial liabilities	560.450.912	711.914.524	515.708.738
Short-term portion of long-term bonds (**)	-	109.572.200	153.943.217
Financial lease liabilities	14.089.595	10.337.640	5.161.304
	574.540.507	831.824.364	674.813.259

Long term financial liabilities

	31 December 2017	31 December 2016	31 December 2015
Long-term bank borrowings	1.591.629.705	1.216.571.326	844.919.028
Long-term bonds issued (**)	-	-	109.485.471
Financial lease liabilities	3.489.401	5.737.299	2.570.285
	1.595.119.106	1.222.308.625	956.974.784

(**) The Group has offered bond amounting to TRY 110.000.000 to qualified investors on 5 October 2015 with a maturity of 725 days. The coupon and principal payment are due at the end of the three month government securities and index + 4% quarterly floating interest rate. Mentioned bond was paid on 29 September 2017.

Bond which is issued by BBM, consecutive to registering CMB, consists of TRY 100.000.000 nominal value in 23 December 2013, 36 months maturity, monthly interest, principal payment on the maturity date, benchmark Government Debt Securities + 5,00% interest rate bond. Mentioned bond was paid on 19 December 2016.

The Group has offered bond amounting to TRY 50.000.000 to qualified investors on 28 November 2014 with a maturity of 728 days. The coupon and principal payment are due at the end of the three month government debt securities and index + 4,50% quarterly floating interest rate. Mentioned bond was paid on 25 November 2016.

CONVENIENCE TRANSLATION INTO ENGLISH OF CONSOLIDATED FINANCIAL STATEMENTS ORIGINALLY ISSUED IN TURKISH
BOYNER PERAKENDE VE TEKSTİL YATIRIMLARI A.Ş.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS AT 31 DECEMBER 2017
(Amounts expressed in Turkish Lira ("TRY") unless otherwise stated.)

NOTE 7 - FINANCIAL LIABILITIES (CONTINUED)

The details of short-term and long-term bank borrowings are as follows:

31 December 2017				
Currency	Maturity	Interest Rate (%)	Short Term	Long Term
TRY borrowings	2018-2022	15,85 - TR Libor+6,25	327.273.062	483.770.424
USD borrowings	2018-2022	Libor+4,75 - Libor+4,95	369.066.636	859.493.084
EUR borrowings	2018-2022	Libor+4,90 - Libor+6,25	26.567.103	248.366.197
			722.906.801	1.591.629.705

31 December 2016				
Currency	Maturity	Interest Rate (%)	Short Term	Long Term
TRY borrowings	2017-2020	12,25 - TR Libor+6,25	503.867.143	248.597.559
USD borrowings	2017-2018	Libor+3,65 - Libor+4,95	271.817.018	879.769.121
EUR borrowings	2017-2026	6,25	118.186.569	88.204.646
			893.870.730	1.216.571.326

31 December 2015				
Currency	Maturity	Interest Rate (%)	Short Term	Long Term
TRY interest free borrowings	2016	-	6.780.760	-
TRY borrowings	2016	12 - 15,75	396.972.320	235.244.363
USD borrowings	2016-2018	Libor+4,75	193.781.870	367.151.618
EUR borrowings	2016-2026	6,25-7,76	102.038.847	242.523.047
			699.573.797	844.919.028

The redemption schedule of the financial liabilities as of 31 December 2017, 2016 and 2015 is as follows:

	31 December 2017	31 December 2016	31 December 2015
To be paid in 1 year	722.906.801	1.003.442.930	853.517.014
2017	-	-	510.608.302
2018	-	595.537.329	316.319.073
2019	565.555.566	384.351.089	74.009.046
2020 and after	1.026.074.139	236.682.908	53.468.078
	2.314.536.506	2.220.014.256	1.807.921.513

In relation to the bank loans elaborated as of 31 December 2017 above, there are mortgages given amounting to TRY 124.000.000 (31 December 2016: TRY 124.000.000 on the residence, 31 December 2015: mortgages amounting to EUR 32.000.000 and TRY 214.000.000 on the shopping mall and TRY 124.000.000 on the residences, classified by the Group as investment property at a fair value of TRY 142.464.000). In addition, as declared at Public Disclosure Platform on 19 June 2015, ultimate parent of the Group, Boyner Holding pledged its shares in Boyner Perakende related to the loan received from Qatar National Bank.

CONVENIENCE TRANSLATION INTO ENGLISH OF CONSOLIDATED FINANCIAL STATEMENTS ORIGINALLY ISSUED IN TURKISH
BOYNER PERAKENDE VE TEKSTİL YATIRIMLARI A.Ş.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS AT 31 DECEMBER 2017
(Amounts expressed in Turkish Lira ("TRY") unless otherwise stated.)

NOTE 7 - FINANCIAL LIABILITIES (CONTINUED)

The redemption schedule of the financial lease as of 31 December 2017, 2016 and 2015 is as follows:

	31 December 2017	31 December 2016	31 December 2015
Total financial lease payments	19.359.947	17.869.355	8.442.066
Interest will be paid in upcoming years (-)	(1.780.951)	(1.794.416)	(710.477)
	17.578.996	16.074.939	7.731.589
Financial lease liabilities up to 1 year	14.089.595	10.337.640	5.161.304
Financial lease liabilities after 1 year	3.489.401	5.737.299	2.570.285
	17.578.996	16.074.939	7.731.589

As of 31 December 2017, 2016 and 2015, the summary of short-term financial lease liabilities in terms of foreign currency is as below:

	31 December 2017	31 December 2016	31 December 2015
TRY	13.126.277	9.452.834	4.288.140
USD	-	-	154.115
EUR	963.318	884.806	719.049
	14.089.595	10.337.640	5.161.304

The summary of long-term financial lease liabilities in terms of foreign currency is as below:

	31 December 2017	31 December 2016	31 December 2015
TRY	3.352.763	4.833.864	1.038.987
EUR	136.638	903.435	1.531.298
	3.489.401	5.737.299	2.570.285

Collateral bills amounting to EUR 222.607 and TRY 1.368.677 are given regarding to the financial leasing liabilities disclosed above (31 December 2016: EUR 962.855 and TRY 6.021.620, 31 December 2015: USD 111.153, EUR 729.228, TRY 4.316.031).

CONVENIENCE TRANSLATION INTO ENGLISH OF CONSOLIDATED FINANCIAL STATEMENTS ORIGINALLY ISSUED IN TURKISH
BOYNER PERAKENDE VE TEKSTİL YATIRIMLARI A.Ş.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS AT 31 DECEMBER 2017
(Amounts expressed in Turkish Lira ("TRY") unless otherwise stated.)

NOTE 7 - FINANCIAL LIABILITIES (CONTINUED)

The reconciliation of net financial liabilities as of 31 December 2017 is as follows:

Opening balance - 31 December 2016 - Financial liabilities	2.411.746.594
Cash and cash equivalents	(187.633.837)
Derivative instruments	(129.243.033)
Opening balance - 31 December 2016 - Net financial liabilities	2.094.869.724
Cash flows from operating activities	(270.148.550)
Cash flows from investing activities	141.138.913
Cash inflows from capital advances	(200.565.433)
Interest paid	396.575.038
Interest received	(29.391.740)
Changes in derivative instruments	(83.065.940)
Cash flows from other financing activities	(282.629.079)
Closing balance - 31 December 2017 - Net financial liabilities	1.766.782.933
Cash and cash equivalents	356.896.837
Derivative instruments	212.308.973
Closing balance - 31 December 2017 - Financial liabilities	2.335.988.743
Opening balance - 31 December 2016 - Financial liabilities	2.411.746.594
Cash inflows from borrowings	1.490.533.421
Cash outflows from debt payments	(1.701.201.282)
Other	134.910.010
Closing balance - 31 December 2017 - Financial liabilities	2.335.988.743

CONVENIENCE TRANSLATION INTO ENGLISH OF CONSOLIDATED FINANCIAL STATEMENTS ORIGINALLY ISSUED IN TURKISH
BOYNER PERAKENDE VE TEKSTİL YATIRIMLARI A.Ş.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS AT 31 DECEMBER 2017
(Amounts expressed in Turkish Lira ("TRY") unless otherwise stated.)

NOTE 8 - DERIVATIVE FINANCIAL INSTRUMENTS

	31 December 2017	31 December 2016	31 December 2015
Financial assets arising from swap transactions - short term (*)	52.226.406	44.803.537	22.855.160
Financial assets arising from swap transactions - long term (*)	160.082.567	84.439.496	36.905.607
	212.308.973	129.243.033	59.760.767

(*) The Group has swap contracts, related to foreign currency denominated loans which are summarized below, in order to hedge foreign exchange risk and interest risk as of 31 December 2017 and has converted floating interest rate loan to TRY by fixed rate with optional cross-currency swap transactions. As of 31 December 2017, mentioned swap instruments are carried at their fair values through the consolidated statement of profit or loss. As of 31 December 2017, The Group has derivative financial instruments for the portion of the loans amounting to USD 325.713.757 and EUR 60.886.568 (TRY 1.503.493.020).

Movement of derivative instruments are as follows:

	2017	2016
Opening balance - 1 January	129.243.033	59.760.767
The amount recognized in financial expenses	83.065.940	141.703.334
Disposals (-) (*)	-	(72.221.068)
Closing balance - 31 December	212.308.973	129.243.033

(*) Disposals from derivative financial instruments are related to the cash inflows in 2016 from the sale of cross-currency swap transactions dated 26 May 2015 and 8 November 2016; and income amounting to TRY 72.221.068 is accounted under the financial expenses in the statement of income for the period ended 31 December 2017.

NOTE 9 - OTHER FINANCIAL LIABILITIES

Other financial liabilities of the Group are amounting to TRY 3.873.241 as of 31 December 2017 (31 December 2016: 175.657.399, 31 December 2015: TRY 16.081.947). Other financial liabilities of the Group comprise of its receivables which are transferred to factoring companies as of 31 December 2017, 2016 and 2015. Group transfers their trade receivables to local factoring companies with recourse. Since risks related with negotiated receivables have not been transferred to factoring companies and factoring companies have right to recourse if the receivables cannot be collected, the receivables subject to factoring transaction were not derecognized and amount provided from factoring companies presented as other financial liabilities in the consolidated financial statement.

CONVENIENCE TRANSLATION INTO ENGLISH OF CONSOLIDATED FINANCIAL STATEMENTS ORIGINALLY ISSUED IN TURKISH
BOYNER PERAKENDE VE TEKSTİL YATIRIMLARI A.Ş.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS AT 31 DECEMBER 2017
(Amounts expressed in Turkish Lira ("TRY") unless otherwise stated.)

NOTE 10 - TRADE RECEIVABLES AND PAYABLES**Short-term trade receivables**

	31 December 2017	31 December 2016	31 December 2015
Trade receivables	211.544.267	205.579.696	204.147.754
Notes receivables (*)	159.008.601	169.477.543	124.335.333
Less: Provision for doubtful receivables	(49.019.622)	(47.331.914)	(35.254.468)
Less: Rediscount expense	(9.478.474)	(6.778.193)	(7.805.368)
Total trade receivables from third parties	312.054.772	320.947.132	285.423.251
Trade receivables from related parties	56.268.093	40.328.044	54.689.750
Less: Doubtful receivables from related parties (**)	-	(7.319.185)	-
Less: Rediscount expense	(2.065.258)	(520.289)	(1.274.136)
Total trade receivables from related parties (Note 31)	54.202.835	32.488.570	53.415.614
Total short-term trade receivables	366.257.607	353.435.702	338.838.865

(*) TRY 3.873.241 of the notes receivables was transferred to the factoring institutions (31 December 2016: TRY 119.933.830, 31 December 2015: TRY 16.081.947). The factoring debts related to this transaction have been classified under other financial liabilities.

(**) The Group's doubtful receivables from related parties consist of Elif Co., whose liquidation procedures were started in 2016. The liquidation process completed on 12 April 2017.

Long-term trade receivables

	31 December 2017	31 December 2016	31 December 2015
Trade receivables from third parties	2.306.536	3.984.536	9.156.951
Notes receivables	5.627.867	10.182.919	10.326.506
Less: Rediscount expense	(1.422.882)	(2.043.951)	(3.234.101)
Total long-term trade receivables	6.511.521	12.123.504	16.249.356

The collection period of trade receivables vary with the type of product and the agreements entered into with the customer. The average collection period for textile company's sales is 195 days (31 December 2016: 174 days).The average collection period of trade receivables from retail companies sales is 54 days (31 December 2016: 63 days).

CONVENIENCE TRANSLATION INTO ENGLISH OF CONSOLIDATED FINANCIAL STATEMENTS ORIGINALLY ISSUED IN TURKISH
BOYNER PERAKENDE VE TEKSTİL YATIRIMLARI A.Ş.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS AT 31 DECEMBER 2017
(Amounts expressed in Turkish Lira ("TRY") unless otherwise stated.)

NOTE 10 - TRADE RECEIVABLES AND PAYABLES (CONTINUED)

The movement of provision for doubtful receivables as of 31 December 2017 and 2016 is as follows:

	2017	2016
Opening balance - 1 January	54.651.099	35.254.468
Provisions (Note 25)	2.171.200	19.801.635
Write-offs in the current period (*)	(7.778.611)	(40.799)
Collection of receivables during the current period	(24.066)	(94.227)
Disposals from sale of subsidiary	-	(269.978)
Closing balance - 31 December	49.019.622	54.651.099

(*) The balance consists of doubtful receivables written off during the year as they were uncollectible.

Short term trade payables

	31 December 2017	31 December 2016	31 December 2015
Trade payables	682.152.810	566.953.316	579.847.678
Notes payables (**)	728.211.391	766.596.199	560.939.856
Less: Rediscount income	(40.338.602)	(25.918.271)	(25.456.397)
Total trade payables from third parties	1.370.025.599	1.307.631.244	1.115.331.137
Trade payables from related parties	22.021.936	17.443.667	12.383.045
Less: Rediscount income	(726.388)	(587.367)	(358.700)
Total trade payables from related parties (Note 31)	21.295.548	16.856.300	12.024.345
Total trade payables	1.391.321.147	1.324.487.544	1.127.355.482

The average payment period of trade payables is 154 days for textile company (31 December 2016: 177 days). The average payment period of trade payables for retail companies' purchases is 146 days (31 December 2016: 154 days).

Long term trade payables

	31 Aralık 2017	31 Aralık 2016	31 Aralık 2015
Notes payable (**)	37.310.367	52.358.847	59.073.112
Total long term trade payables	37.310.367	52.358.847	59.073.112

(**) The Group has purchased the factory land and buildings which belong to Akış Gayrimenkul Yatırım Ortaklığı A.Ş. for USD 24.691.930. The payable amount which has a maturity of 5 years, has classified as short term and long term payables amounting to TRY 20.533.450 (31 December 2016: TRY 22.423.054, 31 December 2015: TRY 28.919.500) and TRY 37.254.219 (31 December 2016: TRY 52.302.699, 31 December 2015: TRY 59.073.112) respectively.

CONVENIENCE TRANSLATION INTO ENGLISH OF CONSOLIDATED FINANCIAL STATEMENTS ORIGINALLY ISSUED IN TURKISH
BOYNER PERAKENDE VE TEKSTİL YATIRIMLARI A.Ş.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS AT 31 DECEMBER 2017
(Amounts expressed in Turkish Lira ("TRY") unless otherwise stated.)

NOTE 11 - OTHER RECEIVABLES AND PAYABLES**Short term other receivables**

	31 December 2017	31 December 2016	31 December 2015
Receivables from malls (*)	7.302.709	13.786.105	-
Other receivables from customers	4.199.875	2.487.179	2.294.298
Due from personnel	228.153	329.764	318.747
Other	233.327	1.158.834	532.829
Total other short term receivables	11.964.064	17.761.882	3.145.874
Other receivables from related parties (Note 31)	4.057.556	246.245.160	47.731.069
	16.021.620	264.007.042	50.876.943

(*) The receivables from the malls consist of the amounts that the Group will receive due to store openings.

Long term other receivables

	31 December 2017	31 December 2016	31 December 2015
Deposits and guarantees given to third parties	1.887.594	1.763.853	1.629.829
Total other long-term receivables	1.887.594	1.763.853	1.629.829

Other short term payables

	31 December 2017	31 December 2016	31 December 2015
Other (**)	5.547.885	31.864.573	23.620.903
Total other payables	5.547.885	31.864.573	23.620.903
Other payables to related parties (Note 31)	700.000	35.192.000	-
Total other short term payables	6.247.885	67.056.573	23.620.903

Other long term payables

	31 Aralık 2017	31 Aralık 2016	31 Aralık 2015
Deposits and guarantees received	187.021	177.889	230.913
Other (**)	21.506	24.766	28.135.762
Total long term other payables	208.527	202.655	28.366.675
Other payables to related parties (Note 31)	175.000.000	-	-
Total other long term payables	175.208.527	202.655	28.366.675

(**) The short term other payables amounting to TRY 31.229.936 (31 December 2015: TRY 23.073.725 short term and TRY 27.409.597 long term) are mainly related with the acquisition of YKM A.Ş. and YKM Pazarlama A.Ş. on 22 October 2013.

CONVENIENCE TRANSLATION INTO ENGLISH OF CONSOLIDATED FINANCIAL STATEMENTS ORIGINALLY ISSUED IN TURKISH
BOYNER PERAKENDE VE TEKSTİL YATIRIMLARI A.Ş.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS AT 31 DECEMBER 2017
(Amounts expressed in Turkish Lira ("TRY") unless otherwise stated.)

NOTE 12 - INVENTORIES

The detail of inventories as of 31 December 2017 and 2016 is as follows:

	31 December 2017	31 December 2016	31 December 2015
Raw materials and supplies	33.899.008	34.582.414	53.527.265
Semi-finished goods	26.074.960	22.066.344	25.390.586
Finished goods	35.810.575	35.251.825	36.321.574
Trade goods	1.162.664.156	1.084.990.451	902.105.801
Goods in transit	37.440.042	47.249.914	39.290.498
Auxiliary materials	7.282.248	9.069.600	9.875.343
Real estates (*)	12.424.646	27.633.724	37.287.750
	1.315.595.635	1.260.844.272	1.103.798.817
Less: Provision for impairment on inventories	(58.908.175)	(43.334.645)	(24.345.493)
	1.256.687.460	1.217.509.627	1.079.453.324

(*) 4 stores that Group have started to receive rent income are classified to investment property from real estates inventories as of 31 December 2016 (Note 14).

The total insurance coverage on inventories is amounting as TRY 1.790.124.601 as at 31 December 2017 (31 December 2016: TRY 1.602.175.000, 31 December 2015: TRY 1.386.750.000).

The movement of the impairment on inventories during the periods ended as of 31 December 2017 and 2016 is as follows:

	2017	2016
Opening balance - 1 January	43.334.645	24.345.493
Changes during the year	15.573.530	18.989.152
Closing balance - 31 December	58.908.175	43.334.645

NOTE 13 - PREPAID EXPENSES AND DEFERRED REVENUE**Deferred revenue - short term**

	31 December 2017	31 December 2016	31 December 2015
Advances received	74.077.869	80.220.416	29.797.834
Gift voucher	43.059.765	31.511.517	24.545.357
Unused certificates of return goods (*)	29.490.516	20.926.254	15.542.307
Income related to the mall contributions	20.553.505	25.234.782	3.835.431
Customer loyalty points	14.357.576	10.753.524	8.891.930
Other	8.008.110	10.189.425	2.884.560
	189.547.341	178.835.918	85.497.419

(*) Unused certificates of return goods consist of unused portion of certificates given to the customers for their return goods at the retail sales as of the balance sheet date.

CONVENIENCE TRANSLATION INTO ENGLISH OF CONSOLIDATED FINANCIAL STATEMENTS ORIGINALLY ISSUED IN TURKISH
BOYNER PERAKENDE VE TEKSTİL YATIRIMLARI A.Ş.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS AT 31 DECEMBER 2017
(Amounts expressed in Turkish Lira ("TRY") unless otherwise stated.)

NOTE 13 - PREPAID EXPENSES AND DEFERRED REVENUE (CONTINUED)**Deferred revenue - long term**

As of 31 December 2017, the non-current deferred revenue amounting to TRY 27.455.102 (31 December 2016: TRY 14.801.962, 31 December 2015: TRY 15.570.889) consists of income related to mall contribution amounting to TRY 27.418.515 (31 December 2016: TRY 12.217.083, 31 December 2015: TRY 15.513.469).

Prepaid expenses - short term

	31 December 2017	31 December 2016	31 December 2015
Advances given for inventories	20.083.905	14.696.306	17.120.247
Advances given for rent expenses	14.606.887	9.484.373	-
Prepaid service expenses (**)	3.650.162	-	-
Prepaid insurance expenses	3.282.543	3.006.586	2.397.693
Other	9.549.699	8.317.529	5.185.515
	51.173.196	35.504.794	24.703.455

Prepaid expenses - long term

	31 December 2017	31 December 2016	31 December 2015
Prepaid service expenses (**)	11.566.109	-	-
Prepaid rent expenses	2.046.903	1.861.251	-
Other	1.784.669	1.584.295	251.659
	15.397.681	3.445.546	251.659

(**) Prepaid service expenses are related to prepaid consultancy expenses related to financing activities and the service period is 5 years.

NOTE 14 - INVESTMENT PROPERTIES

	1 January 2017	Additions	Disposals (-)	Transfers	Change in fair value	31 December 2017
Fair value						
Store at Unkaparı	175.000	-	-	-	-	175.000
Istwest stores	32.820.000	-	-	-	1.270.000	34.090.000
	32.995.000	-	-	-	1.270.000	34.265.000
	1 January 2016	Additions	Disposals (-)	Transfers (*)	Change in fair value	31 December 2016
Revaluated amount						
Starcity Mall (**)	142.464.000	-	(96.933.026)	-	(45.530.974)	-
Store at Unkaparı	175.000	-	-	-	-	175.000
Istwest stores (*)	16.840.700	-	-	2.098.800	13.880.500	32.820.000
	159.479.700	-	(96.933.026)	2.098.800	(31.650.474)	32.995.000

(*) 4 stores that the Group started to have rent income are classified to investment property from real estates inventories as of 31 December 2016.

(**) According to the share transfer agreement of the Group's subsidiary signed on 7 May 2016, the fair value of the Starcity shopping mall has been calculated as TRY 96.933.026 and impairment loss amounting to TRY 45.530.974, has been recognized to the consolidated financial statements as of 31 December 2016. As a result of share transfer on 15 June 2016, the income and expenses related to BYN's activities are reclassified to loss from discontinued operations for the period (Note 4).

CONVENIENCE TRANSLATION INTO ENGLISH OF CONSOLIDATED FINANCIAL STATEMENTS ORIGINALLY ISSUED IN TURKISH
BOYNER PERAKENDE VE TEKSTİL YATIRIMLARI A.Ş.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS AT 31 DECEMBER 2017
(Amounts expressed in Turkish Lira ("TRY") unless otherwise stated.)

NOTE 14 - INVESTMENT PROPERTIES (CONTINUED)

The assumptions used in determining the fair value of investment properties are explained in Note 2.7.

31 December 2017

Name	Date of expertise report	Fair value (TRY)	Cost value (TRY)
Store at Unkapani	6 August 2013	175.000	43.961
Istwest stores	29 December 2017	34.090.000	17.531.359

31 December 2016

Name	Ekspertiz Rapor Tarihi	Gerçeğe Uygun Değeri (TL)	Maliyet Değeri (TL)
Store at Unkapani	6 August 2013	175.000	43.961
Istwest stores	9 February 2017	32.820.000	17.531.359

As of 31 December 2017, rent income from investment properties is amounting to TRY 795.722
(31 December 2016: TRY 7453.449, 31 December 2015: TRY 12.389.945).

The fair value of land and buildings

As of 31 December 2017 and 2016, the fair value of land and buildings of the Group was determined by an independent expert. Increase in the revaluation amount has been recognized as other operating income in the statement of comprehensive income.

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

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

	31 December 2017		
	Quoted in active markets for identical assets prices (Level 1)	Other significant observable inputs (Level 2)	Significant unobservable inputs (Level 3)
Recurring fair value measurements			
Store at Unkapani	-	175.000	-
Istwest stores	-	34.090.000	-
	-	34.265.000	-

	31 December 2016		
	Quoted in active markets for identical assets prices (Level 1)	Other significant observable inputs (Level 2)	Significant unobservable inputs (Level 3)
Recurring fair value measurements			
Store at Unkapani	-	175.000	-
Istwest stores	-	32.820.000	-
	-	32.995.000	-

CONVENIENCE TRANSLATION INTO ENGLISH OF CONSOLIDATED FINANCIAL STATEMENTS ORIGINALLY ISSUED IN TURKISH
BOYNER PERAKENDE VE TEKSTİL YATIRIMLARI A.Ş.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS AT 31 DECEMBER 2017
(Amounts expressed in Turkish Lira ("TRY") unless otherwise stated.)

NOTE 14 - INVESTMENT PROPERTIES (CONTINUED)**Valuation techniques used to derive level 2 fair values**

- Level 2 fair values have been derived using the sales comparison approach and income capitalization method. The main input used in the sales comparison method is price per square meter. The main input used in the income capitalization method is rent cost, occupancy, annual rent increase and discount rate.

NOTE 15 - PROPERTY, PLANT AND EQUIPMENT

	1 January 2017	Additions	Disposals (-) (*)	Transfers	31 December 2017
Cost					
Lands	48.883.306	-	-	-	48.883.306
Land improvements	214.432	-	-	267.304	481.736
Buildings	44.573.895	-	(608.399)	4.097.050	48.062.546
Plant, machinery and equipment	115.836.518	355.808	(4.211.002)	200.609	112.181.933
Furniture and fixtures	205.594.252	53.147.579	(3.074.774)	9.488.165	265.155.222
Motor vehicles	945.389	-	(1.475)	-	943.914
Leasehold improvements	264.660.591	55.759.900	(14.431.878)	15.243.318	321.231.931
Construction in progress	9.171.911	23.567.139	(505.770)	(29.459.333)	2.773.947
	689.880.294	132.830.426	(22.833.298)	(162.887)	799.714.535
Accumulated depreciation (-)					
Land	(893)	(15.177)	-	-	(16.070)
Buildings	(749.009)	(1.073.709)	4.056	-	(1.818.662)
Plant, machinery and equipment	(104.116.431)	(2.906.367)	4.211.001	-	(102.811.797)
Furniture and fixtures	(93.542.614)	(34.494.557)	743.666	-	(127.293.505)
Motor vehicles	(767.768)	(98.832)	-	-	(866.600)
Leasehold improvements	(123.323.832)	(36.201.322)	2.869.668	-	(156.655.486)
	(322.500.547)	(74.789.964)	7.828.391	-	(389.462.120)
Net book value	367.379.747				410.252.415

(*) Disposals include the impairment on leasehold improvements of closed stores amounting to TRY 10.711.286 during the period 1 January - 31 December 2017.

CONVENIENCE TRANSLATION INTO ENGLISH OF CONSOLIDATED FINANCIAL STATEMENTS ORIGINALLY ISSUED IN TURKISH
BOYNER PERAKENDE VE TEKSTİL YATIRIMLARI A.Ş.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS AT 31 DECEMBER 2017
(Amounts expressed in Turkish Lira ("TRY") unless otherwise stated.)

NOTE 15 - PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

	1 January 2016	Additions	Disposals (-) (**)	Transfers	31 December 2016
Cost					
Lands	48.883.306	-	-	-	48.883.306
Land improvements	-	-	-	214.432	214.432
Buildings	26.311.968	608.399	-	17.653.528	44.573.895
Plant, machinery and equipment	132.155.311	2.963.373	(20.205.569)	923.403	115.836.518
Furniture and fixtures	173.654.694	34.760.644	(2.919.194)	98.108	205.594.252
Motor vehicles	934.984	10.405	-	-	945.389
Leasehold improvements	257.132.781	32.973.534	(25.869.149)	423.425	264.660.591
Construction in progress	5.421.107	27.207.718	(4.002.770)	(19.454.144)	9.171.911
	644.494.151	98.524.073	(52.996.682)	(141.248)	689.880.294
Accumulated depreciation (-)					
Land improvements	-	(893)	-	-	(893)
Buildings	(43.853)	(705.156)	-	-	(749.009)
Plant, machinery and equipment	(118.402.440)	(3.154.477)	17.440.486	-	(104.116.431)
Furniture and fixtures	(66.627.079)	(28.054.602)	1.139.067	-	(93.542.614)
Motor vehicles	(628.233)	(139.535)	-	-	(767.768)
Leasehold improvements	(107.540.886)	(33.451.594)	17.668.648	-	(123.323.832)
	(293.242.491)	(65.506.257)	36.248.201	-	(322.500.547)
Net book value	351.251.660				367.379.747

(**) Disposals include the impairment on leasehold improvements of closed stores amounting to TRY 6.335.134 during the period 1 January - 31 December 2016.

As of 31 December 2017 depreciation expense amounting to TRY 64.236.363 (2016: TRY 53.231.958) has been charged in marketing expenses, TRY 4.069.789 (2016: TRY 4.526.097) has been charged in cost of sales, TRY 6.460.178 (2016: TRY 7.641.247) has been charged in general and administrative expenses, and TRY 23.634 (2016: TRY 106.955) has been charged in research and development expenses (Note 24).

As of 31 December 2017 total amount of insurance coverage on tangible fixed assets is amounting to TRY 1.149.068.326 (31 December 2016: TRY 954.295.626).

CONVENIENCE TRANSLATION INTO ENGLISH OF CONSOLIDATED FINANCIAL STATEMENTS ORIGINALLY ISSUED IN TURKISH
BOYNER PERAKENDE VE TEKSTİL YATIRIMLARI A.Ş.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS AT 31 DECEMBER 2017
(Amounts expressed in Turkish Lira ("TRY") unless otherwise stated.)

NOTE 16 - INTANGIBLE ASSETS

	1 January 2017	Additions	Disposals (-)	Transfers	31 December 2017
Cost					
Rights	14.879.312	2.478.627	(117.180)	4.493	17.245.252
Brands	473.224.395	-	-	-	473.224.395
Favorable rent contracts	303.382.404	-	-	-	303.382.404
Franchise agreements	192.140.601	-	-	-	192.140.601
Customer network	76.727.000	-	-	-	76.727.000
Computer licenses	30.308.070	10.239.452	(285.465)	158.394	40.420.451
	1.090.661.782	12.718.079	(402.645)	162.887	1.103.140.103
Accumulated amortization (-)					
Rights	(14.430.575)	(2.446.041)	6.532	-	(16.870.084)
Favorable rent contracts	(92.898.389)	(25.925.132)	-	-	(118.823.521)
Franchise agreements	(57.087.924)	(15.948.910)	-	-	(73.036.834)
Customer network	(18.329.227)	(5.115.133)	-	-	(23.444.360)
Computer licenses	(13.207.153)	(9.624.061)	116.018	-	(22.715.196)
	(195.953.268)	(59.059.277)	122.550	-	(254.889.995)
Net book value	894.708.514				848.250.108
	1 January 2016	Additions	Disposals (-)	Transfers	31 December 2016
Cost					
Rights	14.032.589	2.636.777	(1.931.302)	141.248	14.879.312
Brands	469.359.395	3.865.000	-	-	473.224.395
Favorable rent contract	303.382.404	-	-	-	303.382.404
Franchise agreements	192.140.601	-	-	-	192.140.601
Customer network	76.727.000	-	-	-	76.727.000
Computer licenses	17.349.298	12.958.772	-	-	30.308.070
	1.072.991.287	19.460.549	(1.931.302)	141.248	1.090.661.782
Accumulated amortization (-)					
Rights	(12.218.637)	(4.030.896)	1.818.958	-	(14.430.575)
Favorable rent contract	(66.973.257)	(25.925.132)	-	-	(92.898.389)
Franchise agreements	(41.139.014)	(15.948.910)	-	-	(57.087.924)
Customer network	(13.214.094)	(5.115.133)	-	-	(18.329.227)
Computer licenses	(6.308.751)	(6.898.402)	-	-	(13.207.153)
	(139.853.753)	(57.918.473)	1.818.958	-	(195.953.268)
Net book value	933.137.534				894.708.514

CONVENIENCE TRANSLATION INTO ENGLISH OF CONSOLIDATED FINANCIAL STATEMENTS ORIGINALLY ISSUED IN TURKISH
BOYNER PERAKENDE VE TEKSTİL YATIRIMLARI A.Ş.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS AT 31 DECEMBER 2017
(Amounts expressed in Turkish Lira ("TRY") unless otherwise stated.)

NOTE 16 - INTANGIBLE ASSETS (CONTINUED)

As of 31 December 2017, amortization expense amounting to TRY 43.493.512 (31 December 2016: TRY 44.538.117) has been charged in marketing expenses, TRY 15.534.257 (31 December 2016: TRY 13.329.247) has been charged in general and administrative expenses, TRY 12.694 (31 December 2016: TRY 37.433) has been charged in cost of sales and TRY 18.814 (31 December 2016: TRY 13.676) has been charged in research and development expenses (Note 24).

Brands

Brands consist of Beymen, Boyner, Beymen Club and Beymen Business brands that are accounted by business combinations (Note 3). Furthermore, brands also include T-Box brand which is purchased from Boyner Holding on 1 October 2010, Divarese brand purchased from Vincenzo Schilacci and Step SRL on 15 July 2011 and George Hogg brand purchased from Boyner Holding on 10 February 2016.

Brands impairment determination studies

As of 31 December 2017, brands have been tested for impairment by using the revenue approach. While testing the value of brand, sales estimations based on the financial budgets approved by the management have been used.

Beymen brand

While testing the value of Beymen brand, revenue plans based on the financial budgets approved by the management covering a five year period have been taken into consideration with a growth rate between 12,7% and 27% and accordingly the cash flows calculated is discounted with a rate of 17,1%. For the following period after five years, cash flows have been determined with a growth rate of 6,5%. If the estimated pre-tax discount rate used for the calculation of discounted cash flows had been 1% higher/lower than the management's estimate (instead of 17,1%, 18,1% or 16,1%) the fair value as at 31 December 2017 would decrease by TRY 46,6 million and increase by TRY 56,5 million and no impairment has been identified in sensitivity analysis performed with the rates.

Boyner brand

While testing the value of Boyner brand, revenue plans based on the financial budgets approved by the management covering a five year period have been taken into consideration with a growth rate between 18,8% and 27,1% and accordingly the cash flows is discounted with a rate of 17,1%. For the following period after five years, cash flows have been determined with a growth rate of 6,5%. If the estimated pre-tax discount rate used for the calculation of discounted cash flows had been 1% higher/lower than the management's estimate (instead of 17,1%, 18,1% or 16,1%) the fair value as at 31 December 2017 would decrease by TRY 63,7 million and increase by TRY 77,3 million and no impairment has been identified in sensitivity analysis performed with these rates.

T-box brand

While testing the value of T-box brand, revenue plans based on the financial budgets approved by the management covering a five year period have been taken into consideration with a growth rate between 21% and 30% and accordingly the cash flows calculated is discounted with a rate of 17,1%. For the following five years, cash flows have been determined with a growth rate of 6,5% as of 31 December 2017, the Group has not identified any impairment as a result of this test. Discount rate after tax being 1% higher/lower (instead of 17,1%, 18,1% or 16,1%) which is used in discounted cash flow calculations causes decrease at fair value amounting to TRY 2,1 million or increase amounting to TRY 2,5 million and no impairment has been identified in sensitivity analysis performed with these rates.

Beymen Club and Beymen Business brands

In impairment tests, annual revenue growth has been estimated for Beymen Club; in the range of 19,3% to 22,7%; for Beymen Business in the range of 15,2% to 25,6% and royalty income is discounted by 17,1% by using the same method. For the following period after five years, cash flows have been determined with a growth rate of 6,5%. As of 31 December 2017, the Group has not identified any impairment as a result of this test. If the estimated pre-tax discount rate used for the calculation of discounted cash flows had been 1% higher/lower than the management's estimate (instead of 17,1%, 18,1% or 16,1%) the fair value would decrease by TRY 6,5 million for Beymen Club and TRY 4,2 million for Beymen business or increase by TRY 7,9 million for Beymen Club and by TRY 5 million for Beymen Business and no impairment has been identified in sensitivity analysis performed with these rates.

As a result of the impairment tests performed based on the assumptions explained above, the Group did not identify any impairment as of 31 December 2017. As the fair values of the brands are higher than their carrying values, management did not calculate the recoverable amounts in terms of value in use.

CONVENIENCE TRANSLATION INTO ENGLISH OF CONSOLIDATED FINANCIAL STATEMENTS ORIGINALLY ISSUED IN TURKISH
BOYNER PERAKENDE VE TEKSTİL YATIRIMLARI A.Ş.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS AT 31 DECEMBER 2017
(Amounts expressed in Turkish Lira ("TRY") unless otherwise stated.)

NOTE 17 - PROVISIONS, CONTINGENT ASSETS AND LIABILITIES

Short term provision for employee benefits

As of 31 December 2017 short term provision for employee benefits amounting to TRY 22.510.807 (31 December 2016: TRY 14.653.442, 31 December 2015: TRY 17.781.353) mainly consists of provision for unused vacation rights and bonus provision.

Other short term provisions

Other short term provision as of 31 December 2017, 2016 and 2015 are as follows:

	31 December 2017	31 December 2016	31 December 2015
Provision for sales returns and price differences	22.539.046	17.394.899	13.615.006
Provision for litigations	11.024.480	7.258.895	5.095.436
Other (*)	17.588.597	176.021	56.742
	51.152.123	24.829.815	18.767.184

(*) As of 31 December 2017, a significant portion of other provisions consists of USD denominated exit costs which will be paid to Akmerkez Gayrimenkul Yatırım Ortaklığı A.Ş. for the closing of Wepublic store.

The movement of other short term provisions is as follows:

	1 January 2017	Additions	Paid provisions	31 December 2017
Provision for sales returns and price differences	17.394.899	18.497.729	(13.353.582)	22.539.046
Provision for litigations	7.258.895	6.233.438	(2.467.853)	11.024.480
Other	176.021	17.412.576	-	17.588.597
Total	24.829.815	42.143.743	(15.821.435)	51.152.123

	1 January 2016	Additions	Paid provisions	31 December 2016
Provision for sales returns and price differences	13.615.006	13.309.069	(9.529.176)	17.394.899
Provision for litigations	5.095.436	3.013.258	(849.799)	7.258.895
Other	56.742	176.021	(56.742)	176.021
Total	18.767.184	16.498.348	(10.435.717)	24.829.815

CONVENIENCE TRANSLATION INTO ENGLISH OF CONSOLIDATED FINANCIAL STATEMENTS ORIGINALLY ISSUED IN TURKISH
BOYNER PERAKENDE VE TEKSTİL YATIRIMLARI A.Ş.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS AT 31 DECEMBER 2017
(Amounts expressed in Turkish Lira ("TRY") unless otherwise stated.)

NOTE 17 - PROVISIONS, CONTINGENT ASSETS AND LIABILITIES (CONTINUED)

Contingent assets and liabilities

Guarantees, pledges and mortgages

Guarantees, pledges and mortgages "GPM" given by the Company as of 31 December 2017, 2016 and 2015 are as follows:

	31 December 2017	31 December 2016	31 December 2015
A. Total amount of GPMs which the Company provided on behalf of its own legal entity	115.100	73.118	795.278
B. Total amount of GPMs which the Company provided on behalf of associates that are included to full consolidation	337.100.694	377.714.157	324.243.271
C. Total amount of GPMs which the Company provided on behalf of third parties to conduct business activities	-	-	-
D. Total amount of other GPMs provided	-	-	-
i. On behalf of majority shareholder	-	-	-
ii. On behalf of other group companies which are not included in item B or C	-	-	-
iii. On behalf of third parties which are not covered by item C	-	-	-
	337.215.794	377.787.275	325.038.549

As of 31 December 2017, 2016 and 2015, there are not any other guarantees, pledges, and mortgages given by the Group.

The details of GPM are given as of 31 December 2017, 2016 and 2015 are as follows:

Currency	31 December 2017		31 December 2016		31 December 2015	
	Original Amount	TRY Equivalent	Original Amount	TRY Equivalent	Original Amount	TRY Equivalent
TRY	283.002.606	283.002.606	357.656.221	357.656.221	263.324.295	263.324.295
EUR	7.499.992	33.866.212	4.585.769	17.012.744	19.421.656	61.714.254
USD	5.394.357	20.346.976	886.085	3.118.310	-	-
		337.215.794		377.787.275		325.038.549

NOTE 18 - COMMITMENTS

As of 31 December 2017, 2016 and 2015, annual lease liabilities that are non-cancellable over one year maturity and not included in the Group's consolidated financial statements are as follows:

Operating vehicles lease commitments:

	31 December 2017	31 December 2016	31 December 2015
Payable within 1 year	3.934.597	2.442.777	3.217.609
Payable within 1 - 5 years	6.220.945	2.705.791	2.997.245
	10.155.542	5.148.568	6.214.854

CONVENIENCE TRANSLATION INTO ENGLISH OF CONSOLIDATED FINANCIAL STATEMENTS ORIGINALLY ISSUED IN TURKISH
BOYNER PERAKENDE VE TEKSTİL YATIRIMLARI A.Ş.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS AT 31 DECEMBER 2017
(Amounts expressed in Turkish Lira ("TRY") unless otherwise stated.)

NOTE 18 - COMMITMENTS (CONTINUED)

Operating stores leasing commitments:

	31 December 2017	31 December 2016	31 December 2015
Payable within 1 year	219.092.879	223.418.211	124.195.925
Payable within 1 - 5 years	25.123.354	103.781.162	138.159.599
Longer than 5 years	-	19.287.820	-
	244.216.233	346.487.193	262.355.524

Operating office leasing commitments:

	31 December 2017	31 December 2016	31 December 2015
Payable within 1 year	3.426.871	3.212.380	2.162.584
	3.426.871	3.212.380	2.162.584

The commitments of the Group related to export operations as of 31 December 2017 amounting to USD 375.576 (31 December 2016: USD 2.083.811, 31 December 2015: USD 6.108.417).

NOTE 19 - EMPLOYEE BENEFITS

Short term provision for employee benefits

Short term provision for employee benefits as of 31 December 2017, 2016 and 2015 are as follows:

	31 December 2017	31 December 2016	31 December 2015
Social security premiums	26.981.480	20.392.671	9.272.681
Payables to personnel	25.846.732	18.976.156	11.734.098
	52.828.212	39.368.827	21.006.779

Long term provision for employee benefits

	31 December 2017	31 December 2016	31 December 2015
Provision for employee benefits	45.782.522	36.627.258	32.683.148
	45.782.522	36.627.258	32.683.148

Under the Turkish Labor Law, the Group is required to pay employee benefits to each employee who has qualified for such benefits as the employment ended. Also, employees entitled to a retirement are required to be paid retirement pay in accordance with Law No: 2242 dated 6 March 1981 and No: 4447 dated 25 August 1999 and the amended Article 60 of the existing Social Insurance Code No: 506. Some transitional provisions related with retirement prerequisites have been removed due to the amendments in the relevant law on 23 May 2002.

CONVENIENCE TRANSLATION INTO ENGLISH OF CONSOLIDATED FINANCIAL STATEMENTS ORIGINALLY ISSUED IN TURKISH
BOYNER PERAKENDE VE TEKSTİL YATIRIMLARI A.Ş.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS AT 31 DECEMBER 2017
(Amounts expressed in Turkish Lira ("TRY") unless otherwise stated.)

NOTE 19 - EMPLOYEE BENEFITS (CONTINUED)

The amount payable consists of one month's salary limited to a maximum of TRY 4.732,48 for each period of service as of 31 December 2017 (31 December 2016: TRY 4.297,21, 31 December 2015: TRY 3.828,37). The retirement pay provision ceiling is revised semi-annually, and TRY 5.001,76 which is effective from 1 January 2018, is taken into consideration in the calculation of provision for employee benefits (31 December 2016: TRY 4.426,16 effective from 1 January 2017, 31 December 2015: TRY 4.092,53 effective from 1 January 2016). Liability of employee benefits is not subject to any funding as there is not an obligation. Provision is calculated by estimating the present value of the future probable obligation of the Group arising from the retirement of the employees. TAS 19 "Employee Benefits" requires actuarial valuation methods to be developed to estimate the Group's obligation under the defined benefit plans. The following actuarial assumptions are used in the calculation of the total liability. Actuarial loss/(gain) are accounted in the statement of comprehensive income under revaluation reserves.

The principal assumption is that the maximum liability for each year of service will increase in line with inflation. Thus, the discount rate applied represents the expected real rate after adjusting for the anticipated effects of future inflation. Consequently, in the accompanying consolidated financial statements as of 31 December 2017, 2016 and 2015 the provision is calculated by estimating the present value of the future probable obligation of the Group arising from the retirement of the employees. Provisions at the balance sheet date were calculated with real discount rate 4,67% (31 December 2016: 5,19%, 31 December 2015: 3%) by assuming an annual inflation rate of 7% (31 December 2016: 6%, 31 December 2015: 6%) and an interest rate of 12% (31 December 2016: 11,50%, 31 December 2015: 9,60%). The anticipated rate of forfeitures that occurred on voluntary turnovers is considered. The estimated rates of 31 December 2017 date for store personnel 84,3% (31 December 2016: 84,65%, 31 December 2015: 79,83%) and 92,05% for the management and other personnel (31 December 2016: 93,70%, 31 December 2015: 96,50%).

The provision for employee benefits in the statement of comprehensive income and balance sheet is as follows:

	2017	2016
Current period charge	8.942.758	13.977.803
Finance charge of employee benefits	3.806.104	2.205.932
	12.748.862	16.183.735

The movement of employee benefits is as follows:

	2017	2016
Opening balance - 1 January	36.627.258	32.683.148
Cost of service	8.942.758	13.977.803
Cost of interest	3.806.104	2.205.932
Actuarial losses	8.058.226	11.706.100
Amount classified as discontinued operations (*)	-	(4.895.003)
Payments (-)	(11.651.824)	(19.050.722)
Closing balance - 31 December	45.782.522	36.627.258

(*) The amount classified as discontinued operations in 2016 consists of current service cost amounting TRY 602.768, interest cost amounting to TRY 313.257 and paid compensation amounting to TRY 5.811.028.

CONVENIENCE TRANSLATION INTO ENGLISH OF CONSOLIDATED FINANCIAL STATEMENTS ORIGINALLY ISSUED IN TURKISH
BOYNER PERAKENDE VE TEKSTİL YATIRIMLARI A.Ş.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS AT 31 DECEMBER 2017
(Amounts expressed in Turkish Lira ("TRY") unless otherwise stated.)

NOTE 20 - OTHER ASSETS AND LIABILITIES

Other current assets

	31 December 2017	31 December 2016	31 December 2015
Value added taxes carried forward	130.390.331	114.856.356	96.102.516
Other VAT receivables	10.907.437	12.307.173	14.616.915
Other	3.780.790	4.463.175	3.028.690
	145.078.558	131.626.704	113.748.121

Other non-current assets

Other non-current assets of the Group consist of long term VAT receivables amounting to TRY 4.452.894 (31 December 2016: TRY 12.876.789, 31 December 2015: TRY 28.002.075).

Other current liabilities

	31 December 2017	31 December 2016	31 December 2015
Taxes, fees and other deduction payables	22.291.089	18.044.472	9.552.873
Other	3.601.008	657.840	1.191.265
	25.892.097	18.702.312	10.744.138

Other non-current liabilities

	31 December 2017	31 December 2016	31 December 2015
Taxes, fees and other deduction payables	7.975.414	-	-
	7.975.414	-	-

CONVENIENCE TRANSLATION INTO ENGLISH OF CONSOLIDATED FINANCIAL STATEMENTS ORIGINALLY ISSUED IN TURKISH
BOYNER PERAKENDE VE TEKSTİL YATIRIMLARI A.Ş.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS AT 31 DECEMBER 2017
(Amounts expressed in Turkish Lira ("TRY") unless otherwise stated.)

NOTE 21 - EQUITY

The shareholders and the shareholding structure of the Company as at 31 December 2017, 2016 and 2015 are as follows:

	31 December 2017		31 December 2016		31 December 2015	
	Share	Amount (TRY)	Share	Amount (TRY)	Share	Amount (TRY)
Boyner Holding	%42,80	110.293.940	%54,80	31.619.228	%54,80	31.619.228
Mayhoola for Investments LLC (*)	%42,68	109.975.820	%30,68	17.700.000	%30,68	17.700.000
Other shareholders and free float (**)	%14,52	37.430.240	%14,52	8.380.772	%14,52	8.380.772
Paid-in capital (***)	%100,00	257.700.000	%100,00	57.700.000	%100,00	57.700.000
Inflation adjustment difference in share capital		56.061.369		56.061.369		56.061.369
Total adjusted capital		313.761.369		113.761.369		113.761.369

(*) In accordance with the approval of CMB dated 1 June 2015 and numbered 14/674, the share capital increased from TRY 40.000.000 to TRY 57.700.000, and issued shares with nominal value of TRY 17.700.000 are sold to Mayhoola for Investments LLC for TRY 885.000.000 in total, with private placement of TRY 50 for each share whose nominal value is amounting to TRY 1 each through Istanbul Stock Exchange Wholesale Market. In consequence of private placement transaction, share premium amounting to TRY 867.300.000 accounted under "Share premium". Share premiums amounting to TRY 728.924.126 has transferred to accumulated losses as of 5 April 2016. Remaining share premiums amounting to TRY 138.375.874 has been offset with accumulated losses in accordance with the General Assembly resolution in 2 May 2017.

Mayhoola for Investments LLC entered into a share sale and purchase agreement for the acquisition of Boyner Perakende ve Tekstil Yatırımları A.Ş. shares from Boyner Holding A.Ş. for a nominal value of TRY 6.924.000 amounting to 12% of the total issued share capital of Boyner Perakende, at a total consideration of TRY 25 per share (amounting to a total of TRY 173.100.000) in two tranches. Following the completion of the first tranche, Mayhoola's shareholding in Boyner Perakende has been increased from approximately 30.68% to approximately 35.38% and Boyner Holding's shareholding has been decreased from approximately 54.8% to 50.1%. As a result of share purchase in two tranches, Mayhoola's share is approximately 42.68% and Boyner Holding's share is approximately %42.80.

(**) Represents shareholding less than 10%.

(***) As explained in Note 2, the Prospectus regarding the increase of the registered capital from TRY 57.700.000 to TRY 257.700.000 by 346.62% via rights issue within the authorized capital ceiling of TRY 500.000.000 has been approved by CMB on 7 July 2017.

The newly issued shares representing the TRY 200.000.000 share capital increase proceeded TRY 114.580.165 in the rights issue during the subscription period between 12 July 2017 - 11 September 2017 and the remaining unsubscribed new shares which were offered for sale in the Primary Market of Borsa Istanbul for 2 business days during 14 - 15 September 2017 proceeded TRY 633.456 which totaled in the amount of TRY 115.213.621. In consequence of sale in the primary market, share premium amounting to TRY 565.433 accounted under "Share premium". An amount of TRY 85.351.820. was set-off from the proceeds that equal to the cash received from one of our main shareholders Mayhoola For Investment LLC in advance of the share capital increase corresponding to Mayhoola's rights issue contribution.

As of 31 December 2017, the registered share capital of the Company is TRY 257.700.000 (31 December 2016: TRY 57.700.000, 31 December 2015: TRY 57.700.000) and the Company's share capital consists of 25.770.000.000 issued shares with TRY 0,01 nominal value each (31 December 2016: 5.770.000.000, 31 December 2015: 5.770.000.000).

Capital reserves

- The first legal reserve is appropriated out of net statutory income at the rate of 5% per annum, until the total reserve reaches 20% of the Group's historical paid in share capital.
- The second legal reserve is appropriated at the rate 10% per annum of all distributions in excess 5% of the historical paid in share capital. The legal reserves may be used to offset losses in the event that historical general reserve is exhausted.

Retained earnings in statutory records are available for distribution in the framework of the above mentioned legal rules.

CONVENIENCE TRANSLATION INTO ENGLISH OF CONSOLIDATED FINANCIAL STATEMENTS ORIGINALLY ISSUED IN TURKISH
BOYNER PERAKENDE VE TEKSTİL YATIRIMLARI A.Ş.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS AT 31 DECEMBER 2017
(Amounts expressed in Turkish Lira ("TRY") unless otherwise stated.)

NOTE 21 - EQUITY (CONTINUED)**Restricted reserves:**

	31 December 2017	31 December 2016	31 December 2015
Legal reserves	10.467.368	10.467.368	10.467.368
Legal reserves arising from tax exemption related to the gain from sale of subsidiary (*)	1.080.833	1.080.833	1.080.833
Legal reserves arising from tax exemption related to the gain from the sale of investment property share (*)	21.902.906	21.902.906	21.902.906
	33.451.107	33.451.107	33.451.107

(*) In accordance with the Corporate Tax Law, 75% of the profit obtained from the sales of share in subsidiaries and investment properties is considered as tax exempt in such condition that the amount is kept in capital reserves under liabilities for 5 years. The profit assumed as tax exemption cannot be transferred to any account except for the capital account or retrieved from the Company.

Revaluation funds

The details of revaluation funds as of 31 December 2017, 2016 and 2015 are as follows:

	31 December 2017	31 December 2016	31 December 2015
Revaluation fund related to the land on which the factory plant was located	78.824.810	78.824.810	78.824.810
Revaluation fund related to the land classified as investment property	15.722.470	15.722.470	15.722.470
Total of revaluation funds	94.547.280	94.547.280	94.547.280
Classification of the special fund arising from the sale of investment property	(15.722.470)	(15.722.470)	(15.722.470)
Effect of deferred tax	(3.943.025)	(3.943.025)	(3.943.025)
Transfers to accumulated losses	(66.489.043)	(61.457.501)	(58.951.511)
	8.392.742	13.424.284	15.930.274

The movement of revaluation funds as of 31 December 2017 and 2016 is as follows:

	2017	2016
Opening balance - 1 January	13.424.284	15.930.274
Transfers to accumulated losses (*)	(5.031.542)	(2.505.990)
Closing balance - 31 December	8.392.742	13.424.284

(*) Revenue is recognized when the risk and benefits of the real estate inventories are transferred to buyer as explained in Note 12. Revaluation fund associated with income recognized during the periods ended 31 December 2017 and 2016 are transferred to accumulated loss.

CONVENIENCE TRANSLATION INTO ENGLISH OF CONSOLIDATED FINANCIAL STATEMENTS ORIGINALLY ISSUED IN TURKISH
BOYNER PERAKENDE VE TEKSTİL YATIRIMLARI A.Ş.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS AT 31 DECEMBER 2017
(Amounts expressed in Turkish Lira ("TRY") unless otherwise stated.)

NOTE 21 - EQUITY (CONTINUED)*Impact of business combinations under common control*

The detail of impact of business combinations under common control as of 31 December 2017, 2016 and 2015 is as follows:

	31 December 2017	31 December 2016	31 December 2015
Impact of the acquisition of BBM (**)	(48.574.625)	(48.574.625)	(43.646.268)
Impact of the acquisition of Beymen	(202.724.939)	(202.724.939)	(202.724.939)
Merge impact of BBA	7.478.755	7.478.755	7.478.755
Acquisition of AYTK shares from non-controlling interest (Note 3)	(12.105.679)	(12.105.679)	(12.105.679)
Acquisition of YKM shares from non-controlling interest	(56.878.535)	(56.878.535)	(56.878.535)
Impact of the acquisition of Nişantaşı Turistik (Note 3)	(3.750.172)	(3.750.172)	(3.750.172)
	(316.555.195)	(316.555.195)	(311.626.838)

(**) On 4 March 2016, the Company purchased 0,92% of the public shares of BBM with an amount of TRY 4.172.392 and increased its shareholding rate from 99,08% to 100%. With this purchase, the negative fund amounting to TRY 4.928.357 has been recognized under "Impact of business combinations under common control" account in equity.

NOTE 22 - REVENUE AND COST OF SALES**Revenue**

	2017	2016
Domestic sales	4.999.217.807	4.172.419.358
Export sales	52.071.685	24.178.926
Real estate sales	18.860.396	13.037.377
Other sales	14.918.096	20.875.438
Sales returns (-)	(570.169.691)	(502.704.763)
Sales discounts (-)	(284.615.597)	(245.165.870)
	4.230.282.696	3.482.640.466

Cost of sales

	2017	2016
Cost of trade goods sold	2.290.611.961	1.874.294.005
Cost of finished goods sold	181.194.072	160.576.035
Cost of services given and real estate sold	15.209.078	8.860.612
	2.487.015.111	2.043.730.652

CONVENIENCE TRANSLATION INTO ENGLISH OF CONSOLIDATED FINANCIAL STATEMENTS ORIGINALLY ISSUED IN TURKISH
BOYNER PERAKENDE VE TEKSTİL YATIRIMLARI A.Ş.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS AT 31 DECEMBER 2017
(Amounts expressed in Turkish Lira ("TRY") unless otherwise stated.)

NOTE 23 - MARKETING, RESEARCH AND DEVELOPMENT AND GENERAL ADMINISTRATIVE EXPENSES

	2017	2016
Marketing expenses	1.263.483.543	1.103.489.520
General administrative expenses	295.518.438	265.916.123
Research and development expenses	3.031.743	3.616.251
	1.562.033.724	1.373.021.894

Research and development expenses

	2017	2016
Personnel expenses	2.598.525	2.551.083
Depreciation and amortization expenses (Notes 15 and 16)	42.448	120.631
Outsourced consultancy services	3.760	451.423
Other	387.010	493.114
	3.031.743	3.616.251

Marketing expenses

	2017	2016
Personnel expenses	412.456.417	347.039.220
Rent expense	311.367.593	275.767.047
Depreciation and amortization expenses (Notes 15 and 16)	107.729.875	97.770.075
Franchise commission expenses	98.829.669	76.544.607
Transportation, logistics and distribution expenses	67.489.320	57.838.462
Advertisement expenses	61.402.840	59.952.663
Common administrative expenses	53.264.140	47.730.060
Utility expenses	29.764.708	29.197.782
Sales material expenses	28.059.046	24.744.388
Other	93.119.935	86.905.216
	1.263.483.543	1.103.489.520

General administrative expenses

	2017	2016
Personnel expenses	194.825.469	180.215.861
Outsourced consultancy services	25.538.038	15.266.661
Depreciation and amortization expenses (Notes 15 and 16)	21.994.435	20.970.494
Rent expense	13.166.620	15.523.392
Maintenance and repair expenses	6.915.933	5.832.326
Travel expense	6.673.185	5.461.316
Outsourced benefits and services	6.276.541	4.485.589
Other	20.128.217	18.160.484
	295.518.438	265.916.123

CONVENIENCE TRANSLATION INTO ENGLISH OF CONSOLIDATED FINANCIAL STATEMENTS ORIGINALLY ISSUED IN TURKISH
BOYNER PERAKENDE VE TEKSTİL YATIRIMLARI A.Ş.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS AT 31 DECEMBER 2017
(Amounts expressed in Turkish Lira ("TRY") unless otherwise stated.)

NOTE 24 - EXPENSE BY NATURE**Personnel expenses**

	2017	2016
Marketing expenses	412.456.417	347.039.220
General administrative expenses	194.825.469	180.215.861
Cost of goods sold	44.943.121	10.810.408
Research and development expenses	2.598.525	2.551.083
	657.818.194	540.616.572

Depreciation and amortization expenses

	2017	2016
Marketing expenses	107.729.875	97.770.075
General administrative expenses	21.994.435	20.970.494
Cost of goods sold	4.082.483	4.563.530
Research and development expenses	42.448	120.631
	133.849.241	123.424.730

NOTE 25 - OTHER OPERATING INCOME / (EXPENSE)**Other operating income**

	2017	2016
Rediscount income	61.569.873	52.307.823
Store investment contribution income (*)	39.908.377	6.068.405
Foreign exchange income	30.968.203	32.683.779
Term difference income from sales	27.491.105	19.052.577
Brand license incomes	10.614.970	6.430.900
Vendor participation income	5.428.223	56.547
Increase in fair value of investment properties (Note 14)	1.270.000	13.880.500
Other	21.018.160	25.116.698
	198.268.911	155.597.229

(*) Store investment contribution income consists of incentives paid by shopping malls for the opening of new stores and the decoration.

CONVENIENCE TRANSLATION INTO ENGLISH OF CONSOLIDATED FINANCIAL STATEMENTS ORIGINALLY ISSUED IN TURKISH
BOYNER PERAKENDE VE TEKSTİL YATIRIMLARI A.Ş.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS AT 31 DECEMBER 2017
(Amounts expressed in Turkish Lira ("TRY") unless otherwise stated.)

NOTE 25 - OTHER OPERATING INCOME / (EXPENSE)**Other operating expense**

	2017	2016
Term difference expenses from purchases	63.161.660	47.160.482
Foreign exchange losses	47.135.139	67.885.673
Rediscount expenses	36.079.707	38.783.511
Provision expense of doubtful receivables (Note 10)	2.171.200	19.801.635
Other (**)	39.290.756	13.744.338
	187.838.462	187.375.639

(**) As of 31 December 2017, TRY 14.152.666 of other consists of exit costs which will be paid to Akmerkez Gayrimenkul Yatırım Ortaklığı A.Ş. for the closing of Wepublic store; TRY 8.141.844 of other consists of impairment provision for the closing of Wepublic store.

NOTE 26 - INCOME/ (EXPENSES) FROM INVESTING ACTIVITIES**Income from investing activities**

	2017	2016
Gain on sales of fixed assets	1.034.443	2.113.107
	1.034.443	2.113.107

Loss from investing activities

	2017	2016
Loss on sales of fixed assets	959.009	1.906.456
	959.009	1.906.456

NOTE 27 - FINANCIAL INCOME**Financial income**

	2017	2016
Foreign exchange income	194.265.754	177.392.304
Interest income	29.391.740	29.517.061
Term difference income	4.043.221	2.585.702
	227.700.715	209.495.067

CONVENIENCE TRANSLATION INTO ENGLISH OF CONSOLIDATED FINANCIAL STATEMENTS ORIGINALLY ISSUED IN TURKISH
BOYNER PERAKENDE VE TEKSTİL YATIRIMLARI A.Ş.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS AT 31 DECEMBER 2017
(Amounts expressed in Turkish Lira ("TRY") unless otherwise stated.)

NOTE 28 - FINANCIAL EXPENSES**Financial expenses**

	2017	2016
Interest expenses arising from bank borrowings	341.829.757	255.380.538
Foreign currency losses	207.585.330	248.300.587
Credit card early collection interest	47.162.740	32.217.151
Term difference expenses	25.290.113	26.075.729
Factoring expenses	13.902.792	22.491.455
Interest expenses arising from bills and bonds	11.936.984	40.610.151
Other	38.567.951	25.706.678
	686.275.667	650.782.289

NOTE 29 - TAX ASSETS AND LIABILITIES**a) Corporate Tax**

The Turkish corporation tax rate for 2017 is 20% (2016: 20%). This rate is applicable to the tax base derived upon exemptions and deductions stated in the tax legislation through addition of disallowable expenses to the commercial revenues of the companies with respect to the tax legislation.

Taxes on profit for the period consist of the following:

	31 December 2017	31 December 2016	31 December 2015
Corporate tax calculated	25.158.090	18.143.820	8.546.810
Prepaid taxes (-)	(22.897.018)	(12.066.531)	(6.807.317)
	2.261.072	6.077.289	1.739.493

Tax income and expenses stated in the statement of comprehensive income are as follows:

	2017	2016
Corporate tax expense	(26.004.519)	(18.143.822)
Deferred tax (expense)/income	(899.675)	8.576.527
Total tax expense	(26.904.194)	(9.567.295)

CONVENIENCE TRANSLATION INTO ENGLISH OF CONSOLIDATED FINANCIAL STATEMENTS ORIGINALLY ISSUED IN TURKISH
BOYNER PERAKENDE VE TEKSTİL YATIRIMLARI A.Ş.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS AT 31 DECEMBER 2017
(Amounts expressed in Turkish Lira ("TRY") unless otherwise stated.)

NOTE 29 - TAX ASSETS AND LIABILITIES (CONTINUED)

The reconciliation of the tax expense in the consolidated statement of comprehensive income is as follows:

	2017	2016
Corporate tax of 20%	53.362.098	80.925.547
Non-deductible expenses	(9.697.639)	(4.619.926)
Non-taxable income	470.087	315.556
Current period tax losses on which deferred tax is not calculated	(31.364.419)	(73.690.458)
Consolidation adjustments on which deferred tax is not calculated	(41.919.867)	(6.274.425)
Tax effect of discontinued operations		3.168.466
Rate change effect	3.271.586	-
Other	(1.026.040)	(9.392.055)
Total tax expense	(26.904.194)	(9.567.295)

b) Deferred tax assets and liabilities:

Within the scope of the "Law on the Amendment of Certain Tax Laws and Some Other Laws" numbered 7061, which was published in the Official Gazette dated 5 December 2017, the corporate tax rate for the years 2018, 2019 and 2020 was increased from 20% to 22%. Based on this law, deferred tax assets and liabilities are recognized in the consolidated financial statements as of 31 December 2017 at a rate of 22% for the portion of temporary differences that will realize in 2018, 2019 and 2020, and 20% ratio for temporary differences that will realize in or after 2021.

CONVENIENCE TRANSLATION INTO ENGLISH OF CONSOLIDATED FINANCIAL STATEMENTS ORIGINALLY ISSUED IN TURKISH
BOYNER PERAKENDE VE TEKSTİL YATIRIMLARI A.Ş.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS AT 31 DECEMBER 2017
(Amounts expressed in Turkish Lira ("TRY") unless otherwise stated.)

CONVENIENCE TRANSLATION INTO ENGLISH OF CONSOLIDATED FINANCIAL STATEMENTS ORIGINALLY ISSUED IN TURKISH
BOYNER PERAKENDE VE TEKSTİL YATIRIMLARI A.Ş.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS AT 31 DECEMBER 2017
(Amounts expressed in Turkish Lira ("TRY") unless otherwise stated.)

NOTE 29 - TAX ASSETS AND LIABILITIES (CONTINUED)

The breakdowns of cumulative temporary differences and the resulting deferred tax assets/liabilities using principal tax rates are as follows:

	31 December 2017		31 December 2016		31 December 2015	
	Temporary differences	Deferred tax asset/(liability)	Temporary differences	Deferred tax asset/(liability)	Temporary differences	Deferred tax asset/(liability)
Tangible/intangible fixed asset	885.194.921	(177.038.983)	924.895.725	(184.979.145)	969.428.838	(193.885.768)
Rediscount on trade receivable and payable, net	23.020.911	(5.064.600)	12.207.660	(2.441.532)	(1.049.709)	209.942
Inventories	(97.505.368)	21.451.180	(78.407.517)	15.681.502	(53.307.532)	10.661.506
Provision for employee benefits	(45.782.520)	9.156.503	(37.808.594)	7.561.718	(48.164.267)	9.632.852
Provision for doubtful receivables	(27.408.153)	6.029.793	(33.193.603)	6.638.721	(13.374.631)	2.674.926
Provision for sales returns and price difference	(22.539.045)	4.968.590	(17.210.891)	3.442.178	(13.430.997)	2.686.199
Deferred revenue and customer loyalty programs	(35.538.193)	7.818.402	(35.554.520)	7.110.903	(28.240.830)	5.648.166
Carry forward losses	(127.712.949)	28.096.849	(172.119.249)	34.423.849	(79.327.857)	15.865.571
Fair value difference of real estate recognized in the income statement	14.960.285	(3.326.730)	13.880.500	(2.776.100)	103.957.820	(20.791.564)
Derivative instruments	189.162.443	(40.776.546)	129.243.033	(25.848.607)	59.760.767	(11.952.153)
Other	(44.536.929)	9.704.046	(7.415.214)	1.483.047	(39.384.239)	7.876.850
Deferred tax liability, net	711.315.403	(138.991.496)	688.517.330	(139.703.466)	856.867.363	(171.373.473)
Deferred tax asset		33.232.448		27.907.331		21.188.383
Deferred tax liability		(172.223.944)		(167.610.797)		(192.561.856)

NOTE 29 - TAX ASSETS AND LIABILITIES (CONTINUED)

Deferred tax assets and liabilities are offset due to fulfillment of conditions such that there is an applicable right for offsetting current tax assets and liabilities, and furthermore, it is intended to fulfill the current tax liabilities simultaneously with the formation of current tax assets.

The deferred tax assets on carry forward tax losses which are not recognized as the end of each period are reviewed. When it is probable that the taxable profit for the use of deferred tax assets will be obtain in the near future, deferred tax assets which are not recognized in the prior periods are recognized in the current period.

The movement of deferred tax assets/(liabilities) for the periods ended 31 December 2017 and 2016 are as follows:

	2017	2016
Opening balance - 1 January	(139.703.466)	(171.373.473)
Tax income for the period	(899.675)	17.493.252
Continued operations	(899.675)	8.576.527
Discontinued operations		8.916.725
Amount recognized in equity	1.611.645	2.341.220
Disposals due to the sale of subsidiary	-	11.835.535
Closing balance - 31 December	(138.991.496)	(139.703.466)

NOTE 30 - EARNING/ (LOSS) PER SHARE

Earnings per share are calculated by dividing the net loss for the period by the weighted average number of Boyner Perakende shares during the period.

	2017	2016
Loss for the current period (TRY)	(294.651.883)	(415.052.732)
Weighted average number of shares (*)	118.306.061	57.700.000
Loss per share of the Company (TRY)	(2,49)	(7,19)

(*) Per share of TRY 1 nominal value.

CONVENIENCE TRANSLATION INTO ENGLISH OF CONSOLIDATED FINANCIAL STATEMENTS ORIGINALLY ISSUED IN TURKISH
BOYNER PERAKENDE VE TEKSTİL YATIRIMLARI A.Ş.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS AT 31 DECEMBER 2017
(Amounts expressed in Turkish Lira ("TRY") unless otherwise stated.)

NOTE 31 - RELATED PARTY DISCLOSURES

a) Trade receivables due from related parties as of 31 December 2017, 2016 and 2015 are as follows:

	31 December 2017		31 December 2016		31 December 2015	
	Trade	Other	Trade	Other	Trade	Other
Receivables from shareholders						
Boyer Holding A.Ş.	32.016	2.574.360	5.372.434	233.148.434	3.648.764	41.349.717
Receivables from joint ventures						
Christian Dior İstanbul Mağazacılık A.Ş.	4.890	-	190	-	-	39.308
Elif Co. For General Trading Ltd.	-	-	-	-	11.398.439	-
Christian Louboutin Mağazacılık A.Ş.	-	-	67.732	-	-	-
Receivables from other related parties						
BR Mağazacılık A.Ş.	13.705.820	-	10.361.937	-	28.751.418	-
BNR Teknoloji A.Ş.	264.706	-	570.945	-	-	-
Fırsat Elektronik A.Ş.	40.146.784	1.483.196	16.099.972	13.096.726	9.616.993	6.342.044
Alsis Sigorta Acentalığı A.Ş.	8.260	-	15.360	-	-	-
Bassae Bireysel Ürünler Satış ve Pazarlama A.Ş.	40.359	-	-	-	-	-
	54.202.835	4.057.556	32.488.570	246.245.160	53.415.614	47.731.069

b) Trade payables due to related parties as of 31 December 2017, 2016 and 2015 are as follows:

	31 December 2017		31 December 2016		31 December 2015	
	Trade	Other	Trade	Other	Trade	Other
Payables from shareholders						
Boyer Holding A.Ş. (*)	2.338.000	175.000.000	142.850	-	255.810	-
Shareholders	-	-	-	35.192.000	-	-
Payables from joint ventures						
Christian Louboutin Mağazacılık A.Ş.	955.970	-	559.340	-	288.817	-
Christian Dior İstanbul Mağazacılık A.Ş.	7.739	-	-	-	-	-
Payables from other related parties						
BNR Teknoloji A.Ş.	358.538	-	968.475	-	1.375.055	-
BR Mağazacılık A.Ş.	15.363.748	-	12.391.944	-	6.793.565	-
Alsis Sigorta Acentalığı A.Ş.	2.245.218	-	2.723.771	-	2.435.949	-
Boğaziçi Yatçılık ve Turizm Yatırımları A.Ş.	19.276	-	36.657	-	8.249	-
Fırsat Elektronik A.Ş.	2.387	700.000	3.123	-	32.458	-
Yeni Ege Konfeksiyon Yan Ürünleri Ticaret ve Sanayi A.Ş.	-	-	-	-	834.442	-
Lom Renkli Giyim Ürünleri Pazarlama A.Ş.	4.672	-	19.579	-	-	-
Boyer Danışmanlık Servis ve Ticaret A.Ş.	-	-	10.561	-	-	-
	21.295.548	175.700.000	16.856.300	35.192.000	12.024.345	-

(*) As at 31 December 2017, the maturity of other payable is 5 years and the interest rate is the average monthly borrowing rate of the Company.

CONVENIENCE TRANSLATION INTO ENGLISH OF CONSOLIDATED FINANCIAL STATEMENTS ORIGINALLY ISSUED IN TURKISH
BOYNER PERAKENDE VE TEKSTİL YATIRIMLARI A.Ş.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS AT 31 DECEMBER 2017
(Amounts expressed in Turkish Lira ("TRY") unless otherwise stated.)

NOTE 31 - RELATED PARTY DISCLOSURES (CONTINUED)

c) Purchase and sale of goods and services to related parties as of 31 December 2017 and 2016 are as follows:

	31 December 2017			31 December 2016		
	Goods	Services	Interest/Other	Goods	Services	Interest/Other
Purchases						
Shareholders						
Boyer Holding A.Ş.	5.016	4.057.324	16.216.446	9.020	5.740.023	3.864.110
Associates						
Christian Louboutin Mağazacılık A.Ş.	476.571	-	-	427.435	-	-
Other related parties						
BR Mağazacılık A.Ş.	37.872.094	379.003	339.601	24.233.869	312.951	144.043
Fırsat Elektronik A.Ş.	-	412.433	729.220	-	569.847	237.099
Boğaziçi Yatçılık ve Turizm Yatırımları ve Ticaret A.Ş.	-	290.840	-	-	262.285	-
Alsis Sigorta Acentalığı A.Ş.	-	11.888.288	-	-	9.214.208	8.452
BNR Teknoloji A.Ş.	-	12.349.711	-	-	10.249.669	-
	38.353.681	29.377.599	17.285.267	24.670.324	26.348.983	4.253.704

	31 December 2017			31 December 2016		
	Goods	Services	Interest/Other	Goods	Services	Interest/Other
Sales						
Shareholders						
Boyer Holding A.Ş.	1.229	144.136	14.250.786	9.394	120.000	18.172.224
Associates						
Christian Dior İstanbul Mağazacılık A.Ş.	1.485	509.091	-	2.886	396.294	-
Christian Louboutin Mağazacılık A.Ş.	-	337.428	-	1.455.503	359.976	-
Joint-ventures						
Elif Co. For General Trading Ltd.	-	-	-	617.466	-	-
Other related parties						
BR Mağazacılık A.Ş.	25.198.968	330.986	9.100.897	34.643.772	2.040.821	528.794
Fırsat Elektronik A.Ş.	67.781.367	1.762.543	2.188.631	44.903.096	1.402.752	1.846.343
Boyer Bireysel Ürünler Satış ve Paz. A.Ş.	-	-	-	-	64.170	-
Alsis Sigorta Acentalığı A.Ş.	-	84.000	-	-	79.342	-
BNR Teknoloji A.Ş.	12.371	816.676	-	-	2.219.141	-
Yeni Ege Konfeksiyon Yan Ürünleri Ticaret ve Sanayi A.Ş.	-	-	-	3.391	-	-
	92.995.420	3.984.860	25.540.314	81.635.508	6.682.496	20.547.361

d) The top management team comprises of board members, general manager and deputy general managers. As of 31 December 2017, the Group has provided remuneration amounting to TRY 57.783.508 to the top executives (1 January - 31 December 2016: TRY 60.013.423). TRY 378.574 of this amount comprises of severance payments (1 January - 31 December 2016: TRY 482.770). The Group has no post-employment benefits nor share-based payment for the top management.

CONVENIENCE TRANSLATION INTO ENGLISH OF CONSOLIDATED FINANCIAL STATEMENTS ORIGINALLY ISSUED IN TURKISH
BOYNER PERAKENDE VE TEKSTİL YATIRIMLARI A.Ş.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS AT 31 DECEMBER 2017
(Amounts expressed in Turkish Lira ("TRY") unless otherwise stated.)

NOTE 32 - FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT

The Group's management policies and implementations related to risks arising from financial instruments are explained below:

i. Credit risk

Credit risk is the risk of loss arising from one of the parties to a transaction that does not fulfill his liabilities in relation to a financial instrument. The significant exposure of credit risk of the Group arises from cash and cash equivalent and trade receivables. The Group tries to monitor its credit risk through limiting the transactions made with certain parties and by continuous evaluation of the credibility of its related parties.

Majority of the trade receivables are due from third parties and related parties. The Group has established an effective control system over the dealers and the credit risk arising from these transactions are followed up by the management. The Group has a high number of customers; hence its credit risk is dispersed. In managing the risk arising from non-related parties, the Group receives bank guarantees, credit insurance, mortgages on real estate and guarantee cheques and notes based on a principle to secure its receivables to the highest extent possible.

The collection of payments against exports is secured by letter of credit, guarantee letters, or advance payment methods.

The credit risks incurred by the Group by type of financial instruments as of 31 December 2017 and 2016 are set out in the table below:

	31 December 2017						
	Trade receivables		Other receivables				
	Related parties	Third parties	Related parties	Third parties	Deposits in banks	Derivative instruments	Other
Maximum credit risk incurred as of the reporting date (1)	54.202.835	318.566.293	4.057.556	13.851.658	284.693.198	212.308.973	72.203.639
- The part of maximum risk under guarantee with collaterals, etc.	-	42.053.341	-	-	-	-	-
A. Net book value of financial assets that are neither overdue nor impaired (2)	54.202.835	310.731.292	4.057.556	13.851.658	284.693.198	212.308.973	72.203.639
- The part under guarantee with collaterals, etc.	-	37.652.719	-	-	-	-	-
B. Net book value of financial assets that are renegotiated, if not that will be accepted as part due or impaired	-	4.030.387	-	-	-	-	-
- The part under guarantee with collaterals, etc. (3)	-	3.954.214	-	-	-	-	-
C. Carrying value of financial assets that are past due but not impaired	-	3.804.614	-	-	-	-	-
- The part under guarantee with collaterals, etc.	-	296.408	-	-	-	-	-
D. Net book value of impaired assets	-	-	-	-	-	-	-
- Past due (gross carrying amount)	-	49.019.622	-	-	-	-	-
- Impairment (-)	-	(49.019.622)	-	-	-	-	-
- The part under guarantee with collaterals, etc.	-	150.000	-	-	-	-	-
E. Off-balance sheet items with credit risk	-	-	-	-	-	-	-

(1) The indicated totals represent the maximum credit risks incurred as of the reporting date without taking into consideration the guarantees held or other elements that improve creditability

(2) The indicated totals comprise of the customers that the Group did not have any collection problem or collected their receivables with delay.

(3) The Group has obtained guarantee notes of TRY 3.954.214 against its receivables whose conditions are revised, which otherwise would be considered overdue or impaired.

CONVENIENCE TRANSLATION INTO ENGLISH OF CONSOLIDATED FINANCIAL STATEMENTS ORIGINALLY ISSUED IN TURKISH
BOYNER PERAKENDE VE TEKSTİL YATIRIMLARI A.Ş.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS AT 31 DECEMBER 2017
(Amounts expressed in Turkish Lira ("TRY") unless otherwise stated.)

NOTE 32 - FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT (CONTINUED)

i. Credit risk (Continued)

	31 December 2016						
	Trade Receivables		Other Receivables				
	Related parties	Third parties	Related parties	Third parties	Deposits in banks	Derivative instruments	Other
Maximum credit risk incurred as of the reporting date (1)	32.488.570	333.070.636	246.245.160	19.525.735	139.002.621	129.243.033	48.631.216
- The part of maximum risk under guarantee with collaterals, etc.	-	47.677.441	-	-	-	-	-
A. Net book value of financial assets that are neither overdue nor impaired (2)	29.059.631	321.521.441	246.245.160	19.525.735	139.002.621	129.243.033	48.631.216
- The part under guarantee with collaterals, etc.	-	43.600.224	-	-	-	-	-
B. Net book value of financial assets that are renegotiated, if not that will be accepted as part due or impaired	-	3.879.582	-	-	-	-	-
- The part under guarantee with collaterals, etc. (3)	-	2.185.000	-	-	-	-	-
C. Carrying value of financial assets that are past due but not impaired	3.428.939	7.669.613	-	-	-	-	-
- The part under guarantee with collaterals, etc.	-	1.742.217	-	-	-	-	-
D. Net book value of impaired assets	-	-	-	-	-	-	-
- Past due (gross carrying amount)	7.319.185	47.331.914	-	-	-	-	-
- Impairment (-)	(7.319.185)	(47.331.914)	-	-	-	-	-
- The part under guarantee with collaterals, etc.	-	150.000	-	-	-	-	-
E. Off-balance sheet items with credit risk	-	-	-	-	-	-	-

(1) The indicated totals represent the maximum credit risks incurred as of the reporting date without taking into consideration the guarantees held or other elements that improve creditability.

(2) The indicated totals comprise of the customers that the Group did not have any collection problem or collected their receivables with delay.

(3) The Group has obtained guarantee notes of TRY 2.185.000 against its receivables whose conditions are revised, which otherwise would be considered overdue or impaired.

CONVENIENCE TRANSLATION INTO ENGLISH OF CONSOLIDATED FINANCIAL STATEMENTS ORIGINALLY ISSUED IN TURKISH
BOYNER PERAKENDE VE TEKSTİL YATIRIMLARI A.Ş.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS AT 31 DECEMBER 2017
(Amounts expressed in Turkish Lira ("TRY") unless otherwise stated.)

NOTE 32 - FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT (CONTINUED)

i. Credit risk (Continued)

	31 December 2015						
	Trade Receivables		Other Receivables		Deposits in banks	Derivative instruments	Other
	Related parties	Third parties	Related parties	Third parties			
Maximum credit risk incurred as of the reporting date (1)	53.415.614	301.672.607	47.731.069	4.775.703	36.215.805	59.760.767	52.030.260
- The part of maximum risk under guarantee with collaterals, etc.	-	45.090.880	-	-	-	-	-
A. Net book value of financial assets that are neither overdue nor impaired (2)	40.996.495	272.246.593	47.731.069	4.775.703	36.215.805	59.760.767	52.030.260
- The part under guarantee with collaterals, etc.	-	36.588.428	-	-	-	-	-
B. Net book value of financial assets that are renegotiated, if not that will be accepted as part due or impaired	-	25.505.930	-	-	-	-	-
- The part under guarantee with collaterals, etc. (3)	-	6.243.000	-	-	-	-	-
C. Carrying value of financial assets that are past due but not impaired	12.419.119	3.920.084	-	-	-	-	-
- The part under guarantee with collaterals, etc.	-	1.659.452	-	-	-	-	-
D. Net book value of impaired assets	-	-	-	-	-	-	-
- Past due (gross carrying amount)	-	35.254.468	-	-	-	-	-
- Impairment (-)	-	(35.254.468)	-	-	-	-	-
- The part under guarantee with collaterals, etc.	-	600.000	-	-	-	-	-
E. Off-balance sheet items with credit risk	-	-	-	-	-	-	-

(1) The indicated totals represent the maximum credit risks incurred as of the reporting date without taking into consideration the guarantees held or other elements that improve creditability.

(2) The indicated totals comprise of the customers that the Group did not have any collection problem or collected their receivables with delay.

(3) The Group has obtained guarantee notes of TRY 6.243.000 against its receivables whose conditions are revised, which otherwise would be considered overdue or impaired.

The trade receivables that are past due but not impaired are as follows:

Trade receivables	31 December 2017	31 December 2016	31 December 2015
1 - 30 days overdue	2.528.304	3.398.049	3.948.694
1 - 3 months overdue	1.027.884	6.724.778	2.676.466
3 - 12 months overdue	248.426	975.725	9.714.043
Total	3.804.614	11.098.552	16.339.203
The part secured with guarantee	296.408	1.742.217	1.659.452

CONVENIENCE TRANSLATION INTO ENGLISH OF CONSOLIDATED FINANCIAL STATEMENTS ORIGINALLY ISSUED IN TURKISH
BOYNER PERAKENDE VE TEKSTİL YATIRIMLARI A.Ş.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS AT 31 DECEMBER 2017
(Amounts expressed in Turkish Lira ("TRY") unless otherwise stated.)

NOTE 32 - FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT (CONTINUED)

ii. Liquidity risk

Liquidity risk is the risk of inability to provide sufficient funds for the needs of the Group. The Group aims the continuity of its cash inflows and variability by long term borrowings, issuance of bonds, and by the management of cash and short term time deposits.

The maturities of the Group's assets and liabilities are disclosed by taking the time between the balance sheet date and maturity date into consideration.

As of 31 December 2017, 2016 and 2015, the liquidity risk arising from the Group's financial liabilities consist of the following:

31 December 2017

Maturities in accordance with agreements	Carrying value	Total cash inflows in accordance with contract	Less than 3 months	3-12 months	1-5 Years
Derivative financial assets					
Derivative assets	212.308.973	212.308.973	11.641.115	40.585.291	160.082.567
Non - derivative financial assets					
Trade and other receivables	390.678.342	488.969.110	206.763.069	193.234.280	88.971.761
Total	602.987.315	701.278.083	218.404.184	233.819.571	249.054.328

31 December 2016

Maturities in accordance with agreements	Carrying value	Total cash inflows in accordance with contract	Less than 3 months	3-12 months	1-5 Years
Derivative financial assets					
Derivative assets	129.243.033	129.243.033	4.659.218	40.144.319	84.439.496
Non - derivative financial assets					
Trade and other receivables	631.330.101	666.231.918	352.347.141	286.231.772	27.653.005
Total	760.573.134	795.474.951	357.006.359	326.376.091	112.092.501

31 December 2015

Maturities in accordance with agreements	Carrying value	Total cash inflows in accordance with contract	Less than 3 months	3-12 months	1-5 Years
Derivative financial assets					
Derivative assets	59.760.767	59.760.767	5.740.025	17.115.135	36.905.607
Non - derivative financial assets					
Trade and other receivables	407.594.933	426.676.200	195.815.519	206.023.733	24.836.948
Total	467.355.700	486.436.967	201.555.544	223.138.868	61.742.555

CONVENIENCE TRANSLATION INTO ENGLISH OF CONSOLIDATED FINANCIAL STATEMENTS ORIGINALLY ISSUED IN TURKISH
BOYNER PERAKENDE VE TEKSTİL YATIRIMLARI A.Ş.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS AT 31 DECEMBER 2017
(Amounts expressed in Turkish Lira ("TRY") unless otherwise stated.)

NOTE 32 - FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT (CONTINUED)

ii. Liquidity risk

31 December 2017

Maturities in accordance with agreements	Carrying value	Total cash outflows in accordance with contract	Less than 3 months	3-12 months	1-5 Years	More than 5 Years
Non-derivative financial Liabilities						
Financial liabilities	2.332.115.502	2.608.399.030	259.762.907	496.920.239	1.851.715.884	-
Trade payables	1.428.631.514	1.509.055.213	895.040.044	573.612.792	40.402.377	-
Other financial liabilities	3.873.241	4.055.900	3.274.900	781.000	-	-
Other payables (Note 11)	181.456.412	181.456.412	6.247.885	-	175.208.527	-
	3.946.076.669	4.302.966.555	1.164.325.736	1.071.314.031	2.067.326.788	-

31 December 2016

Maturities in accordance with agreements	Carrying value	Total cash outflows in accordance with contract	Less than 3 months	3-12 months	1-5 Years	More than 5 Years
Non-derivative financial Liabilities						
Financial liabilities	2.236.089.195	2.467.158.091	657.015.924	395.598.773	1.414.543.394	-
Trade payables	1.376.846.391	1.415.317.324	693.756.957	664.269.481	57.290.886	-
Other financial liabilities	175.657.399	183.877.010	90.616.799	93.260.211	-	-
Other payables (Note 11)	67.259.228	68.565.501	65.735.562	2.627.284	202.655	-
	3.855.852.213	4.134.917.926	1.507.125.242	1.155.755.749	1.472.036.935	-

31 December 2015

Maturities in accordance with agreements	Carrying value	Total cash outflows in accordance with contract	Less than 3 months	3-12 months	1-5 Years	More than 5 Years
Non-derivative financial Liabilities						
Financial liabilities	1.815.653.102	2.076.948.768	319.051.348	625.653.165	1.079.774.265	52.469.990
Trade payables	1.186.428.594	1.227.819.703	710.093.652	458.652.939	59.073.112	-
Other financial liabilities	16.081.947	16.651.602	10.317.171	6.334.431	-	-
Other payables (Note 11)	51.987.578	57.199.694	10.017.921	18.815.098	28.366.675	-
	3.070.151.221	3.378.619.767	1.049.480.092	1.109.455.633	1.167.214.052	52.469.990

iii. Price risk

The Group monitors its price risk through sales for hedging purposes, cost, and profitability analyses and following up on changes in market conditions.

iv. Foreign currency risk

The Group carries foreign currency risk because of its foreign currency transactions. This risk arises from sales or purchases, borrowings and time/demand deposits with a functional currency different from the group's presentation currency. Foreign currency risk is monitored by the Group, with the balance of net foreign currency position of asset and liabilities and derivative transactions.

CONVENIENCE TRANSLATION INTO ENGLISH OF CONSOLIDATED FINANCIAL STATEMENTS ORIGINALLY ISSUED IN TURKISH
BOYNER PERAKENDE VE TEKSTİL YATIRIMLARI A.Ş.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS AT 31 DECEMBER 2017
(Amounts expressed in Turkish Lira ("TRY") unless otherwise stated.)

NOTE 32 - FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT (CONTINUED)

iv. Foreign currency risk (Continued)

Foreign currency position as of 31 December 2017 and 2016 is set out in the table below:

	31 December 2017					31 December 2016				
	TRY Equivalent (Functional currency)	USD	EUR	GBP	CHF	TRY Equivalent (Functional currency)	USD	EUR	GBP	CHF
1. Trade receivables	31.880.183	6.644.685	1.488.977	18.428	-	23.980.683	6.229.261	506.610	41.491	-
2a. Monetary financial assets, (cash and banks account included)	55.132.247	4.340.580	8.574.100	8.594	-	12.643.249	2.973.841	575.986	9.460	-
2b. Non-monetary financial assets	2.625.507	39.240	547.126	1.368	-	6.903.367	1.477.475	459.050	187	-
3. Other	20.053.681	1.700.138	2.956.226	57.495	-	19.312.785	3.564.254	1.767.754	48.918	-
4. Current assets (1+2+3)	109.691.613	12.724.643	13.566.429	85.885	-	62.840.084	14,244.831	3,309.400	100,056	-
5. Trade receivables	-	-	-	-	-	-	-	-	-	-
6a. Monetary financial assets	-	-	-	-	-	-	-	-	-	-
6b. Non-monetary financial assets	316.085	-	70.000	-	-	630.683	-	170.000	-	-
7. Other	154.109	34.723	5.124	-	-	157.096	39.238	5.124	-	-
8. Non-current assets (5+6+7)	470.194	34.723	75.124	-	-	787.779	39.238	175.124	-	-
9. Total assets (4+8)	110.161.807	12.759.366	13.641.553	85.885	-	63.627.863	14,284,069	3,484,524	100,056	-
10. Trade payables	195.491.728	25.922.255	21.597.856	37.489	-	249.884.906	35,320,167	33,587,207	227,140	-
11. Financial liabilities	396.597.057	97.846.347	6.086.871	-	-	390.888.396	77,238,298	32,085,576	-	-
12a. Other monetary liabilities	17.462.989	4,415,666	178.837	-	-	131,013	23,011	13,478	7	-
12b. Other non-monetary liabilities	16,321,926	1,307,496	2,517,705	4,229	-	5,663,940	1,433,025	152,181	13,027	-
13. Current liabilities (10+11+12)	625,873,700	129,491,764	30,391,269	41,718	-	646,568,255	114,014,501	65,848,442	240,174	-
14. Trade payables	37,254,219	9,876,778	-	-	-	52,302,699	14,862,099	-	-	-
15. Financial liabilities	1,107,995,918	227,867,410	55,033,293	-	-	988,877,200	249,991,225	24,018,998	-	-
16a. Other monetary liabilities	-	-	-	-	-	-	-	-	-	-
16b. Other non-monetary liabilities	136,279	36,130	-	-	-	127,149	36,130	-	-	-
17. Non-current liabilities (14+15+16)	1,145,386,416	237,780,318	55,033,293	-	-	1,021,307,048	264,889,454	24,018,998	-	-
18. Total liabilities (13+17)	1,771,260,116	367,272,082	85,424,562	41,718	-	1,667,875,303	378,903,955	89,867,440	240,174	-
19. Net assets of off balance sheet derivative items (liability) position (19a-19b)	-	-	-	-	-	-	-	-	-	-
19a. Total amount of assets hedged	-	-	-	-	-	-	-	-	-	-
19b. Total amount of liabilities hedged	-	-	-	-	-	-	-	-	-	-
20. Net foreign currency asset / (liability) position (9-18+19)	(1,661,098,309)	(354,512,716)	(71,783,009)	44,167	-	(1,604,247,440)	(364,619,886)	(86,382,916)	(140,118)	-
21. Net foreign currency asset / (liability) position of monetary items (TFRS 7.B23) (=1+2a+3+5+6a-10-11-12a-14-15-16a)	(1,647,581,696)	(353,208,330)	(69,882,430)	47,028	-	(1,605,990,401)	(364,628,206)	(86,859,785)	(127,278)	-
22. Fair value of derivative instruments used in foreign currency hedge	212,308,973	42,607,062	11,427,172	-	-	129,243,033	32,273,200	4,223,075	-	-
23. Partial total amount of foreign currency assets hedged	-	-	-	-	-	-	-	-	-	-
24. Partial total amount of foreign currency liabilities hedged	1,503,493,020	325,713,757	60,886,568	-	-	1,357,977,354	327,229,522	55,632,555	-	-
25. Export	50,095,726	7,061,101	5,508,078	65,148	-	35,427,863	4,385,045	6,491,677	171,107	-
26. Import	652,382,138	31,314,516	128,699,008	1,402,942	44,724	564,869,997	32,193,048	123,556,667	883,667	-

CONVENIENCE TRANSLATION INTO ENGLISH OF CONSOLIDATED FINANCIAL STATEMENTS ORIGINALLY ISSUED IN TURKISH
BOYNER PERAKENDE VE TEKSTİL YATIRIMLARI A.Ş.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS AT 31 DECEMBER 2017
(Amounts expressed in Turkish Lira ("TRY") unless otherwise stated.)

NOTE 32 - FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT (CONTINUED)

iv. Foreign currency risk (Continued)

Foreign currency sensitivity

As of 31 December 2017 and 2016, a potential change of 10% in Turkish Lira against the foreign currencies stated below will decrease the Group's profit by the amounts stated below. This analysis is based on the assumption that variables, especially the interest rates, will remain constant.

	31 December 2017			
	Profit/Loss		Equity	
	Foreign currency appreciation	Foreign currency depreciation	Foreign currency appreciation	Foreign currency depreciation
Change of USD against TRY by 10%:				
1- USD net assets / liabilities	(133.718.651)	133.718.651	-	-
2- USD hedged from risks (-)	56.961.771	(115.103.182)	-	-
3- USD net effect (1+2)	(76.756.880)	18.615.469	-	-
Change of EUR against TRY by 10%:				
4- EUR net assets / liabilities	(32.413.618)	32.413.618	-	-
5- EUR hedged from risks (-)	28.569.589	(28.569.589)	-	-
6- EUR net effect (4+5)	(3.844.029)	3.844.029	-	-
Change of other currencies against TRY by 10%:				
7- Other currencies net assets / liabilities	22.438	(22.438)	-	-
8- Other currencies hedged from risks (-)	-	-	-	-
9- Other currencies net effect (7+8)	22.438	(22.438)	-	-
TOTAL (3+6+9)	(80.578.472)	22.437.060	-	-

CONVENIENCE TRANSLATION INTO ENGLISH OF CONSOLIDATED FINANCIAL STATEMENTS ORIGINALLY ISSUED IN TURKISH
BOYNER PERAKENDE VE TEKSTİL YATIRIMLARI A.Ş.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS AT 31 DECEMBER 2017
(Amounts expressed in Turkish Lira ("TRY") unless otherwise stated.)

NOTE 32 - FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT (CONTINUED)

iv. Foreign currency risk (Continued)

	31 December 2016			
	Profit/Loss		Equity	
	Foreign currency appreciation	Foreign currency depreciation	Foreign currency appreciation	Foreign currency depreciation
Change of USD against TRY by 10%:				
1- USD net assets / liabilities	(128.317.031)	128.317.031	-	-
2- USD hedged from risks (-)	77.157.522	(69.658.842)	-	-
3- USD net effect (1+2)	(51.159.509)	58.658.189	-	-
Change of EUR against TRY by 10%:				
4- EUR net assets / liabilities	(32.047.198)	32.047.198	-	-
5- EUR hedged from risks (-)	15.493.132	(19.424.141)	-	-
6- EUR net effect (4+5)	(16.554.066)	12.623.057	-	-
Change of other currencies against TRY by 10%:				
7- Other currencies net assets / liabilities	(60.515)	60.515	-	-
8- Other currencies hedged from risks (-)	-	-	-	-
9- Other currencies net effect (7+8)	(60.515)	60.515	-	-
TOTAL (3+6+9)	(67.774.090)	71.341.761	-	-

v. Interest rate risk

The Group is exposed to interest risk because of its interest generating assets and liabilities. The interest rate risk is continuously monitored and managed by balancing the Group's interest-sensitive assets and liabilities.

For the purpose keeping the effect of interest rate fluctuations on the financial debts at a minimum level, the company management maintains the "fixed interest/variable interest" and "TRY/foreign currency" balances in these liabilities.

Interest risk sensitivity

The financial instruments of the Group which are sensitive to interest rates are stated in the following:

	31 December 2017	31 December 2016
Financial instruments with fixed interest		
Financial assets	194.206.123	90.134.630
Financial liabilities	1.117.914.346	948.086.965
Financial instruments with floating interest		
Financial assets	-	-
Financial liabilities	1.214.201.156	1.288.002.230

CONVENIENCE TRANSLATION INTO ENGLISH OF CONSOLIDATED FINANCIAL STATEMENTS ORIGINALLY ISSUED IN TURKISH
BOYNER PERAKENDE VE TEKSTİL YATIRIMLARI A.Ş.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS AT 31 DECEMBER 2017
(Amounts expressed in Turkish Lira ("TRY") unless otherwise stated.)

NOTE 32 - FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT (CONTINUED)

v. Interest rate risk (Continued)

If the interest on loans with variable interest denominated in TRY, USD and Euro on renewal dates were higher/lower by 100 basis points with all other variables remaining constant as of 31 December 2017, the current period profit before tax would be lower/higher by TRY 607.101 as a result of high/low interest expenses arising from loans with variable interest (31 December 2016: TRY 644.001).

vi. Capital risk management

In capital management, the Group aims to enable continuity of the Group's operations and to maintain the most suitable capital structure so as to provide earnings to its partners and benefits to other shareholders and to decrease capital cost.

In order to maintain or re-arrange the capital structure, the Group may change the amount of dividends paid to shareholders, return the capital to shareholders, issue new shares, and sell its assets in order to decrease the level of its borrowings.

As of 31 December 2017 and 2016, the net debt, calculated by deducting the cash and cash equivalents, derivative assets from the total financial debts, dividing to total equity founded by financial debt equity ratio is as bellows:

	31 December 2017	31 December 2016
Financial debt	2.335.988.743	2.411.746.594
Less: Cash and cash equivalents	(356.896.837)	(187.633.837)
Less: Derivative instruments	(212.308.973)	(129.243.033)
Net financial debt	1.766.782.933	2.094.869.724
Total equity	22.787.840	122.595.705
Total equity/net financial debt ratio	%1,29	%5,85

CONVENIENCE TRANSLATION INTO ENGLISH OF CONSOLIDATED FINANCIAL STATEMENTS ORIGINALLY ISSUED IN TURKISH
BOYNER PERAKENDE VE TEKSTİL YATIRIMLARI A.Ş.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS AT 31 DECEMBER 2017
(Amounts expressed in Turkish Lira ("TRY") unless otherwise stated.)

NOTE 33 - FAIR VALUE DISCLOSURES AND FINANCIAL INSTRUMENTS

The Group classifies the fair value measurement of each class of financial instruments according to the source, using the three-level hierarchy, as follows:

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

31 December 2017

Assets	Level 1	Level 2	Level 3	Total
Hedging derivative instruments for risk management				
- Foreign currency exchange contracts (*)	-	212.308.973	-	212.308.973
Total assets	-	212.308.973	-	212.308.973

31 December 2016

Assets	Level 1	Level 2	Level 3	Total
Hedging derivative instruments for risk management				
- Foreign currency exchange contracts (*)	-	129.243.033	-	129.243.033
Total assets	-	129.243.033	-	129.243.033

(*) The details of foreign currency exchange contracts are disclosed in Note 8.

NOTE 34 - SUBSEQUENT EVENTS

In accordance with the agreement signed with Christian Dior Couture on 4 August 2017, the Group sold its 49% shares of Christian Dior on 2 January 2018 for 900.000 Euro.

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BOYNER RETAIL AND TEXTILE INVESTMENTS



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