

ŞOK MARKETLER TİCARET A.Ş.

**CONSOLIDATED FINANCIAL STATEMENTS AND
INDEPENDENT AUDITOR'S REPORT FOR THE
YEAR ENDED 31 DECEMBER 2020**



INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of Şok Marketler Ticaret A.Ş.

Our opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the consolidated financial position of Şok Marketler Ticaret A.Ş. (the “Company”) and its subsidiaries (together the “Group”) as at 31 December 2020, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards (“IFRS”).

What we have audited

The Group’s consolidated financial statements comprise:

- the consolidated balance sheet as at 31 December 2020;
- the consolidated statement of comprehensive income for the year then ended;
- the consolidated statement of changes in equity for the year then ended;
- the consolidated statement of cash flows for the year then ended and
- the notes to the consolidated financial statements, which include a summary of significant accounting policies.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (“ISA”). Our responsibilities under those standards are further described in the Auditor’s responsibilities for the audit of the consolidated financial statements section of our report.

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

Independence

We are independent of the Group in accordance with the International Ethics Standards Board for Accountants’ Code of Ethics for Professional Accountants (“IESBA Code”). We have fulfilled our other ethical responsibilities in accordance with the IESBA Code.

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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 the key audit matter was addressed in the audit |
|--|---|
| <p>Goodwill and related impairment test</p> <p>As disclosed in Notes 2.8, 2.9 and 14, goodwill amounting to TRY 579 million was recognised in the Group consolidated financial statements as of 31 December 2020. These assets have indefinite useful life and are subject to impairment tests on an annual basis in accordance with IFRS unless there is indication of impairment.</p> <p>The reasons as to why we considered the goodwill and related impairment test as a key audit matter are as follows:</p> <ul style="list-style-type: none"> • the significance of the amounts in the consolidated financial statements; • the importance of assumptions such as enterprise value/earnings before interest tax and amortisation and enterprise value/sales multipliers, which were used for the impairment test and their sensitivities, along with the possible impact on consolidated financial statements. | <p>We examined the plausibility of the assumptions used for purpose of impairment testing with our experts. Models that were designed based on these assumptions were assessed from technical and theoretical points of view and compared with industry practices.</p> <p>Cash generating unit consideration of management was considered reasonable based on a comparison with industry practices.</p> <p>We checked if enterprise value/earnings before interest tax and amortisation and enterprise value/sales multipliers are within acceptable ranges by comparing them with other retail companies.</p> <p>We examined the feasibility of the projections with Group management by comparing the projections with previous financial performance and current period evaluations.</p> <p>We performed sensitivity analysis.</p> <p>We checked the mathematical accuracy of calculations. We also considered the sufficiency of the related disclosures.</p> |



| Key audit matters | How the key audit matter was addressed in the audit |
|---|---|
| <p>Revenue recognition</p> <p>The Group operates in domestic hard discount retail markets.</p> <p>In addition to being the most important financial statement line item for the retail industry, revenue is one of the most important criteria for evaluating performance and the results of strategies used by management.</p> <p>Revenue amounting to TRY 21,354 million for the year ending 31 December 2020 is material to the financial statements, and the audit of this revenue is a key audit matter since the completeness and accuracy of revenue transactions are difficult to audit due to the high volume of transactions resulting from the large number of stores and sales points.</p> | <p>The audit procedures performed include a combination of validation of key controls in the revenue recognition process, substantive tests and analytical procedures.</p> <p>The revenue recognition process was understood by way of inquiries with the process owners, and design effectiveness, implementation and the operating effectiveness of key controls were evaluated with the support of our experts in Information Technology (“IT”).</p> <p>Access to programs, program changes and program development controls were tested by our IT experts.</p> <p>To make sure that pricing and invoicing of revenue are complete and accurate, we tested the controls of accounting entry of sales data to ensure entry can only be performed with the approval of the accounting department, automatic transfer of sales data to the accounting system and automatic transfer of sales prices to cashboxes.</p> <p>Testing on a sample basis was performed for the recognition of daily transfers to the cash boxes.</p> <p>Substantive analytical procedures were performed to assess revenue variance. Product and category based sales and gross margins were compared to prior periods and their consistency was evaluated.</p> <p>Disclosures were tested and the adequacy of these disclosures was evaluated.</p> |



Other information

Management is responsible for the other information. The other information comprises the Appendices disclosed as “Other information” at the notes to the consolidated financial statements but are not part of the consolidated financial statements and of our auditor’s report thereon.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of management and those charged with governance for the consolidated financial statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with IFRS, 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.



Auditor's responsibilities for the audit of the consolidated financial statements

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

As part of an audit in accordance with ISA, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.



- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion.

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

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

A handwritten signature in blue ink, appearing to read "Adnan Akan", is written over a light blue circular stamp.

Adnan Akan, SMMM
Partner

Istanbul, 11 March 2021

ŞOK MARKETLER TİCARET A.Ş**CONSOLIDATED FINANCIAL STATEMENTS AS AT 31 DECEMBER 2020 AND 2019**

(Amounts are expressed in Turkish Lira (“TL”) unless otherwise stated.)

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ŞOK MARKETLER TİCARET A.Ş.

CONSOLIDATED BALANCE SHEET AS AT 31 DECEMBER 2020 AND 2019

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

ASSETS

| | Note | 31 December 2020 | 31 December 2019 |
|---------------------------------|-------------|-----------------------------|-----------------------------|
| Current Assets | | | |
| Cash and cash equivalents | 5 | 1,149,089,432 | 431,286,166 |
| Trade receivables | 7 | 106,183,646 | 74,417,039 |
| Due from related parties | 25 | 39,412,698 | 26,934,858 |
| Other trade receivables | | 66,770,948 | 47,482,181 |
| Other receivables | 8 | 10,534,661 | 5,075,174 |
| Inventories | 9 | 2,090,253,657 | 1,329,732,797 |
| Prepaid expenses | 10 | 11,680,334 | 12,757,107 |
| Other current assets | 18 | 9,303,474 | 7,163,730 |
| Total Current Assets | | 3,377,045,204 | 1,860,432,013 |
| Non Current Assets | | | |
| Other receivables | 8 | 27,579,832 | 19,735,389 |
| Property and equipment | 12 | 1,352,693,035 | 1,100,702,403 |
| Right of use assets | 11 | 2,114,935,110 | 1,823,015,010 |
| Intangible assets | | 691,955,585 | 685,289,373 |
| Goodwill | 14 | 579,092,596 | 579,092,596 |
| Other intangible assets | 13 | 112,862,989 | 106,196,777 |
| Deferred tax assets | 24 | 197,621,010 | 218,626,726 |
| Total Non-Current Assets | | 4,384,784,572 | 3,847,368,901 |
| TOTAL ASSETS | | 7,761,829,776 | 5,707,800,914 |

Accompanying notes form an integral part of these consolidated financial statements.

ŞOK MARKETLER TİCARET A.Ş.**CONSOLIDATED BALANCE SHEET AS AT 31 DECEMBER 2020 AND 2019**

(Amounts are expressed in Turkish Lira (“TL”) unless otherwise stated.)

LIABILITIES AND EQUITY

| | Note | 31 December 2020 | 31 December 2019 |
|--|-------------|-----------------------------|-----------------------------|
| Current Liabilities | | | |
| Lease liabilities | 6 | 745,332,925 | 601,120,543 |
| Short term portion of long term borrowings | 6 | 32,724,317 | 75,514,464 |
| Trade payables | 7 | 4,600,841,407 | 3,395,061,181 |
| Due to related parties | 25 | 426,479,568 | 341,562,490 |
| Other trade payables | | 4,174,361,839 | 3,053,498,691 |
| Payables regarding employee benefits | 17 | 155,845,749 | 111,607,765 |
| Other payables | 8 | 3,277,382 | 1,482,122 |
| Deferred income | 10 | 31,574,336 | 8,185,733 |
| Other short term provisions | | 93,381,568 | 60,828,624 |
| Provision for short term employee benefits | 17 | 39,664,863 | 19,616,832 |
| Other provisions | 15 | 53,716,705 | 41,211,792 |
| Other current liabilities | 18 | 83,252,925 | 36,494,982 |
| Total Current Liabilities | | 5,746,230,609 | 4,290,295,414 |
| Non current liabilities | | | |
| Obligations under finance leases | 6 | 711,972 | 32,984,837 |
| Lease liabilities | 6 | 1,658,989,836 | 1,365,532,179 |
| Provision for long term employee benefits | 17 | 62,208,236 | 44,874,709 |
| Other payables | 8 | 1,409,261 | 978,598 |
| Deferred income | 10 | 38,381,984 | - |
| Total Non-Current Liabilities | | 1,761,701,289 | 1,444,370,323 |
| EQUITY | | | |
| Share capital | 19 | 611,928,571 | 611,928,571 |
| Repurchased shares | 19 | (180,724,551) | (190,231,327) |
| Effect of transactions under common control | 19, 3 | (567,113,629) | (567,113,629) |
| Accumulated other comprehensive income or expense that will not be reclassified to profit or loss: | | | |
| Defined benefit plans reameasurement losses | 19 | (13,263,816) | (12,606,706) |
| Restricted reserves appropriated from profits | 19 | 260,000 | 260,000 |
| Retained earnings / (Accumulated losses) | | 129,419,773 | 428,057,451 |
| Net profit / (loss) for the Period | | 272,612,688 | (298,637,678) |
| Shareholder's equity | | 253,119,036 | (28,343,318) |
| Non-controlling interest | | 778,842 | 1,478,495 |
| Total Equity | | 253,897,878 | (26,864,823) |
| TOTAL LIABILITIES AND EQUITY | | 7,761,829,776 | 5,707,800,914 |

Accompanying notes form an integral part of these consolidated financial statements.

ŞOK MARKETLER TİCARET A.Ş.

**CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2020 AND 2019**

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

| | Note | 1 January- 31 December 2020 | 1 January- 31 December 2019 |
|---|-----------|-----------------------------------|-----------------------------------|
| Revenue | 20 | 21,353,835,397 | 16,051,963,222 |
| Cost of sales (-) | 20 | (16,318,273,326) | (12,311,478,936) |
| Gross profit | | 5,035,562,071 | 3,740,484,286 |
| Marketing and selling expenses (-) | 21 | (3,473,128,697) | (2,771,035,995) |
| General administrative expenses (-) | 21 | (160,669,722) | (97,705,649) |
| Other income from operating activities | 22 | 18,637,484 | 10,935,603 |
| Other expenses from operating activities (-) | 22 | (73,167,755) | (27,970,110) |
| Operating profit | | 1,347,233,381 | 854,708,135 |
| Financial expense | 23 | (1,102,190,530) | (1,118,798,262) |
| Financial income | 23 | 48,817,158 | 20,199,228 |
| Profit / (loss) from continuing operations before taxation | | 293,860,009 | (243,890,899) |
| Income tax expense | 24 | (778,968) | (1,880,407) |
| Deferred tax income / (expense) | 24 | (21,169,415) | (52,558,416) |
| PROFIT / (LOSS) FOR THE PERIOD | | 271,911,626 | (298,329,722) |
| Attributable to: | | | |
| Equity holders of the parent | | 272,612,688 | (298,637,678) |
| Non-controlling interests | | (701,062) | 307,956 |
| Profit / (Loss) per share | 28 | 0.4598 | (0.5044) |
| OTHER COMPREHENSIVE INCOME / (LOSS) | | | |
| Items that will not be reclassified to profit or loss | | (655,701) | (1,082,242) |
| Defined benefit plans remeasurement (losses) / gains | 17 | (819,400) | (1,352,001) |
| Tax related to other comprehensive income items that will not be classified to profit or loss | | - | - |
| Deferred tax income | 24 | 163,699 | 269,759 |
| OTHER COMPREHENSIVE (LOSS) / INCOME | | (655,701) | (1,082,242) |
| TOTAL OTHER COMPREHENSIVE INCOME / (LOSS) | | 271,255,925 | (299,411,964) |
| Allocation of Total comprehensive Income / (Loss) | | | |
| Non-Controlling Interests | | (699,653) | 312,959 |
| Equity Holders of the Parent | | 271,955,578 | (299,724,923) |
| TOTAL COMPREHENSIVE INCOME / (LOSS) | | 271,255,925 | (299,411,964) |

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

ŞOK MARKETLER TİCARET A.Ş.**CONSOLIDATED STATEMENT OF CHANGES IN EQUITY**

FOR THE YEAR ENDED 31 DECEMBER 2020 AND 2019

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

| | Share capital | Treasury Shares | Defined benefit plans remeasurement losses | Restricted reserves | Effect of transactions under common control(*) | Retained Earnings / Accumulated Losses | | Shareholder's equity | Non-controlling interest | Equity |
|--|--------------------|----------------------|--|---------------------|--|--|--|----------------------|--------------------------|---------------------|
| | | | | | | Profit / (Loss) for the period | Retained earnings / Accumulated Losses | | | |
| Reported as of 1 January 2019 | 611,928,571 | (199,789,445) | (11,519,461) | 260,000 | (602,824,230) | 66,598,899 | 397,169,153 | 261,823,487 | 1,165,536 | 262,989,023 |
| Transfer to retained earnings | - | - | - | - | - | (66,598,899) | 66,598,899 | - | - | - |
| Effect transactions under common control (*) | - | - | - | - | 35,710,601 | - | (35,710,601) | - | - | - |
| Repurchase of shares | - | 9,558,118 | - | - | - | - | - | 9,558,118 | - | 9,558,118 |
| Total comprehensive income/(loss) | - | - | (1,087,245) | - | - | (298,637,678) | - | (299,724,923) | 312,959 | (299,411,964) |
| Balance as of 31 December 2019 | 611,928,571 | (190,231,327) | (12,606,706) | 260,000 | (567,113,629) | (298,637,678) | 428,057,451 | (28,343,318) | 1,478,495 | (26,864,823) |
| Balance as of 1 January 2020 | 611,928,571 | (190,231,327) | (12,606,706) | 260,000 | (567,113,629) | (298,637,678) | 428,057,451 | (28,343,318) | 1,478,495 | (26,864,823) |
| Transfer to retained earnings | - | - | - | - | - | 298,637,678 | (298,637,678) | - | - | - |
| Sale of shares | - | 9,506,776 | - | - | - | - | - | 9,506,776 | - | 9,506,776 |
| Total comprehensive income/(loss) | - | - | (657,110) | - | - | 272,612,688 | - | 271,955,578 | (699,653) | 271,255,925 |
| Balance as of 31 December 2020 | 611,928,571 | (180,724,551) | (13,263,816) | 260,000 | (567,113,629) | 272,612,688 | 129,419,773 | 253,119,036 | 778,842 | 253,897,878 |

(*) Effect of transactions under common control explained in Note 3.

Accompanying notes form an integral part of these consolidated financial statements.

ŞOK MARKETLER TİCARET A.Ş.

**CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER 2020 AND 2019**

(Amounts are expressed as Turkish Lira ("TL") unless otherwise stated.)

| | Note | 1 January- 31 December 2020 | 1 January- 31 December 2019 |
|--|-------------|--|--|
| A. Cash Generated by Operating Activities | | | |
| Profit / (loss) for the period | | 271,911,626 | (298,329,722) |
| Adjustments related to reconciliation of net profit / (loss) for the period | | | |
| -Depreciation of property and equipment | 11-12-13 | 697,508,002 | 598,502,429 |
| -Provision for retirement pay | 17 | 68,491,939 | 30,093,499 |
| -Provision for doubtful receivables | 7 | 238,457 | 182,918 |
| -Lawsuit provisions | 15 | 17,010,170 | 6,405,813 |
| -Discount expenses / (income) | | (21,714,918) | (10,776,224) |
| -Allowance for / reversal of impairment on inventories, net | | 33,078,822 | (724,776) |
| -Loss / (gain) on sale of property and equipment, net | 22 | 2,934,504 | 3,197,044 |
| -Tax income / (expenses) | 24 | 21,948,383 | 54,438,823 |
| -Interest income | 23 | (24,805,208) | (9,703,022) |
| -Interest expenses | 23 | 576,970,639 | 572,582,792 |
| Cash generated by / (used in) operations before changes in working capital | | 1,643,572,416 | 945,869,574 |
| Changes in working capital : | | | |
| Changes in trade receivables | | (32,229,361) | (4,676,278) |
| Changes in inventories | | (793,599,682) | (456,546,818) |
| Changes in other receivables and current assets | | (13,407,258) | (10,299,848) |
| Changes in trade payables | | 1,227,566,920 | 920,738,511 |
| Changes in other payables and expense accruals | | 48,983,866 | 10,155,659 |
| Changes in employee benefits | | 44,237,984 | 22,966,803 |
| Changes in prepaid expenses | | 62,847,360 | (12,942,722) |
| Cash used in operations | | 2,187,972,245 | 1,415,264,881 |
| Income taxes paid | | (2,815,384) | (1,395,623) |
| Collections from doubtful receivables | 7 | 152,521 | 186,847 |
| Payments for lawsuits | 15 | (4,505,257) | (2,489,816) |
| Retirement benefits paid | 17 | (31,929,781) | (23,548,895) |
| Net cash generated by operating activities: | | 2,148,874,344 | 1,388,017,394 |
| B. INVESTING ACTIVITIES | | | |
| Interest received | 23 | 24,805,208 | 9,703,022 |
| Purchases of property and equipment | 12 | (506,150,301) | (343,844,255) |
| Purchases of intangible assets | 13 | (14,075,110) | (9,388,922) |
| Proceeds from the sale of property and equipment | | 2,861,991 | 1,892,660 |
| Cash paid for business acquisitions | | - | (150,000) |
| Net cash used in investing activities | | (492,558,212) | (341,787,495) |
| C. FINANCING ACTIVITIES | | | |
| Payments for finance leases | 6 | (75,063,012) | (100,347,513) |
| Interest paid | | (66,962,468) | (140,002,509) |
| Cash paid for sales / (repurchase) of company shares under price stability | 19 | 9,506,776 | 9,558,118 |
| Interest payments of lease liabilities | 23 | (510,008,171) | (433,017,864) |
| Payments of lease liabilities | 6 | (295,985,991) | (230,262,022) |
| Repayments / proceeds of borrowings | 6 | - | (74,959,701) |
| Net cash (used in) / generated from financing activities | | (938,512,866) | (969,031,491) |
| NET CHANGE IN CASH AND CASH EQUIVALENTS (A+B+C) | | 717,803,266 | 77,198,408 |
| D. CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE PERIOD | 5 | 431,286,166 | 354,087,758 |
| E. CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD (A+B+C+D) | 5 | 1,149,089,432 | 431,286,166 |

Accompanying notes form an integral part of these consolidated financial statements.

ŞOK MARKETLER TİCARET A.Ş.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2020 AND 2019

(Amounts are expressed as Turkish Lira ("TL") unless otherwise stated.)

1. GROUP'S ORGANISATION AND NATURE OF OPERATIONS

Şok Marketler Ticaret Anonim Şirketi ("Şok" or the "Company") was established in 1995 to operate in the retail sector, selling fast moving consuming products in Turkey. The registered address of the Company is Kısıklı mah. Hanımseti sok No:35 B/1 Üsküdar and continues its activities in 81 provinces of Turkey. The number of personnel is 35,665 as of 31 December 2020 (31 December 2019: 29,738).

Şok and its subsidiaries (together the "Group"), are comprised of the parent, Şok and two subsidiaries in which the Company owns the majority share of the capital or which are controlled by the Company.

On 25 August 2011, Şok 's shares were transferred from Migros Ticaret A.Ş.

The Group acquired 18 stores of Dim Devamlı İndirim Mağazacılık A.Ş between February 21, 2013 and March 28, 2013. The purchase was not made through the purchase of shares but through the purchase of the assets in stores.

On 19 April 2013, the Group signed share transfer agreement for the purpose of purchasing 100% of the DiaSA Dia Sabancı Süpermarketleri Tic. A.Ş ("DiaSA"). All of DiaSA's shares were transferred to Şok Marketler A.Ş. on 1 July 2013. On 8 July 2013, 100% of the shares of Onur Ekspres Marketçilik A.Ş. was purchased by Şok. DiaSA and OnurEx merged with Şok on 1 November 2013 and 19 December 2013, respectively.

On 29 May 2015, the Group acquired 80% share of Mevsim Taze Sebze Meyve San. ve Tic. A.Ş. ("Mevsim").

On 26 December 2017, the Group acquired 55% shares of Teközel and 45% shares on 2 July 2018, respectively. The Company merged with Teközel on 10 May 2019 with CMB approval dated 28 March 2019 and Trade Registry approval dated 10 May 2019. After the merger Şok acquired %100 shares of Teközel's subsidiary UCZ Mağazacılık Tic. A.Ş ("UCZ").

The Group's public shares are traded on Borsa İstanbul (BIST) as of 18 May 2018.

Within the framework of the registered capital system, with the completion of the public offering with restricting the rights of the existing shareholders to purchase new shares, total capital of the Company increased by TL 33,428,571 to TL 611,928,571.

The Group's shareholding structure is presented in Note 19.

As of 31 December 2020, the Group has a total of 8,145 stores (31 December 2019: 7,215); 7,803 units ("Şok" sales store), 342 units ("Şok Mini" sales store) (31 December 2019: "Şok" sales store: 6,929, "Şok Mini" sales store: 286)

The Group's internet address is www.sokmarket.com.tr.

Approval of consolidated financial statements:

The Board of Directors has approved the consolidated financial statements and given authorization for the issuance on 11 March 2021. The General Assembly has the authority to change the consolidated financial statements.

2. BASIS OF PRESENTATION OF THE CONSOLIDATED FINANCIAL STATEMENTS

2.1 Basis of the presentation

Statement of Compliance

The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") and IAS 34, "Interim Financial Reporting".

The consolidated financial statements have been prepared on the historical cost basis except for financial assets and financial liabilities that are measured at fair values. Historical cost is generally based on the fair value of the consideration given in exchange for assets.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

ŞOK MARKETLER TİCARET A.Ş.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2020 AND 2019

(Amounts are expressed as Turkish Lira ("TL") unless otherwise stated.)

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

2.1 Basis of the presentation (Continued)

The Group considers the features of the related asset or liability when calculating the fair value of an asset or liability, if the market participants consider these features when determining the prices of those assets or liabilities. The calculations and disclosures related to the fair value of the financial statements in this consolidated financial statements have been determined in accordance with this standard, except for the financial leasing transactions included in the scope of IAS 17 and other measures similar (e.g. the net realizable value as defined in IAS 2 or the value of use as defined in IAS 36).

In addition, for financial reporting purposes, fair value measurements are categorised into Level 1, 2 or 3 based on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurement in its entirety, which are described as follows:

Fair value measurements by level of the following fair value measurement hierarchy is as follows:

- Level 1: Quoted prices 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 (that is, as prices) or indirectly (that is, derived from prices).
- Level 3: Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs)

2.2 Functional Currency

The consolidated financial statements of the Group are presented in the currency of the primary economic environment in which the Group operates. The results and financial position of the entity are expressed in TL, which is the functional currency of the Group, and the presentation currency for the Group's consolidated financial statements.

2.3 Going Concern

Consolidated financial statements have been prepared on the basis of the continuity of the business, under the assumption that the Group will benefit from its assets and fulfill its obligations in the next year and within the natural flow of its activities.

In the Official Gazette dated 6 December 2020 and numbered 31346, the "Communiqué Amending the Communiqué on the Procedures and Principles Regarding the Implementation of Article 376 of the Turkish Commercial Code No. 6102" ("Amendment of the Communiqué") was published and the Turkish Commercial Code ("TCC") A number of changes have been made regarding the implementation of article 376 with the title "Capital Loss, Being Insured in Debt". In this context, since it has been determined that more than half of the total capital and legal reserves of our Group are not insufficient, it is seen that there is no need to take the measures foreseen in article 376 of the TCC.

On 12 March 2020 World Health Organization has declared Covid-19 which is spreading throughout the world and in Turkey as pandemic. The Group Management has determined that the aforementioned condition does not have a significant impact on the consolidated financial position and performance of the Group. The Group Management will continue to evaluate the context and scope of the probable impact of the situation on general operations, consolidated operational results and the financial situation.

ŞOK MARKETLER TİCARET A.Ş.**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2020 AND 2019**

(Amounts are expressed as Turkish Lira (“TL”) unless otherwise stated.)

2. BASIS OF PRESENTATION OF THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)**2.4 Basis of Consolidation**

The details of the Group’s subsidiaries at 31 December 2020 and 2019 are as follows:

| Subsidiaries | 31 December | 31 December | 31 December | 31 December |
|---|-------------------------|-------------|-------------------------|-------------|
| | 2020 | 2019 | 2020 | 2019 |
| | Direct Ownership Rate % | | Group Efficiency Rate % | |
| Mevsim Taze Sebze Meyve San. ve Tic. A.Ş. | 80% | 80% | 80% | 80% |
| UCZ Mağazacılık Tic. A.Ş. | 100% | 100% | 100% | 100% |

Consolidated financial statements include financial statements of entities controlled by the Group and its subsidiaries.

Control is obtained by the Group, when the following terms are met;

- having power over the investee, i.e. the investor has existing rights that give it the ability to direct the relevant activities (the activities that significantly affect the investee's returns),
- having exposure, or rights, to variable returns from its involvement with the investee
- having the ability to use its power over the investee to affect the amount of the investor's returns

If a situation or event arises that could cause any change in at least one of the criteria listed above, the Group will reevaluate the control power over the Group's investment.

Profit or loss and other comprehensive income are attributable to the equity holders of both the parent company and non-controlling interests. Total comprehensive income of subsidiaries is attributed to the owners of the Company and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance. When necessary, adjustments are made to the financial statements of the subsidiaries in relation to accounting policies so that they conform to the accounting policies followed by the Group. All cash flows from in-group assets and liabilities, equity, income and expenses, and transactions between Group companies are eliminated in consolidation.

2.5 Changes in Accounting Policies

Significant changes in the accounting policies are accounted retrospectively and prior period’s financial statements are restated.

The Group has not made any changes in accounting policies in the reporting period.

2.6 Changes in Accounting Estimates and ErrorsFollowing changes in key estimates:

The effect of a change in an accounting estimate is recognized prospectively by including it in profit or loss in the period of the change, if the change affects that period only, or in the period of the change and future periods, if the change affects both. The Group has not made any changes in its accounting estimates in the current period.

ŞOK MARKETLER TİCARET A.Ş.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2020 AND 2019

(Amounts are expressed as Turkish Lira (“TL”) unless otherwise stated.)

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

2.7 Application of new and revised IFRSs

a) *Standards, amendments and interpretations applicable as at 31 December 2020:*

- **Amendments to IAS 1 and IAS 8 on the definition of material;** effective from Annual periods beginning on or after 1 January 2020. These amendments to IAS 1, ‘Presentation of financial statements’, and IAS 8, ‘Accounting policies, changes in accounting estimates and errors’, and consequential amendments to other IFRSs:
 - i) use a consistent definition of materiality throughout IFRSs and the Conceptual Framework for Financial Reporting;
 - ii) clarify the explanation of the definition of material; and
 - iii) incorporate some of the guidance in IAS 1 about immaterial information.
- **Amendments to IFRS 3 - definition of a business;** effective from Annual periods beginning on or after 1 January 2020. This amendment revises the definition of a business. According to feedback received by the IASB, application of the current guidance is commonly thought to be too complex, and it results in too many transactions qualifying as business combinations.
- **Amendments to IFRS 9, IAS 39 and IFRS 7 – Interest rate benchmark reform;** effective from Annual periods beginning on or after 1 January 2020. These amendments provide certain reliefs in connection with interest rate benchmark reform. The reliefs relate to hedge accounting and have the effect that IBOR reform should not generally cause hedge accounting to terminate. However, any hedge ineffectiveness should continue to be recorded in the income statement. Given the pervasive nature of hedges involving IBOR-based contracts, the reliefs will affect companies in all industries.
- **Amendment to IFRS 16, ‘Leases’ – Covid-19 related rent concessions;** effective from Annual periods beginning on or after 1 June 2020. As a result of the coronavirus (COVID-19) pandemic, rent concessions have been granted to lessees. Such concessions might take a variety of forms, including payment holidays and deferral of lease payments. On 28 May 2020, the IASB published an amendment to IFRS 16 that provides an optional practical expedient for lessees from assessing whether a rent concession related to COVID-19 is a lease modification. Lessees can elect to account for such rent concessions in the same way as they would if they were not lease modifications. In many cases, this will result in accounting for the concession as variable lease payments in the period(s) in which the event or condition that triggers the reduced payment occurs.

ŞOK MARKETLER TİCARET A.Ş.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2020 AND 2019

(Amounts are expressed as Turkish Lira (“TL”) unless otherwise stated.)

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

2.7 Application of new and revised IFRSs (Continued)

b) Standards, amendments and interpretations that are issued but not effective as at 31 December 2020:

- **Amendments to IAS 1, Presentation of financial statements’ on classification of liabilities;** effective from 1 January 2022. These narrow-scope amendments to IAS 1, ‘Presentation of financial statements’, clarify that liabilities are classified as either current or non-current, depending on the rights that exist at the end of the reporting period. Classification is unaffected by the expectations of the entity or events after the reporting date (for example, the receipt of a waiver or a breach of covenant). The amendment also clarifies what IAS 1 means when it refers to the ‘settlement’ of a liability.
- **A number of narrow-scope amendments to IFRS 3, IAS 16, IAS 37 and some annual improvements on IFRS 1, IFRS 9, IAS 41 and IFRS 16;** effective from Annual periods beginning on or after 1 January 2022.
 - **Amendments to IFRS 3,** ‘Business combinations’ update a reference in IFRS 3 to the Conceptual Framework for Financial Reporting without changing the accounting requirements for business combinations. .
 - **Amendments to IAS 16,** ‘Property, plant and equipment’ prohibit a company from deducting from the cost of property, plant and equipment amounts received from selling items produced while the company is preparing the asset for its intended use. Instead, a company will recognise such sales proceeds and related cost in profit or loss.
 - **Amendments to IAS 37,** ‘Provisions, contingent liabilities and contingent assets’ specify which costs a company includes when assessing whether a contract will be loss-making.

Annual improvements make minor amendments to IFRS 1, ‘First-time Adoption of IFRS’, IFRS 9, ‘Financial instruments’, IAS 41, ‘Agriculture’ and the Illustrative Examples accompanying IFRS 16, ‘Leases’.
- **Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16 Interest Rate Benchmark Reform Phase 2;** effective from annual periods beginning on or after 1 January 2021. The Phase 2 amendments address issues that arise from the implementation of the reforms, including the replacement of one benchmark with an alternative one.

ŞOK MARKETLER TİCARET A.Ş.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2020 AND 2019

(Amounts are expressed as Turkish Lira ("TL") unless otherwise stated.)

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

2.8 Summary of Significant Accounting Policies (Continued)

Revenue

Revenue is recognized in the consolidated financial statements at the transaction price. The transaction fee is the amount that the entity expects to receive in return for transferring the goods or services that it has committed to the customer, except for the amounts collected on behalf of third parties (Şok İşlem, Şok Transfer). When the control of the goods or services is transferred to the customers, the related amount is reflected to the consolidated financial statements as revenue. Net sales are presented by deducting returns and discounts from sales of goods.

The Group recognizes revenue from the following main sources:

i) Retail revenues

The Group sells non-food and non-food fast-moving consumer goods through cash, credit card or customer cards (IBB Social Card, Şok Card) and sells it to retail customers in retail stores. and revenue is recognised when the ownership of the goods is transferred to the customer.

ii) Turnover premiums and discounts from sellers

The Group recognizes turnover premiums and discounts received from sellers on an accrual basis over the period in which the sellers benefit from the services.

iii) Wholesale revenues

The Group sells its non-food and non-food fast-moving consumer goods directly to its commercial customers directly from its own warehouse or to the customer. When the shipment is completed and the goods are delivered to the customer they are recognised as revenue.

Financing component of revenue

Approximately 55% - 60% of total revenue was made in cash and 45% - 40% in credit card in the financial reporting period ending on 31 December 2020.

The Group management has concluded that there is no significant financing component for transactions identified as credit card and sales contracts. There is no difference between the promised consideration and the cash sale price of the goods or services promised and as a result it is concluded that discounted credit sales pursuant to IAS 18 will not be discounted by the application of IFRS 15.

Revenue recognition

Revenue Recognition Group recognises revenue based on the following five principles in accordance with the IFRS 15 - "Revenue from Contracts with Customers" standard effective from 1 January 2018:

- Identification of customer contracts
- Identification of performance obligations
- Determination of the transaction price in the contracts
- Allocation of transaction price to the performance obligations
- Recognition of revenue when the performance obligations are satisfied

According to this model, goods or services promised in each contract with customers are evaluated. Each commitment made to transfer goods or services is determined as a separate performance obligation. Afterwards, it is determined whether the performance obligations will be fulfilled over time or at a certain time. If the Group transfers control of a good or service over time and therefore fulfills the performance obligations related to the related sales over time, it measures the progress towards the full fulfillment of the said performance obligations and recognizes the revenue in the consolidated financial statements over time.

Revenue related to performance obligations in the form of goods or services transfer commitments are recognized when control of the goods or services is taken over by customers.

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(Amounts are expressed as Turkish Lira ("TL") unless otherwise stated.)

2. BASIS OF PRESENTATION OF THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)**2.8 Summary of Significant Accounting Policies (Continued)**

The Group evaluates the following when evaluating the transfer of control of the goods or services sold to the customer:

- a) Ownership of the Group's right to collect on goods or services,
- b) Customer's legal ownership of the goods or services,
- c) Transfer of possession of goods or services,
- d) Customer's possession of significant risks and rewards arising from owning the property or service,
- e) Customer's acceptance of the goods or services.

Other income gained by the Group is reflected by the basis mentioned below:

- Interest income – accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount.

Inventories

Inventories are stated at the lower of cost and net realizable value as of balance sheet date. Cost is calculated as the average cost over the month. Net realizable value represents the estimated selling price less all estimated costs incurred in marketing and selling.

Property and Equipment

Property and equipment are carried at cost less accumulated depreciation and any accumulated impairment losses. Cost includes professional fees and, for qualifying assets, borrowing costs capitalized in accordance with the Group's accounting policy. Such properties are classified to the appropriate categories of property and equipment when completed and ready for intended use. Depreciation of these assets, on the same basis as other property assets, commences when the assets are ready for their intended use. Other expenses are accounted under expense items in consolidated income statement in the period in which they are incurred.

Depreciation is charged on a straight-line basis over the assets' estimated useful lives. Based on the average useful lives of property and equipment, the following depreciation rates are determined as stated below:

| | |
|-------------------------|------------|
| Machinery and equipment | 4-50 years |
| Vehicles | 5 years |
| Fixtures and Furniture | 4-15 years |
| Leasehold improvements | 5-20 years |

Assets held under finance leases are depreciated over their expected useful lives on the same basis as owned assets. However, when there is no reasonable certainty that ownership will be obtained by the end of the lease term, assets are depreciated over the shorter of the lease term and their useful lives. An item of property and equipment is derecognized upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on the disposal or retirement of an item of property and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognized in consolidated profit or loss.

Intangible assets**Intangible assets acquired separately**

Intangible assets with finite useful lives that are acquired separately are carried at cost less accumulated amortization and accumulated impairment losses. Amortization is recognized on a straight-line basis over their estimated useful lives. The estimated useful life and amortization method are reviewed at the end of each reporting period, with the effect of any changes in estimate being accounted for on a prospective basis. Intangible assets with indefinite useful lives that are acquired separately are carried at cost less accumulated impairment losses.

Intangible assets acquired in a business combination

Intangible assets acquired in a business combination and recognized separately from goodwill are initially recognized at their fair value at the acquisition date (which is regarded as their cost).

Subsequent to initial recognition, intangible assets acquired in a business combination are reported at cost less accumulated amortization and accumulated impairment losses, on the same basis as intangible assets that are acquired separately. Intangible assets with indefinite useful lives that are acquired separately are carried at cost less accumulated impairment losses.

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2020 AND 2019

(Amounts are expressed as Turkish Lira ("TL") unless otherwise stated.)

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

2.8 Summary of Significant Accounting Policies (Continued)

Business combinations

The acquisition of subsidiaries and businesses are accounted for using the acquisition method. The consideration transferred in a business combination is measured at fair value, which is calculated as the sum of the acquisition-date fair values of the assets transferred by the Group, liabilities incurred by the Group to the former owners of the acquiree and the equity interests issued by the Group in exchange for control of the acquiree. Acquisition-related costs are generally recognized in profit or loss as incurred.

At the acquisition date, the identifiable assets acquired and the liabilities assumed are recognized at their fair value at the acquisition date, except that:

Deferred tax assets or liabilities and liabilities or assets related to employee benefit arrangements are recognized and measured in accordance with IAS 12 Income Taxes and IAS 19 Employee Benefits respectively;

Goodwill is measured as the excess of the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree, and the fair value of the acquirer's previously held equity interest in the acquiree (if any) over the net of the acquisition-date amounts of the identifiable assets acquired and the liabilities assumed. If, after reassessment, the net of the acquisition-date amounts of the identifiable assets acquired and liabilities assumed exceeds the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree and the fair value of the acquirer's previously held interest in the acquiree (if any), the excess is recognized immediately in profit or loss as a bargain purchase gain.

Non-controlling interests that are present ownership interests and entitle their holders to a proportionate share of the entity's net assets in the event of liquidation may be initially measured either at fair value or at the non-controlling interests' proportionate share of the recognized amounts of the acquiree's identifiable net assets. The choice of measurement basis is made on a transaction-by-transaction basis. Other types of non-controlling interests are measured at fair value or, when applicable, on the basis specified in another IFRS.

If the initial accounting for a business combination is incomplete by the end of the reporting period in which the combination occurs, the Group reports provisional amounts for the items for which the accounting is incomplete. Those provisional amounts are adjusted during the measurement period, or additional assets or liabilities are recognized, to reflect new information obtained about facts and circumstances that existed at the acquisition date that, if known, would have affected the amounts recognized at that date.

Shares in Other Entities

For each subsidiary that the Group has a non-controlling interest in accordance with IFRS 12 the Group discloses (a) for each subsidiary that has a non-controlling interest, (a) the name of the subsidiary, (b) the place where the subsidiary operates mainly (and the country where the company is located, c) the share of ownership held by non-controlling interests, and (d) the share of the voting rights held by non-controlling interests in the event of a change from the ownership interest rate; (f) Disclose non-controlling interest in the subsidiary as of the end of the reporting period; and (g) financial information related to the subsidiary.

Goodwill

Goodwill arising on an acquisition of a business is carried at cost as established at the date of acquisition of the business less accumulated impairment losses, if any.

For the purposes of impairment testing, goodwill is allocated to each of the Group's cash-generating units (or groups of cash-generating units) that are expected to benefit from the synergies of the combination.

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

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FOR THE YEAR ENDED 31 DECEMBER 2020 AND 2019**

(Amounts are expressed as Turkish Lira ("TL") unless otherwise stated.)

2. BASIS OF PRESENTATION OF THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)**2.8 Summary of Significant Accounting Policies (Continued)**LeasingThe Group – as a lessee

At inception of a contract, the Group assesses whether a contract is, or contains a lease. 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. To assess whether a contract conveys the right to control the use of an identified asset, The Group assess whether:

- a) the contract involved the use of an identified asset – this may be specified explicitly or implicitly.
- b) the asset should be physically distinct or represent substantially all of the capacity of a physically distinct asset. If the supplier has a substantive substitution right, the asset is not identified.
- c) the Group has the right to obtain substantially all of the economic benefits from the use of an asset throughout the period of use; and
- d) the Group has the right to direct use of the asset. The Group concludes to have the right of use, when it is predetermined how and for what purpose the Group will use the asset. The Group has the right to direct use of asset if either:
 - i. the Group has the right to operate (or to have the right to direct others to operate) the asset over its useful life and the lessor does not have the rights to change the terms to operate or;
 - ii. the Group designed the asset (or the specific features) in a way that predetermines how and for what purpose it is used.

At inception or on reassessment of a contract that contains a lease component, the Group allocates the consideration in the contract to each lease component on the basis of their relative stand-alone prices.

ŞOK MARKETLER TİCARET A.Ş.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2020 AND 2019

(Amounts are expressed as Turkish Lira (“TL”) unless otherwise stated.)

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

2.8 Summary of Significant Accounting Policies (Continued)

Leasing (Continued)

The Group – as a lessee (Continued)

Right of use asset

The right of use asset is initially recognized at cost comprising of:

- a) amount of the initial measurement of the lease liability;
- b) any lease payments made at or before the commencement date, less any lease incentives received;
- c) any initial direct costs incurred by the Group; and

The Group re-measure the right of use asset:

- a) after netting-off depreciation and reducing impairment losses from right of use asset,
- b) adjusted for certain re-measurements of the lease liability recognized at the present value

The Group applies IAS16 “Property, Plant and Equipment” to amortize the right of use asset and to assess for any impairment. If the lease transfers ownership of the underlying asset to the lessee by the end of the lease term or if the cost of the right-of-use asset reflects that the lessee will exercise a purchase option, the Group depreciate the right-of-use asset from the commencement date to the end of the useful life of the underlying asset. Otherwise, The Group depreciate the right-of-use asset from the commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term.

The Group apply IAS 36 Impairment of Assets to determine whether the right-of-use asset is impaired and to account for any impairment loss identified.

Lease Liability

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date. Lease liabilities are discounted to present value by using the interest rate implicit in the lease if readily determined or with the Group’s incremental borrowing rate.

Lease payments included in the measurement of the lease liability comprise the following:

- a) fixed payments, including in-substance fixed payments;
- b) variable lease payments that depend on an index or a rate, initially measured using the index or rate as the commencement date,
- c) the exercise price of a purchase option if the Group is reasonably certain to exercise that option; and
- d) payments of penalties for terminating the lease, if the lease term reflects the Group exercising an option to terminate the lease.

After initial recognition, the lease liability is measured:

- a) increasing the carrying amount to reflect interest on lease liability
- b) reducing the carrying amount to reflect the lease payments made and
- c) remeasuring the carrying amount to reflect any reassessment or lease modifications or to reflect revised in-substance fixed lease payments.

Interest on the lease liability in each period during the lease term is the amount that produces a constant periodic rate of interest on the remaining balance of the lease liability. The Group determine the revised discount rate as the interest rate implicit in the lease for the remainder of the lease term, if that rate can be readily determined, or the lessee’s incremental borrowing rate at the date of reassessment, if the interest rate implicit in the lease cannot be readily determined. After the commencement date, The Group remeasure the lease liability to reflect changes to the lease payments. The Group recognise the amount of the remeasurement of the lease liability as an adjustment to the right-of-use asset.

The Group shall remeasure the lease liability by discounting the revised lease payments using a revised discount rate, if either:

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(Amounts are expressed as Turkish Lira (“TL”) unless otherwise stated.)

2. BASIS OF PRESENTATION OF THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)**2.8 Summary of Significant Accounting Policies (Continued)**Leasing (Continued)The Group – as a lessee (continued)

- a) There is a change in the lease term. The Group determine the revised lease payments on the basis of the revised lease term; or
- b) There is a change in the assessment of an option to purchase the underlying asset. The Group determine the revised lease payments to reflect the change in amounts payable under the purchase option.

The Group determine the revised discount rate as the interest rate implicit in the lease for the remainder of the lease term, if that rate can be readily determined, or the lessee’s incremental borrowing rate at the date of reassessment, if the interest rate implicit in the lease cannot be readily determined.

The Group remeasure the lease liability by discounting the revised lease payments, if either:

- a) There is a change in the amounts expected to be payable under a residual value guarantee. The Group determine the revised lease payments to reflect the change in amounts expected to be payable under the residual value guarantee.
- b) there is a change in future lease payments resulting from a change in an index or a rate used to determine those payments. The Group remeasure the lease liability to reflect those revised lease payments only when there is a change in the cash flows.

The Group determine the revised lease payments for the remainder of the lease term based on the revised contractual payments. In that case, the Group use an unchanged discount rate.

The Group recognises the restructuring of the lease as a separate leasing if both of the following are met:

- a) The restructuring extends the scope of the leasing by including the right of use of one or more underlying assets, and
- b) The lease payment amount increases as much as the appropriate adjustments to the price mentioned individually so that the increase in scope reflects the individual price and the terms of the relevant agreement.

The Group management used the alternative borrowing rate as the discount rate during the acquisition of the lease obligation. The alternative borrowing rate consists of the estimated interest rate that the Group management will incur for a loan in the amount of its gross lease obligation.

Impairment of tangible and intangible assets other than goodwill

At the end of each reporting period, the Group reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). When it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs. When a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual cash-generating units, or otherwise they are allocated to the smallest Group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

Intangible assets with indefinite useful lives and intangible assets not yet available for use are tested for impairment at least annually, and whenever there is an indication that the asset may be impaired. Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

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(Amounts are expressed as Turkish Lira (“TL”) unless otherwise stated.)

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

2.8 Summary of Significant Accounting Policies (Continued)

Impairment of tangible and intangible assets other than goodwill (continued)

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognized immediately in profit or loss.

When an impairment loss subsequently reverses, the carrying amount of the asset (or a cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognized for the asset (or cash-generating unit) in prior years. A reversal of an impairment loss is recognized immediately in profit or loss.

Financial Instruments

Financial assets and financial liabilities are recognised in the Group’s statement of financial position when the Group becomes a party to the contractual provisions of the instrument. Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognised immediately in profit or loss.

Financial assets

All regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis.

The Group classifies its financial assets as (a) Business model used for managing financial assets, (b) financial assets subsequently measured at amortised cost, at fair value through other comprehensive income or at fair value through profit or loss based on the characteristics of contractual cash flows. The Group reclassifies all financial assets effected from the change in the business model it uses for the management of financial assets. The reclassification of financial assets is applied prospectively from the reclassification date. In such cases, no adjustment is made to gains, losses (including any gains or losses of impairment) or interest previously recognized in the financial statements.

Classification of financial assets

Debt instruments that meet the following conditions are measured subsequently at amortised cost:

- the financial asset is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows; and
- the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Debt instruments that meet the following conditions are measured subsequently at fair value through other comprehensive income (“FVTOCI”):

- the financial asset is held within a business model whose objective is achieved by both collecting contractual cash flows and selling the financial assets; and
- the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

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2. BASIS OF PRESENTATION OF THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)**2.8 Summary of Significant Accounting Policies (Continued)**Financial assets (Continued)Classification of financial assets (Continued)

By default, all other financial assets are measured subsequently at fair value through profit or loss (“FVTPL”).

Despite the foregoing, the Group may make the following irrevocable election/designation at initial recognition of a financial asset; the Group may irrevocably elect to present subsequent changes in fair value of an equity investment in other comprehensive income if certain criteria are met.

(i) Amortised cost and effective interest method

Interest income on financial assets carried at amortized cost is calculated using the effective interest method. The effective interest method is a method of calculating the amortised cost of a debt instrument and of allocating interest income over the relevant period. This income is calculated by applying the effective interest rate to the gross carrying amount of the financial asset:

(a) Credit-impaired financial assets when purchased or generated. For such financial assets, the Group applies the effective interest rate on the amortized cost of a financial asset based on the loan from the date of the recognition in the financial statements.

(b) Non-financial assets that are impaired at the time of acquisition or generation but subsequently become a financial asset that has been impaired. For such financial assets, the Group applies the effective interest rate to the amortized cost of the asset in the subsequent reporting periods.

Interest income is recognised using the effective interest method for debt instruments measured subsequently at amortised cost and at FVTOCI.

Interest income is recognised in profit or loss and is included in the “finance income – interest income” line item (Note 23).

(ii) Financial assets at FVTPL

Financial assets that do not meet the criteria for being measured at amortised cost or FVTOCI (see (i) to (iii) above) are measured at FVTPL.

Financial assets at FVTPL are measured at fair value at the end of each reporting period, with any fair value gains or losses recognised in profit or loss to the extent they are not part of a designated hedging relationship.

Foreign exchange gains and losses

The carrying amount of financial assets that are denominated in a foreign currency is determined in that foreign currency and translated at the spot rate at the end of each reporting period. Specifically, for financial assets measured at amortised cost that are not part of a designated hedging relationship, exchange

Impairment of financial assets

The Group recognises a loss allowance for expected credit losses on investments in debt instruments that are measured at amortised cost or at FVTOCI, lease receivables, trade receivables and contract assets, as well as financial guarantee contracts. No impairment loss is recognised for investments in equity instruments. The amount of expected credit losses is updated at each reporting date to reflect changes in credit risk since initial recognition of the respective financial instrument.

The Group utilizes a simplified approach for trade receivables, contract assets and lease receivables that does not have significant financing component and calculates the allowance for impairment against the lifetime ECL of the related financial assets.

For all other financial instruments, the Group recognises lifetime ECL when there has been a significant increase in credit risk since initial recognition. However, if on the other hand, the credit risk on the financial instrument has not increased significantly since initial recognition, the Group measures the loss allowance for that financial instrument at an amount equal to 12-month ECL.

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

2.8 Summary of Significant Accounting Policies (Continued)

Financial assets (Continued)

Classification of financial assets (Continued)

Measurement and recognition of expected credit losses

The measurement of expected credit losses is a function of the probability of default, loss given default (i.e. the magnitude of the loss if there is a default) and the exposure at default. The assessment of the probability of default and loss given default is based on historical data adjusted by forward-looking information as described above. As for the exposure at default, for financial assets, this is represented by the assets' gross carrying amount at the reporting date.

For financial assets, the expected credit loss is estimated as the difference between all contractual cash flows that are due to the Group in accordance with the contract and all the cash flows that the Group expects to receive, discounted at the original effective interest rate.

Derecognition of financial assets

The Group derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity.

On derecognition of a financial asset measured at amortised cost, the difference between the asset's carrying amount and the sum of the consideration received and receivable is recognised in profit or loss. In addition, on derecognition of an investment in a debt instrument classified as at FVTOCI, the cumulative gain or loss previously accumulated in the investments revaluation reserve is reclassified to profit or loss. In contrast, on derecognition of an investment in equity instrument which the Group has elected on initial recognition to measure at FVTOCI, the cumulative gain or loss previously accumulated in the investments revaluation reserve is not reclassified to profit or loss, but is transferred to retained earnings.

Financial liabilities

Financial liabilities are classified as at FVTPL on initial recognition. On initial recognition of liabilities other than those that are recognised at FVTPL, transaction costs directly attributable to the acquisition or issuance thereof are also recognised in the fair value.

A financial liability is subsequently classified at amortized cost except:

- (a) Financial liabilities at FVTPL: These liabilities including derivative instruments are subsequently measured at fair value.
- (b) Financial liabilities arising if the transfer of the financial asset does not meet the conditions of derecognition from the financial statements or if the ongoing relationship approach is applied: When the Group continues to present an asset based on the ongoing relationship approach, a liability in relation to this is also recognised in the financial statements. The transferred asset and the related liability are measured to reflect the rights and liabilities that the Group continues to hold. The transferred liability is measured in the same manner as the net book value of the transferred asset.
- (c) A contingent consideration recognized in the financial statements by the entity acquired in a business combination where IFRS 3 is applied: After initial recognition, the related contingent consideration is measured as at FVTPL.

A financial liability is measured at fair value during its initial recognition. During the initial recognition of financial liabilities whose fair value difference is not reflected in profit or loss, transaction costs that can be directly associated with the undertaking of the relevant financial liability are added to the fair value in question. Financial liabilities are accounted over the amortized cost value by using the effective interest method together with the interest expense calculated over the effective interest rate in the following periods.

Derecognition of financial liabilities

The Group derecognises financial liabilities when, and only when, the Group's obligations are discharged, cancelled or have expired. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable, including any non-cash assets transferred or liabilities assumed, is recognised in profit or loss.

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(Amounts are expressed as Turkish Lira ("TL") unless otherwise stated.)

2. BASIS OF PRESENTATION OF THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)**2.8 Summary of Significant Accounting Policies (Continued)**Earnings per share

Earnings per share disclosed in the consolidated income statement are determined by dividing net income attributable to equity holders of the parent by the weighted average number of shares outstanding during the period concerned.

Foreign Currency Transactions

Transactions in foreign currencies (currencies other than Turkish Lira) in the legal books of the Group are translated into Turkish Lira at the rates of exchange prevailing at the transaction dates. Assets and liabilities in balance sheet denominated in foreign currencies are translated at the rates prevailing at the balance sheet date. Gains and losses arising on settlement and translation of foreign currency items are included in the consolidated statements of profit or loss.

Events After the Reporting Period

Events after the reporting period cover the events which arise between the balance sheet date and the date when the consolidated financial statements are authorized for issue, even if they occur after an announcement related with the profit for the year or disclosure of other selected financial information.

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

Provisions, Contingent Assets and Liabilities

Provisions are recognized when there is a present obligation (legal or constructive) as a result of a past event, it is probable that the Group will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation.

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

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

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

Related Parties

A related party is a person or entity that is related to the entity that is preparing its financial statements (in this standard referred to as the 'reporting entity')

(a) A person or a close member of that person's family is related to a reporting entity if that person:

Related party,

- (i) has control or joint control over the reporting entity;
- (ii) has significant influence over the reporting entity; or
- (iii) is a member of the key management personnel of the reporting entity or of a parent of the reporting entity.

(b) An entity is related to a reporting entity if any of the following conditions applies:

- (i) The entity and the reporting entity are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others).
- (ii) One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member).
- (iii) Both entities are joint ventures of the same third party.
- (iv) One entity is a joint venture of a third entity and the other entity is an associate of the third entity.
- (v) The entity is a post-employment benefit plan for the benefit of employees of either the reporting entity or an entity related to the reporting entity. If the reporting entity is itself such a plan, the sponsoring employers are also related to the reporting entity.
- (vi) The entity is controlled or jointly controlled by a person identified in (a).
- (vii) A person identified in (a) (i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity) Transactions with the related parties: Relationships between a parent and its subsidiaries shall be disclosed irrespective of whether there have been transactions between them.

The transactions of resources, services or obligations between reporting entity and related party are transfers whether there is consideration of price or not.

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(Amounts are expressed as Turkish Lira (“TL”) unless otherwise stated.)

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

2.8 Summary of Significant Accounting Policies (Continued)

Business combinations under common control

The Group recognizes business combinations under common control by using pooling of interest method in the consolidated financial statements. Accordingly:

- No goodwill is recognized in the financial statements
- Goodwill recognized from the acquisition of an acquiree has not been reflected in the consolidated financial statements.
- While application of the pooling of interest method financial statements are restated as if the business combination was effected and presented comparatively as of the beginning of the reporting period when the common control existed;
- As it would be appropriate for parent company to consider the inclusion of business combinations under common control to consolidated financial statements, for consolidation purposes, financial statements including combination accounting are restated in accordance with IAS as if the consolidated financial statements are prepared in accordance with IAS prior and subsequent to the date that Group’s controlling party has common control over entities.
- In order to eliminate potential assets-liabilities difference arising from business combinations within the scope of under common control transactions, “Effect of transactions under common control” account has been used as an offset account.

Current tax

Taxable profit/loss differs from ‘profit/loss before tax’ as reported in the consolidated statement of profit or loss and other comprehensive income because of items of income or expense that are taxable or deductible in other years and it excludes items that are never taxable or deductible. The Group’s current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax

Deferred tax is recognized on temporary 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. Deferred tax liabilities are generally recognized for all taxable temporary differences. Deferred tax assets are recognized for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilized. Such deferred tax assets and liabilities are not recognized if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

Deferred tax liabilities are recognized for taxable temporary differences associated with investments in subsidiaries and associates, and interests in joint ventures, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments and interests are only recognized to the extent that it is probable that there will be sufficient taxable profits against which to utilize the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

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

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2. BASIS OF PRESENTATION OF THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)**2.8 Summary of Significant Accounting Policies (Continued)***Deferred tax (Continued)*

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset realized, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expects, at the reporting date, to recover or settle the carrying amount of its assets and liabilities.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Group intends to settle its current tax assets and liabilities on a net basis.

Current and deferred tax for the period

Current and deferred tax are recognized as in profit or loss, except when they relate to items that are recognized in other comprehensive income or directly in equity, in which case, the current and deferred tax are also recognized in other comprehensive income or directly in equity respectively. Where current tax or deferred tax arises from the initial accounting for a business combination, the tax effect is included in the accounting for the business combination.

*Employee Benefits**Termination and retirement benefits*

Under Turkish law and union agreements, lump sum payments are made to employees retiring or involuntarily leaving the Group. Such payments are considered as being part of defined retirement benefit plan as per International Accounting Standard No. 19 (revised) “Employee Benefits” (“IAS 19”).

The retirement benefit obligation recognized in the consolidated balance sheet represents the present value of the defined benefit obligation. The actuarial gains and losses are recognized in consolidated other comprehensive income.

Statement of Cash Flows

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

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(Amounts are expressed as Turkish Lira ("TL") unless otherwise stated.)

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

2.8 Summary of Significant Accounting Policies (Continued)

Share capital and dividends

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

2.9 Critical Accounting Judgments and Key Sources of Estimation Uncertainty

In the process of applying the Group's accounting policies, which are described in Note 2.8, management has made the following judgments that have significant effect on the amounts recognized in the financial statements (apart from those involving estimations), which are dealt with below:

Critical judgments in applying the entity's accounting policies

Deferred tax asset

The Group recognizes deferred tax asset and liability on the differences between the carrying amounts of assets and liabilities in the financial statements prepared in accordance with IFRS and the corresponding tax bases which are used in the computation of taxable profit. Under current circumstances, the partial or complete annual recoverable amounts of deferred tax assets are predicted. During the evaluation, future profit projections, current year's losses, unused losses and the expiration dates of other tax assets, and if necessary tax planning strategies are considered. In accordance with the data obtained, if the Group's taxable profit, which will be obtained in the future, is not sufficient to utilize the deferred tax assets, an allowance is recognized either for the whole or for a portion of the deferred tax assets.

The Group's achieved net profit in 2020 and expects net profit in following years after its public offering in 2018 with the improvement in equity structure. Accordingly, the Group recorded deferred tax assets due to its losses in previous years and current period amounting TL 835,189,191 (31 December 2019: TL 1,159,225,971).

Deferred tax assets amounting to TL 169,769,638 (31 December 2019: TL 234,576,994 TL) are related to the tax loss of Şok. The group concluded that the assets will be available in the future using estimated taxable income, based on approved business plans, estimates such as the increase in the number of stores and profitability. Losses can be carried for a maximum of 5 years to be deducted from the taxable profit that will occur in the coming years.

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2. BASIS OF PRESENTATION OF THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)**2.9 Critical Accounting Judgments and Key Sources of Estimation Uncertainty (Continued)**Key sources of estimation uncertainty

The key assumptions concerning the future, and other key sources of estimation uncertainty at the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are discussed below.

Allowance of inventory

The Group has recognized an allowance for net realizable value of non-food inventory that is not expected to be used and/or slow moving over 90 days. The Group has identified inventories for which the net realizable value is less than carrying value. Based on the management analysis, an allowance amounting to TL 42,651,261 is recognized for net realizable value of inventories (31 December 2019: TL 9,572,439).

Impairment of goodwill

In accordance with the accounting policy stated in Note 2.8, goodwill is annually tested by the Group for impairment. The recoverable value of cash generating units is determined on the basis of fair value.

As a result of internal management purposes, goodwill is allocated to groups of cash-generating units that have similar neighborhoods and similar customer basis. Group of cash generating units are that allocated to districts by post codes.

Recoverable amount of each cash generating unit is determined based on fair value (“FV”) less cost to sell of each cash generating unit that is determined according to relative valuation techniques by applying combination of multiples FV/EBITDA and FV/Sales by 40% and 60% respectively. Group management has applied 14.0X multiple for FV/EBITDA and 0.75X multiple for FV/Sales in the impairment model which is consistent with benchmarks and market conditions. As a result of the impairment tests conducted and detailed as of 31 December 2020 no impairment was detected in the goodwill amount associated with the cash-generating units.

Provisions

In accordance with the accounting policy in Note 2.8, provisions are recognized when the Group has a present obligation as a result of a past event, and it is probable that the Group will be required to settle that obligation and a reliable estimate can be made of the amount of the obligation. Accordingly as of 31 December 2020 and 2019 the Group evaluated the current risks and booked the required provisions (Note 15). As of 31 December 2020, the provision for the related lawsuits amounted to TL 53,716,705 (31 December 2019: TL 41,211,792).

Useful life of property and equipment and intangible assets

The Group calculates depreciation for its tangible and intangible fixed assets over their expected useful lives as disclosed in Note 2.8.

Şok brand value is determined by independent valuation specialists during the purchase of Şok which is mentioned in Note 1. Because the useful life of brand value is not limited by any special agreement or regulation and it keeps generating cash flows; it is assumed that the brand value has an indefinite useful life. The brand which is considered as indefinite useful life is annually reviewed by the Group for impairment.

The brand value is determined by the calculation amount generated from the operations. These calculations are based on estimates of cash flows after tax based on the financial budget covering five-year period. Estimates of EBITDA (earnings before interest, tax, depreciation and amortization) are an important part of these calculations. As a result of estimations and calculations made by the Group management, Group management concluded that there is no impairment on brand value as of 31 December 2020.

Extension and termination options

In determining the lease liability, the Group considers the extension and termination options. The majority of extension and termination options held are exercisable both by the group and by the respective lessor. Extension options are included in the lease term if the lease is reasonably certain to be extended. The group remeasures the lease term, if a significant event or a significant change in circumstances occurs which affects the initial assessment.

3. TRANSACTIONS UNDER COMMON CONTROL

After the merger with Teközel, the amount of *transactions under common control under* shareholder’s equity is TL 567,113,629 (31 December 2019: TL 567,113,629).

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4. SEGMENT REPORTING

The Group's operating segments are identified based on the information provided to and analyzed by the CEO, which represents the chief operating decision maker (CODM), making decisions regarding the allocation of resources and assessing performance. For the purposes of IFRS 8, the activities performed by the Group are identified as belonging to a single operating segment, given that the Group's business consists of retail stores selling fast moving consumer products in Turkey and that the CODM reviews the Group's stores as a whole.

5. DISCLOSURES RELATED TO STATEMENT OF CASH FLOWS

| | 31 December 2020 | 31 December 2019 |
|---------------------------|----------------------|---------------------|
| Cash on hand | 168,580,056 | 113,827,080 |
| Cash at banks | 695,748,620 | 289,668,395 |
| Time deposits | 686,222,000 | 288,288,000 |
| Demand deposits | 9,526,620 | 1,380,395 |
| Credit card deposits | <u>284,760,756</u> | <u>27,790,691</u> |
| Cash and cash equivalents | <u>1,149,089,432</u> | <u>431,286,166</u> |

As of 31 December 2020 the Group has no blocked deposits (31 December 2019: TL 151,050). As of 31 December 2020 the Group's average interest rate on overnight time deposits is 19.17% (31 December 2019: 12.00%). Explanations about the nature and level of risks related to cash and cash equivalents are provided in Note 26.

The maturity of credit card receivables is less than 30 days.

6. FINANCIAL BORROWINGS

| | 31 December 2020 | 31 December 2019 |
|-------------------------------|----------------------|----------------------|
| <u>Financial Borrowings</u> | | |
| a) Financial leasing payables | 33,436,289 | 108,499,301 |
| b) Lease liabilities | <u>2,404,322,761</u> | <u>1,966,652,722</u> |
| | <u>2,437,759,050</u> | <u>2,075,152,023</u> |

Group management believes that the fair value of the Group's debts approximate to the carrying value of such debts due to their short term nature.

a) Financial Leasing Payables

| | Minimum Leasing Payable | | Minimum Leasing Payable | |
|--|-------------------------|---------------------|-------------------------|---------------------|
| | 31 December 2020 | 31 December 2019 | 31 December 2020 | 31 December 2019 |
| <u>Leasing Payables</u> | | | | |
| Within 1 year | 34,917,172 | 86,214,240 | 32,724,317 | 75,514,464 |
| Between 1-5 years | 721,469 | 35,163,818 | 711,972 | 32,984,837 |
| Less: future financial expense | <u>(2,202,352)</u> | <u>(12,878,757)</u> | - | - |
| Leasing obligation net present value | <u>33,436,289</u> | <u>108,499,301</u> | <u>33,436,289</u> | <u>108,499,301</u> |
| Less : liabilities to paid within 12 months (presented in short term liabilities) | | | (32,724,317) | (75,514,464) |
| Liabilities to paid after 12 months | | | <u>711,972</u> | <u>32,984,837</u> |

As of 31 December 2020 net book value of property and equipment acquired by financial lease is TL 81,761,293 (31 December 2019: TL 138,519,886). The interest rate is between 13% and 14%. Ownership of such property and equipment will be transferred to Şok if payments are made regularly throughout the contract period. The Group's obligations under finance leases are secured by the lessors' title to the leased assets.

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6. FINANCIAL BORROWINGS (Continued)**b) Lease Liabilities**

| | 31 December 2020 | 31 December 2019 |
|------------------------------|----------------------|----------------------|
| <u>Lease liabilities</u> | | |
| Short term lease liabilities | 745,332,925 | 601,120,543 |
| Long term lease liabilities | 1,658,989,836 | 1,365,532,179 |
| | <u>2,404,322,761</u> | <u>1,966,652,722</u> |

As of 31 December 2020, the net book value of the right of use assets arising from lease liabilities is TL 2,114,935,110 (31 December 2019: TL 1,823,015,010) (Note 11). The discount rate used is between 15% and 28% .

Reconciliation of obligations arising from financing activities:

The table below details changes in the Group's liabilities arising from financing activities, including both cash and non-cash changes. Liabilities arising from financing activities are those for which cash flows were, or future cash flows will be, classified in the Group's consolidated statement of cash flows as cash flows from financing activities.

| | 1 January 2020 | Financing cash flow | Non cash changes | | 31 December 2020 |
|----------------------------|----------------------|------------------------|------------------|--------------------|----------------------|
| | | | Interest accrual | Other | |
| Financial leasing payables | 108,499,301 | (75,063,012) | - | - | 33,436,289 |
| Lease liabilities | 1,966,652,722 | (295,985,991) | - | 733,656,030 | 2,404,322,761 |
| | <u>2,075,152,023</u> | <u>(371,049,003)</u> | <u>-</u> | <u>733,656,030</u> | <u>2,437,759,050</u> |

| | 1 January 2019 | Financing cash flow | Non cash changes | | 31 December 2019 |
|----------------------------|--------------------|------------------------|------------------|----------------------|----------------------|
| | | | Interest accrual | Other | |
| Bank borrowings | 75,397,282 | (74,959,701) | (437,581) | - | - |
| Financial leasing payables | 208,846,814 | (100,347,513) | - | - | 108,499,301 |
| Lease liabilities | - | (230,262,022) | - | 2,196,914,744 | 1,966,652,722 |
| | <u>284,244,096</u> | <u>(405,569,236)</u> | <u>(437,581)</u> | <u>2,196,914,744</u> | <u>2,075,152,023</u> |

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7. TRADE RECEIVABLES AND PAYABLES

| <u>Current trade receivables</u> | 31 December 2020 | 31 December 2019 |
|--|---------------------|---------------------|
| Trade receivables | 75,841,504 | 56,359,972 |
| Trade receivables from related parties (Note 25) | 39,412,698 | 26,934,858 |
| Allowance for doubtful receivables (-) (Note 26) | (9,070,556) | (8,877,791) |
| | <u>106,183,646</u> | <u>74,417,039</u> |

The Group's average period for collection of receivables is 2 days when wholesale revenue is taken into consideration (31 December 2019: 2 days).

There are no guarantee letters obtained for trade receivables as of 31 December 2020 and 2019. As of 31 December 2020 the Group provided allowance for doubtful receivables amounting to TL 9,070,556 based on reference to past default experience (31 December 2019: TL 8,877,791).

As of 31 December 2020 and 2019 the movements of allowance for doubtful receivables are as follows:

| <u>Movement of Allowance for Doubtful Receivables</u> | 1 January- 31 December 2020 | 1 January- 31 December 2019 |
|---|-----------------------------------|-----------------------------------|
| Balance at beginning of the period | (8,877,791) | (8,259,855) |
| Charge for the period | (238,457) | (182,918) |
| Collections | 152,521 | 186,847 |
| Other | (106,829) | (621,865) |
| Closing balance | <u>(9,070,556)</u> | <u>(8,877,791)</u> |

A simplified approach is applied for the impairment of trade receivables that are accounted at amortized cost in the consolidated financial statements and do not include a significant financing component (less than 1 year). In cases where the trade receivables are not impaired due to certain reasons (except for the realized impairment losses), the provisions for losses related to trade receivables are measured by an amount equal to life long expected credit losses.

Allowance matrix is used to measure expected credit losses for trade receivables. Provision rates are calculated based on the number of days that maturities of trade receivables are exceeded and in each reporting period such rates are reviewed and revised whenever necessary. The change in expected credit losses provisions is accounted under other operating income / expenses.

The Group collects almost all of its sales by cash or credit cards in store registers. The Group has concluded that, there is no need to make an additional provision in accordance with IFRS 9 due to fact nearly all of the group sales are collected by cash or credit card in store cash registers.

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7. TRADE RECEIVABLES AND PAYABLES (Continued)

| | 31 December 2020 | 31 December 2019 |
|----------------------------------|----------------------|----------------------|
| <u>Short term trade payables</u> | | |
| Trade payables | 4,174,361,839 | 3,053,498,691 |
| Due to related parties (Note 25) | 426,479,568 | 341,562,490 |
| | <u>4,600,841,407</u> | <u>3,395,061,181</u> |

The interest rate used for discount of trade payables is 15.00% (31 December 2019: 18.00%), weighted average maturity is 105 days (2019: 100 days).

As of 31 December 2020 and 2019, the Group does not have any long term trade payables.

Explanations about the nature and level of risks related to trade receivables are provided in Note 26.

8. OTHER RECEIVABLES AND PAYABLES

| | 31 December 2020 | 31 December 2019 |
|--|---------------------|---------------------|
| <u>Short term other receivables</u> | | |
| Insurance receivables | 8,044,160 | 2,531,888 |
| VAT receivables | 1,969,726 | 2,539,681 |
| Receivables from social security premium | - | 3,605 |
| Other receivables | 520,775 | - |
| | <u>10,534,661</u> | <u>5,075,174</u> |

| | 31 December 2020 | 31 December 2019 |
|----------------------------------|---------------------|---------------------|
| <u>Other short term payables</u> | | |
| Other | 2,777,382 | 982,122 |
| Deposits and guarantees | 500,000 | 500,000 |
| | <u>3,277,382</u> | <u>1,482,122</u> |

| | 31 December 2020 | 31 December 2019 |
|------------------------------------|---------------------|---------------------|
| <u>Other long term receivables</u> | | |
| Guarantee and deposits given | 27,579,832 | 19,735,389 |
| | <u>27,579,832</u> | <u>19,735,389</u> |

| | 31 December 2020 | 31 December 2019 |
|---------------------------------|---------------------|---------------------|
| <u>Other long term payables</u> | | |
| Deposits and guarantees | 1,409,261 | 978,598 |
| | <u>1,409,261</u> | <u>978,598</u> |

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9. INVENTORIES

| | 31 December 2020 | 31 December 2019 |
|--|----------------------|----------------------|
| Trade goods | 2,096,440,345 | 1,318,988,917 |
| Other inventory | 36,464,573 | 20,316,319 |
| Allowance for diminution in value of inventories (-) | (42,651,261) | (9,572,439) |
| | <u>2,090,253,657</u> | <u>1,329,732,797</u> |

Allowance for net realizable value of inventories is allocated for inventories and recognized in the cost of goods sold.

The Group has identified inventories that net realizable value lower than cost in the current period. Accordingly allowance for net realizable value of inventories amounting to TL 42,651,261 has been booked as of 31 December 2020 (31 December 2019 TL 9,572,439).

10. PREPAID EXPENSES AND DEFERRED INCOME

| | 31 December 2020 | 31 December 2019 |
|------------------------------------|---------------------|---------------------|
| <u>Short term prepaid expenses</u> | | |
| Prepaid expenses | 11,662,369 | 12,739,142 |
| Work advances given | 17,965 | 17,965 |
| | <u>11,680,334</u> | <u>12,757,107</u> |
| <u>Short term deferred income</u> | | |
| Deferred income | 23,862,914 | 4,482,682 |
| Advances received | 7,711,422 | 3,703,051 |
| | <u>31,574,336</u> | <u>8,185,733</u> |
| <u>Long term deferred income</u> | | |
| Unearned revenues | 38,381,984 | - |
| | <u>38,381,984</u> | <u>-</u> |

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11. RIGHT OF USE ASSETS

| <u>Cost</u> | Stores | Warehouses and other | Total |
|--|---------------|-------------------------|---------------|
| Opening balance as of 1 January 2020 | 2,040,132,307 | 151,852,244 | 2,191,984,551 |
| Additions | 756,628,241 | 10,690,063 | 767,318,304 |
| Disposals | (23,676,701) | (31,296,490) | (54,973,191) |
| Closing balance as of 31 December 2020 | 2,773,083,847 | 131,245,817 | 2,904,329,664 |
| <u>Accumulated Amortization</u> | | | |
| Opening balance as of 1 January 2020 | 342,254,672 | 26,714,869 | 368,969,541 |
| Charge for the period | 416,179,843 | 25,556,087 | 441,735,930 |
| Disposals | (9,745,717) | (11,565,200) | (21,310,917) |
| Closing balance as of 31 December 2020 | 748,688,798 | 40,705,756 | 789,394,554 |
| Carrying value as of 31 December 2020 | 2,024,395,049 | 90,540,061 | 2,114,935,110 |
| <u>Cost</u> | | | |
| Opening balance as of 1 January 2019 | 1,542,695,831 | 125,348,963 | 1,668,044,794 |
| Additions | 518,597,760 | 29,025,194 | 547,622,954 |
| Disposals | (21,161,284) | (2,521,913) | (23,683,197) |
| Closing balance as of 31 December 2019 | 2,040,132,307 | 151,852,244 | 2,191,984,551 |
| <u>Accumulated Amortization</u> | | | |
| Charge for the period | 344,662,952 | 29,236,782 | 373,899,734 |
| Disposals | (2,408,280) | (2,521,913) | (4,930,193) |
| Closing balance as of 31 December 2019 | 342,254,672 | 26,714,869 | 368,969,541 |
| Carrying value as of 31 December 2019 | 1,697,877,635 | 125,137,375 | 1,823,015,010 |

Depreciation expenses related to right of use assets amounting to TL 441,735,930 booked in marketing and selling expenses (2019: TL 373,899,734) (Note 21).

12. PROPERTY AND EQUIPMENT

| <u>Cost</u> | Machinery and Equipment | Vehicles | Furniture and Fixture | Leasehold Improvement | Total |
|---------------------------------------|----------------------------|----------|--------------------------|--------------------------|---------------|
| Opening balance as of 1 January 2020 | 87,734,556 | - | 1,482,982,854 | 523,540,705 | 2,094,258,115 |
| Transfer | (87,611,325) | - | 87,611,325 | - | - |
| Additions | - | 11,000 | 411,340,718 | 94,798,583 | 506,150,301 |
| Disposals | (123,231) | - | (4,425,875) | (7,137,837) | (11,686,943) |
| Closing balance as of 31 December | - | 11,000 | 1,977,509,022 | 611,201,451 | 2,588,721,473 |
| <u>Accumulated Depreciation</u> | | | | | |
| Opening balance as of 1 January 2020 | 84,544,449 | - | 684,513,525 | 224,497,738 | 993,555,712 |
| Transfer | (85,278,664) | - | 85,278,664 | - | - |
| Charge for the period | 857,446 | 1,146 | 193,825,608 | 53,843,526 | 248,527,726 |
| Disposals | (123,231) | - | (2,763,479) | (3,168,290) | (6,055,000) |
| Closing balance as of 31 December | - | 1,146 | 960,854,318 | 275,172,974 | 1,236,028,438 |
| Carrying value as of 31 December 2020 | - | 9,854 | 1,016,654,704 | 336,028,477 | 1,352,693,035 |

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12. PROPERTY AND EQUIPMENT (Continued)

| | Machinery and Equipment | Vehicles | Furniture and Fixture | Leasehold Improvement | Total |
|--|----------------------------|----------|--------------------------|--------------------------|----------------------|
| <u>Cost</u> | | | | | |
| Opening balance as of 1 January 2019 | 87,784,959 | - | 1,222,647,953 | 454,005,272 | 1,764,438,184 |
| Additions | 59,346 | - | 267,100,793 | 76,684,116 | 343,844,255 |
| Disposals | (109,749) | - | (6,765,892) | (7,148,683) | (14,024,324) |
| Closing balance as of 31 December | <u>87,734,556</u> | <u>-</u> | <u>1,482,982,854</u> | <u>523,540,705</u> | <u>2,094,258,115</u> |
| <u>Accumulated Depreciation</u> | | | | | |
| Opening balance as of 1 January 2019 | 83,710,345 | - | 523,709,366 | 179,423,470 | 786,843,181 |
| Transfer | - | - | (2,851,266) | - | (2,851,266) |
| Charge for the period | 943,853 | - | 170,222,584 | 47,589,449 | 218,755,886 |
| Disposals | (109,749) | - | (6,567,159) | (2,515,181) | (9,192,089) |
| Closing balance as of 31 December | <u>84,544,449</u> | <u>-</u> | <u>684,513,525</u> | <u>224,497,738</u> | <u>993,555,712</u> |
| Carrying value as of 31 December 2019 | <u>3,190,107</u> | <u>-</u> | <u>798,469,329</u> | <u>299,042,967</u> | <u>1,100,702,403</u> |

There is insurance coverage amounting to TL 2,939,100,076 on the furniture and fixtures and machinery. (31 December 2019: TL 1,234,310,579). Net book value of leased property and equipment is TL 81,761,293 (31 December 2019: TL 138,519,886).

Current depreciation expense related to fixed assets amounting to TL 245,938,492 (2019: TL 216,486,845) booked in marketing and selling expenses and TL 2,589,234 booked in general administrative expenses (2019: TL 2,269,041) (Note 21).

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13. INTANGIBLE ASSETS**Cost**

| | <u>Trademarks</u> | <u>Rights</u> | <u>Total</u> |
|--|-------------------|-------------------|--------------------|
| Opening balance as of 1 January 2020 | 85,675,510 | 46,373,815 | 132,049,325 |
| Additions | - | 14,075,110 | 14,075,110 |
| Disposals | - | (347,915) | (347,915) |
| Closing balance as of 31 December 2020 | <u>85,675,510</u> | <u>60,101,010</u> | <u>145,776,520</u> |

Accumulated Amortization

| | | | |
|--|--------------------------|--------------------------|---------------------------|
| Opening balance as of 1 January 2020 | - | 25,852,548 | 25,852,548 |
| Charge for the period | - | 7,244,346 | 7,244,346 |
| Disposals | - | (183,363) | (183,363) |
| Closing balance as of 31 December 2020 | <u>-</u> | <u>32,913,531</u> | <u>32,913,531</u> |
| Carrying value as of 31 December 2020 | <u><u>85,675,510</u></u> | <u><u>27,187,479</u></u> | <u><u>112,862,989</u></u> |

Cost

| | <u>Trademarks</u> | <u>Rights</u> | <u>Total</u> |
|--|-------------------|-------------------|--------------------|
| Opening balance as of 1 January 2019 | 85,675,510 | 37,362,066 | 123,037,576 |
| Additions | - | 9,388,922 | 9,388,922 |
| Disposals | - | (377,173) | (377,173) |
| Closing balance as of 31 December 2019 | <u>85,675,510</u> | <u>46,373,815</u> | <u>132,049,325</u> |

Accumulated Amortization

| | | | |
|--|--------------------------|--------------------------|---------------------------|
| Opening balance as of 1 January 2019 | - | 17,274,177 | 17,274,177 |
| Transfer | - | 2,851,266 | 2,851,266 |
| Charge for the period | - | 5,846,809 | 5,846,809 |
| Disposals | - | (119,704) | (119,704) |
| Closing balance as of 31 December 2019 | <u>-</u> | <u>25,852,548</u> | <u>25,852,548</u> |
| Carrying value as of 31 December 2019 | <u><u>85,675,510</u></u> | <u><u>20,521,267</u></u> | <u><u>106,196,777</u></u> |

The amortization expense of intangible assets amounting to TL 7,244,346 is presented in marketing and selling expenses (2019: TL 5,846,809) (Note 21).

Assumptions used for brand impairment are explained in Note 2.9.

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14. GOODWILL

Detail of goodwill for the periods ended 31 December 2020 and 2019 is as follows:

| Company | Acquisition Date | 31 December 2020 | 31 December 2019 |
|---------------------------------------|------------------|-----------------------------------|-----------------------------------|
| Şok Marketler Ticaret A.Ş. | August 2011 | 245,485,151 | 245,485,151 |
| Dia Sabancı Süpermarketleri Tic. A.Ş. | July 2013 | 301,974,645 | 301,974,645 |
| Onur Ekspres Marketçilik A.Ş. | July 2013 | 27,524,000 | 27,524,000 |
| Other | - | 4,108,800 | 4,108,800 |
| | | <u>579,092,596</u> | <u>579,092,596</u> |
| | | 1 January- 31 December 2020 | 1 January- 31 December 2019 |
| Opening balance | | 579,092,596 | 578,942,596 |
| Other | | - | 150,000 |
| Closing balance | | <u>579,092,596</u> | <u>579,092,596</u> |

As a result of internal management purposes, goodwill is allocated to groups of cash-generating units that have similar neighborhoods and similar customer basis. Group of cash generating units are that allocated to districts by post codes.

Recoverable amount of each cash generating unit is determined based on fair value ("FV") less cost to sell of each cash generating unit that is determined according to relative valuation techniques by applying combination of multiples FV/EBITDA and FV/Sales by 40% and 60% respectively. Group management has applied 14.0X multiple for FV/EBITDA and 0.75X multiple for FV/Sales in the impairment model which is consistent with benchmarks and market conditions. Based on calculations above there is no impairment of goodwill associated with cash-generating units.

No impairment of goodwill associated with cash-generating units would have been determined, even if the estimated multiples for FV/EBITDA and FV/Sales used in the calculation of the recoverable amount of the cash-generating units had been decreased or increased by 5% as part of the sensitivity analysis.

15. PROVISIONS, CONTINGENT ASSETS AND LIABILITIES

Provisions

Provisions for short term liabilities as of 31 December 2020 and 2019 are as follows:

| | 31 December 2020 | 31 December 2019 |
|----------|---------------------|---------------------|
| Lawsuits | 53,716,705 | 41,211,792 |
| | <u>53,716,705</u> | <u>41,211,792</u> |

Provisions for lawsuits as of 31 December 2020 and 2019 are as follows:

| | 1 January- 31 December 2020 | 1 January- 31 December 2019 |
|--|-----------------------------------|-----------------------------------|
| Balance at 1 January | 41,211,792 | 37,295,795 |
| Additional provisions recognized (Note 22) | 17,010,170 | 6,405,813 |
| Payments | (4,505,257) | (2,489,816) |
| Balance at 31 December | <u>53,716,705</u> | <u>41,211,792</u> |

Group management evaluates the possible results and financial impact of these lawsuits at each reporting period and provides the necessary provisions for possible liabilities as a result of this assessment. As of 31 December 2020, the provision amount related with the lawsuits is amounting to TL 53,716,705 (31 December 2019: TL 41,211,792).

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16. COMMITMENTS

| | 31 December 2020 | 31 December 2019 |
|---|---------------------|---------------------|
| A. CPM's given in the name of its own legal personality (*) | | |
| -Guarantees | 26,899,604 | 47,646,494 |
| -Mortgages | - | - |
| -Pledges | - | - |
| B. CPM's given on behalf of the fully consolidated companies (*) | 4,300,740 | 4,300,740 |
| C. CPM's given on behalf of third parties for ordinary course of business | - | - |
| D. Total amount of other CPM's given | | |
| i) Total amount of CPM's given on behalf of the majority shareholder | - | - |
| ii) Total amount of CPM's given on behalf of third parties which are not in scope of B and C | - | - |
| iii) Total amount of CPM's given on behalf of third parties which are not in scope C | - | - |
| | <u>31,200,344</u> | <u>51,947,234</u> |

(*) Relevant amounts are generally related to non-cash risks given to suppliers.

The ratio of given CPM's by the Group to equity is 12.28% as of 31 December 2020.

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17. EMPLOYEE BENEFITS

Liabilities within the scope of employee benefits:

| | 31 December 2020 | 31 December 2019 |
|---|---------------------|---------------------|
| <u>Short-term benefits</u> | | |
| Due to personnel | 126,217,847 | 82,683,259 |
| Social security premiums payable | 29,627,902 | 28,924,506 |
| | <u>155,845,749</u> | <u>111,607,765</u> |
| | 31 December 2020 | 31 December 2019 |
| <u>Provisions for employee benefits</u> | | |
| Short term unused vacation liabilities | 39,664,863 | 19,616,832 |
| | <u>39,664,863</u> | <u>19,616,832</u> |

The movement of for unused vacation liability for the periods ended 31 December 2020 and 2019 is as follows:

| | 1 January- 31 December 2020 | 1 January- 31 December 2019 |
|--------------------------------------|-----------------------------------|-----------------------------------|
| Opening balance at 1 January | 46,018,489 | 44,349,385 |
| Charge for the period / (usage), net | 37,345,413 | 8,840,346 |
| Payments | (9,479,248) | (7,171,242) |
| Closing balance at 31 December | <u>73,884,654</u> | <u>46,018,489</u> |
| | 31 December 2020 | 31 December 2019 |
| Long term unused vacation liability | 34,219,791 | 26,401,657 |
| Retirement pay provision | 27,988,445 | 18,473,052 |
| | <u>62,208,236</u> | <u>44,874,709</u> |

Under Turkish Labor Law, the Group is required to pay termination benefits to each employee who has completed certain years of service and whose employment is terminated without due cause, who is called up for military service, dies or retires after completing 25 years of service and reaches the retirement age (58 for women and 60 for men).

The amount payable consists of one month’s salary limited to a maximum of TL 7,117.17 for each period of service at 31 December 2020 (31 December 2019: TL 6,379.86).

The liability is not funded, as there is no funding requirement. The provision is calculated by estimating the present value as of balance sheet date of the future probable obligation of the Group arising from the retirement of employees. IAS 19 (“Employee Benefits”) requires actuarial valuation methods to be developed to estimate the enterprise’s obligation under defined benefit plans. Accordingly, the following actuarial assumptions are used in the calculation of the total liability:

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 financial statements as at 31 December 2020, the provision has been calculated by estimating the present value of the future probable obligation of the Group arising from the retirement of the employees. The provisions at the respective balance sheet dates have been calculated assuming an annual inflation rate of 9.03% and a discount rate of 13.23%, resulting in a real discount rate of approximately 3.85% (31 December 2019: 4.00%). Ceiling amount of TL 7,638.96 which is in effect since 1 January 2020 is used in the calculation of Groups’ provision for retirement pay liability (1 January 2020: TL 6,730.15). The probability of retirement is considered as 95.20% and 56.06% for white collar and blue collar personnel, respectively.

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17. EMPLOYEE BENEFITS (Continued)

Movement for retirement pay provision for the periods ended 31 December 2020 and 2019 is as follows:

| | 1 January- 31 December 2020 | 1 January- 31 December 2019 |
|---------------------------|-----------------------------------|-----------------------------------|
| Provision at 1 January | 18,473,052 | 12,245,551 |
| Service cost | 30,434,294 | 20,766,501 |
| Interest cost | 712,232 | 486,652 |
| Termination benefits paid | (22,450,533) | (16,377,653) |
| Actuarial loss | 819,400 | 1,352,001 |
| Provision at 31 December | <u>27,988,445</u> | <u>18,473,052</u> |

18. OTHER ASSETS AND LIABILITIES

| | 31 December 2020 | 31 December 2019 |
|-------------------------------------|---------------------|---------------------|
| <u>Other current assets</u> | | |
| VAT deductible | 6,406,249 | 5,236,910 |
| Prepaid taxes and funds | 2,753,458 | 1,818,481 |
| Other assets | 143,767 | 108,339 |
| | <u>9,303,474</u> | <u>7,163,730</u> |
| | | |
| <u>Other short term liabilities</u> | | |
| Taxes and dues payable | 45,648,861 | 34,705,963 |
| Other liabilities (*) | 37,604,064 | 1,789,019 |
| | <u>83,252,925</u> | <u>36,494,982</u> |

(*) TL 35,202,356 of the amount is related to Recovery Participation Share (“GEKAP”) liabilities.

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19. CAPITAL, RESERVES AND OTHER EQUITY ITEMS

Shareholder structure as of 31 December 2020 and 2019 is stated below:

| Shareholders | % | 31 December | |
|---|-----|--------------------|--------------------|
| | | 2020 | 2019 |
| Turkish Retail Investments B.V. | 24 | 144,000,000 | 144,000,000 |
| Gözde Girişim Sermayesi Yat.Ort. A.Ş. | 23 | 140,400,327 | 140,400,327 |
| Templeton Strategic Emerging Markets Fund IV.LDC | 6 | 36,000,000 | 36,000,000 |
| Yıldız Holding A.Ş. | 5 | 33,428,571 | 33,428,571 |
| Turkish Holdings IV Cooperatief U.A. | - | - | 31,571,531 |
| European Bank For Reconsrtruction and Development | 6 | 33,950,000 | 33,950,000 |
| Free Float and other | 36 | 224,149,673 | 192,578,142 |
| Nominal Capital | 100 | <u>611,928,571</u> | <u>611,928,571</u> |
| Capital Commitments | | - | - |
| Paid Capital | | <u>611,928,571</u> | <u>611,928,571</u> |

The Group's nominal capital has been divided into 611,928,571 registered shares with a par value of TL 1 per share (31 December 2019: 611,928,571 shares).

Legal Reserves

The legal reserves consist of first and second legal reserves, appropriated in accordance with the Turkish Commercial Code. The first legal reserve is appropriated out of historical statutory profits at the rate of 5% per annum, until the total reserve reaches 20% of the historical paid-in share capital. The second legal reserve is appropriated after the first legal reserve and dividends, at the rate of 10% per annum of all cash dividend distributions.

As of 31 December 2020 restricted reserves is TL 260,000 (31 December 2019: TL 260,000).

Actuarial Loss / Gain

As of 31 December 2020, actuarial loss / gain is negative TL 13,263,816 (31 December 2019: negative TL 12,606,706).

Effect of transactions under common control

As of 31 December 2020 effect of mergers involving undertakings or businesses subject to common control is negative TL 567,113,629 (31 December 2019: negative TL 567,113,629).

Resources subject to Profit Distribution

The Group do not have resources for profit distribution as of the balance sheet date.

Premium on Issued Shares

The Group has deducted the emission premium on issued shares amounting to TL 2,326,055,790 which it had acquired from the public offering in 2018 from the accumulated losses according to decision taken on General Assembly.

Repurchased Shares

TL 9,506,776 of the amount of TL 190,231,327 arising from the transactions made within the scope of price stability transactions according to Capital Markets Board (CMB) Communiqué Serial VII-128.1 ("CMB Communiqué on Shares") and Borsa İstanbul A.Ş. ("BİAŞ") Procedures and Principles of Operation of Share Market was given to the senior management as performance premium. The amount of TL 180,724,551 resulting from this transaction is shown under "Repurchased Shares" in the consolidated financial statements. (31 December 2019: TL 190,231,327).

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20. REVENUE AND COST OF SALES

As of 31 December 2020 and 2019 the sales of Group are as follows:

a) Revenue

| | 1 January- 31 December 2020 | 1 January- 31 December 2019 |
|--------------------------------|-----------------------------------|-----------------------------------|
| Revenue from merchandises sold | 21,571,725,120 | 16,210,039,745 |
| Sales returns (-) | (217,889,723) | (158,076,523) |
| | <u>21,353,835,397</u> | <u>16,051,963,222</u> |

b) Cost of Sales

| | 1 January- 31 December 2020 | 1 January- 31 December 2019 |
|---------------------------|-----------------------------------|-----------------------------------|
| Cost of merchandises sold | (16,318,273,326) | (12,311,478,936) |
| | <u>(16,318,273,326)</u> | <u>(12,311,478,936)</u> |

21. MARKETING, SELLING AND GENERAL ADMINISTRATIVE EXPENSES

| | 1 January- 31 December 2020 | 1 January- 31 December 2019 |
|---|-----------------------------------|-----------------------------------|
| Marketing and sales expenses | | |
| Personnel expenses | (1,790,848,877) | (1,430,571,273) |
| Depreciation and amortization expenses (Note: 11, 12, 13) | (694,918,768) | (596,233,388) |
| Utility expenses | (343,489,406) | (281,659,052) |
| Transportation expenses | (278,571,539) | (205,203,813) |
| Advertising expenses | (91,782,957) | (57,618,716) |
| Tax expenses and duties | (60,001,972) | (13,936,453) |
| Maintenance expenses | (38,235,067) | (26,349,567) |
| Vehicle expenses | (34,800,745) | (28,511,914) |
| Rent expenses (*) | (22,414,665) | (39,933,414) |
| Packaging expenses | (16,384,643) | (13,455,166) |
| Other marketing and sales expenses | (101,680,058) | (77,563,239) |
| | <u>(3,473,128,697)</u> | <u>(2,771,035,995)</u> |

(*) IFRS 16 has been applied as of 1 January 2019. Excluding the related standard effect for the period between 1 January – 31 December 2020, depreciation and amortization expense is TL 253,182,838, and rent expenses is TL 825,762,762 (2019: Depreciation and amortization expenses: TL 222,333,654, rent expenses: TL 698,658,561).

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21. MARKETING, SELLING AND GENERAL ADMINISTRATIVE EXPENSES (Continued)

| | 1 January- 31 December 2020 | 1 January- 31 December 2019 |
|---|-----------------------------------|-----------------------------------|
| General administrative expenses | | |
| Personnel expenses | (31,058,836) | (22,966,334) |
| Provisions for severance pay and vacation liabilities | (67,779,707) | (29,606,847) |
| Outsourced expenses | (19,492,938) | (8,699,243) |
| Cash collection expenses | (17,629,772) | (15,092,891) |
| Information technology expenses | (9,076,208) | (5,756,828) |
| Tax expenses and duties | (5,351,187) | (7,041,772) |
| Amortization expenses (Note 12) | (2,589,234) | (2,269,041) |
| Rent expenses | (1,892,896) | (143,103) |
| Vehicle expenses | (1,664,589) | (1,128,346) |
| Other administrative expenses | (4,134,355) | (5,001,244) |
| | <u>(160,669,722)</u> | <u>(97,705,649)</u> |

22. OTHER INCOME AND EXPENSES FROM OPERATING ACTIVITIES

| | 1 January- 31 December 2020 | 1 January- 31 December 2019 |
|---|-----------------------------------|-----------------------------------|
| Other income | | |
| Gain on sale of property and equipment | 3,626,474 | 1,477,353 |
| Reversal of provision | 152,521 | 186,847 |
| Other income | 14,858,489 | 9,271,403 |
| | <u>18,637,484</u> | <u>10,935,603</u> |
| Other expense | | |
| Provision expense (Note 15) | (17,010,170) | (6,405,813) |
| Loss on sale of property and equipment | (6,560,978) | (4,674,397) |
| Allowance for doubtful receivables (Note 7) | (238,457) | (182,918) |
| Other expenses (*) | (48,339,389) | (16,706,982) |
| | <u>(72,148,994)</u> | <u>(27,970,110)</u> |

(*)Due to the coronavirus epidemic, the Group had one off expenses (mask, cleaning and hygiene items, etc.) amounting to TL 11,551,141.

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23. FINANCIAL EXPENSES AND INCOME

For the periods ended 31 December 2020 and 2019 financial expenses are as follows:

| | 1 January- 31 December 2020 | 1 January- 31 December 2019 |
|--|-----------------------------------|-----------------------------------|
| Finance Expense | | |
| Financial expenses from credit purchases and discount on trade receivables | (519,339,476) | (544,143,609) |
| Interest on lease liabilities (*) | (510,008,171) | (433,017,864) |
| POS cash collection expenses | (46,609,091) | (91,751,114) |
| Interest on finance lease obligations | (10,679,720) | (23,197,737) |
| Interest expense from related parties (Note 25) | (3,440,914) | (4,294,624) |
| Foreign exchange loss | (5,880,415) | (2,071,861) |
| Interest on bank overdrafts and loans | - | (13,365,867) |
| Other | (6,232,743) | (6,955,586) |
| | <u>(1,102,190,530)</u> | <u>(1,118,798,262)</u> |

(*) Lease liabilities interest expense is the interest calculated on lease liabilities within the scope of IFRS 16.

For the periods ended 31 December 2020 and 2019 financial incomes are as follows:

| | 1 January- 31 December 2020 | 1 January- 31 December 2019 |
|---|-----------------------------------|-----------------------------------|
| Finance Income | | |
| Financial income from credit sales and discount on trade payables | 22,189,178 | 9,275,388 |
| Interest income | 24,805,208 | 9,703,022 |
| Foreign exchange gain | 1,822,772 | 1,220,818 |
| | <u>48,817,158</u> | <u>20,199,228</u> |

24. TAX ASSETS AND LIABILITIES (INCLUDING DEFERRED TAX ASSETS AND LIABILITIES)

| | 31 December 2020 | 31 December 2019 |
|--|---------------------|---------------------|
| Current tax asset / (liability) | | |
| Current corporate tax provision | (778,968) | (1,880,407) |
| Less: Prepaid taxes and funds | 2,753,458 | 1,818,481 |
| | <u>1,974,490</u> | <u>(61,926)</u> |

Corporate Tax:

The Group is subject to Turkish corporate taxes. Provision is made in the accompanying financial statements for the estimated charge based on the Group’s results for the years and periods.

Corporate tax is applied on taxable corporate income, which is calculated from the statutory accounting profit by adding back non-deductible expenses, and by deducting dividends received from resident companies, other exempt income and investment incentives utilized.

The effective tax rate in 2020 is 22% (2019: 22%) for the Group.

In Turkey, advance tax returns are filed on a quarterly basis. Advance corporate income tax rate applied in 2020 is 22%. (2019: 22%) Losses can be carried forward for offset against future taxable income for up to 5 years. However, losses cannot be carried back for offset against profits from previous periods.

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24. TAX ASSETS AND LIABILITIES (INCLUDING DEFERRED TAX ASSETS AND LIABILITIES) (Continued)

Corporate Tax (Continued):

The corporate tax rate was increased from 20% to 22% for 2018, 2019 and 2020 within the scope of the "Law on Amendments to Some Tax Laws and Other Laws" numbered 7061, which was published in the Official Gazette dated 5 December 2017. The rate will again be 20% starting from 2021.

Furthermore, there is no procedure for a final and definitive agreement on tax assessments in Turkey. Companies file their tax returns between 1-30 April following the close of the accounting year to which they relate. Tax authorities may, however, examine such returns and the underlying accounting records and may revise assessments within five years.

Deferred tax:

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

The Group has used the 20% tax rate in calculating the deferred tax assets / liabilities for the related temporary differences in the consolidated financial statements as of 31 December 2020 because the related temporary differences are not expected to be reversed in 2020. In Turkey, the companies cannot declare a consolidated tax return, therefore subsidiaries that have deferred tax assets position were not netted off against subsidiaries that have deferred tax liabilities position and disclosed separately.

| | Temporary Differences | | Deferred Tax | |
|---|-----------------------|----------------------|---------------------|---------------------|
| | 31 December 2020 | 31 December 2019 | 31 December 2020 | 31 December 2019 |
| <u>Deferred tax assets / (liabilities) :</u> | | | | |
| Carryforward tax losses | 835,189,191 | 1,159,225,971 | 169,769,638 | 234,576,994 |
| Property and equipment and intangible assets | (468,325,875) | (360,284,480) | (93,665,175) | (72,056,896) |
| Leasing liability and and right of use assets | 289,387,651 | 145,162,880 | 58,198,284 | 29,032,576 |
| Inventory | 280,724,175 | 148,623,105 | 56,144,835 | 29,724,621 |
| Provision for retirement payments | 27,988,445 | 18,473,052 | 5,603,143 | 3,698,705 |
| Unused vacation liability | 73,884,654 | 46,018,489 | 14,780,739 | 9,206,228 |
| Effect of amortized cost method on receivables and payables | (144,143,140) | (122,994,975) | (28,828,628) | (24,598,995) |
| Provision for legal claims | 53,716,705 | 41,211,792 | 10,766,678 | 8,242,358 |
| Other | 24,257,480 | 4,005,675 | 4,851,496 | 801,135 |
| | <u>972,679,286</u> | <u>1,079,441,509</u> | <u>197,621,010</u> | <u>218,626,726</u> |

The Group did not calculate deferred tax assets for the UCZ's carryforward tax losses since there is uncertainty that these losses will be deducted from its taxable income in the foreseeable future

The expiration dates of previous year losses for which no deferred tax is calculated are as follows :

| | 31 December 2020 | 31 December 2019 |
|------------------|---------------------|---------------------|
| Expiring in 2020 | - | 27,062,051 |
| Expiring in 2021 | 20,453,443 | 20,453,443 |
| Expiring in 2022 | 84,848,730 | 84,848,730 |
| Expiring in 2023 | 31,916,053 | 31,916,053 |
| Expiring in 2024 | 3,298,292 | 3,298,292 |
| Expiring in 2025 | 3,353,063 | - |
| | <u>143,869,581</u> | <u>167,578,569</u> |

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24. TAX ASSETS AND LIABILITIES (INCLUDING DEFERRED TAX ASSETS AND LIABILITIES (Continued))

The movement of deferred tax liability for the periods ended as of 31 December 2020 and 2019 is as follows :

| | 1 January- 31 December 2020 | 1 January- 31 December 2019 |
|---|-----------------------------------|-----------------------------------|
| <u>Movement of deferred tax asset/ (liabilities):</u> | | |
| Opening balance at 1 January | 218,626,726 | 270,915,382 |
| Recognised in statement of profit or loss | (21,169,415) | (52,558,416) |
| Recognised in comprehensive income | 163,699 | 269,759 |
| Closing balance at 31 December | <u>197,621,010</u> | <u>218,626,726</u> |

The amounts reflected in comprehensive statement of profit or loss of the periods ended at 31 December 2020 and 2019 are as follows:

| | 1 January- 31 December 2020 | 1 January- 31 December 2019 |
|---|-----------------------------------|-----------------------------------|
| Current period legal tax | (778,968) | (1,880,407) |
| Deferred tax (expense) / income | (21,169,415) | (52,558,416) |
| Total tax (expense) / income | <u>(21,948,383)</u> | <u>(54,438,823)</u> |
| | | |
| <u>Tax reconciliation:</u> | | |
| Profit / (loss) before taxation | <u>293,860,009</u> | <u>(243,890,899)</u> |
| | <u>%22</u> | <u>%22</u> |
| Tax at the domestic income tax rate of 22% (2019: 22%) | (64,649,202) | 53,655,998 |
| Tax effects of: | | |
| - Carryforward tax losses not recognized as deferred tax assets | (737,674) | (734,518) |
| - Expenses that are not deductible | (16,019,931) | (9,668,955) |
| - Increase in tax base under tax amnesty | 65,695,769 | (99,114,075) |
| - Other | (6,237,345) | 1,422,727 |
| Income tax (expense) / income recognised in profit or loss | <u>(21,948,383)</u> | <u>(54,438,823)</u> |

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25. RELATED PARTY BALANCES AND TRANSACTIONS

| Balances with related parties | 31 December 2020 | | | |
|--|-------------------|-------------|--------------------|-------------|
| | Receivables | | Payables | |
| | Current | | Current | |
| | Trading | Non-trading | Trading | Non-trading |
| <u>Share holders</u> | | | | |
| Yıldız Holding A.Ş. | - | - | 5,077,416 | - |
| <u>Related parties</u> | | | | |
| Pasifik Tüketim Ürünleri Satış ve Tic. A.Ş. | - | - | 273,676,310 | - |
| Yeni Teközel Markalı Ürünler Dağıtım Hizmetleri A.Ş. | - | - | 96,514,298 | - |
| Bizim Toptan Satış Magazaları A.Ş. | 38,042,578 | - | 49,534 | - |
| Aytaç Gıda Yatırım San. Tic. A.Ş. | - | - | 21,504,240 | - |
| Kerevitaş Gıda San. ve Tic. A.Ş. | - | - | 22,137,829 | - |
| Azmüsebat Çelik San. Tic. A.Ş. | - | - | 4,689,735 | - |
| Other | 1,370,120 | - | 2,830,206 | - |
| | <u>39,412,698</u> | <u>-</u> | <u>426,479,568</u> | <u>-</u> |
| | | | | |
| Balances with related parties | 31 December 2019 | | | |
| | Receivables | | Payables | |
| | Current | | Current | |
| | Trading | Non-trading | Trading | Non-trading |
| <u>Share holders</u> | | | | |
| Yıldız Holding A.Ş. | - | - | 6,816,690 | - |
| <u>Related parties</u> | | | | |
| Pasifik Tüketim Ürünleri Satış ve Tic. A.Ş. | - | - | 208,308,021 | - |
| Yeni Teközel Markalı Ürünler Dağıtım Hizmetleri A.Ş. | - | - | 75,241,141 | - |
| Bizim Toptan Satış Magazaları A.Ş. | 26,692,070 | - | 4,270 | - |
| Aytaç Gıda Yatırım San. Tic. A.Ş. | - | - | 12,041,212 | - |
| Unmaş Unlu Mamuller San. ve Tic. A.Ş. | - | - | 11,057,128 | - |
| Özen Kişisel Bakım Ürünleri Üretim A.Ş. | - | - | 10,668,427 | - |
| Asil Hamur Undan Mamuller Gıda San. ve Tic. A.Ş. | - | - | 9,734,860 | - |
| Azmüsebat Çelik San. Tic. A.Ş. | - | - | 3,235,367 | - |
| Sun Doğal Gıda ve Ambalaj Sanayi A.Ş. | - | - | 645,042 | - |
| Sağlam İnşaat Taahhüt Tic. A.Ş. | - | - | 497,875 | - |
| Donuk Fırın. Ür. San. ve Tic. A.Ş. | - | - | 464,972 | - |
| Other | 242,788 | - | 2,847,485 | - |
| | <u>26,934,858</u> | <u>-</u> | <u>341,562,490</u> | <u>-</u> |

Receivables from related parties result from sales. Major portion of the Group’s liabilities to related parties comprise of the liabilities from merchandise purchases.

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25. RELATED PARTY BALANCES AND TRANSACTIONS (Continued)

| 1 January - 31 December 2020 | | | | |
|--|----------------------|--------------------------|--------------------|---------------------|
| Transactions with related parties | Purchases | Finance expenses paid | Other income | Other expense |
| Shareholders | | | | |
| Yıldız Holding A.Ş. | - | (3,440,914) | 33,653 | (9,119,015) |
| Related parties | | | | |
| Pasifik Tüketim Ürünleri Satış ve Tic. A.Ş. | 662,043,832 | - | 22,848 | - |
| Yeni Teközel Markalı Ürünler Dağıtım Hizmetleri A.Ş. | 292,296,736 | - | 4,656 | - |
| Bizim Toptan Satış Magazaları A.Ş. | 1,560,486 | - | 181,249,634 | - |
| Unmaş Unlu Mamuller San. ve Tic. A.Ş. | 39,756,129 | - | 113,000 | - |
| Aytaç Gıda Yatırım San. Tic. A.Ş. | 63,307,802 | - | 153,552 | - |
| Özen Kişisel Bakım Ürünleri Üretim A.Ş. | 22,026,637 | - | 4,284 | (340) |
| Asil Hamur Undan Mamuller Gıda San. ve Tic. A.Ş. | 11,813,860 | - | 9,025 | - |
| Kereviş Gıda San. ve Tic. A.Ş. | 32,754,106 | - | 9,070,340 | (4,054) |
| Most Teknoloji Pazarlama A.Ş. | 400 | - | 9,566 | (5,383,186) |
| Azmüsebat Çelik San. Tic. A.Ş. | 8,288,615 | - | 353,920 | - |
| Sağlam İnşaat Taahhüt Tic. A.Ş. | 174 | - | 41,903 | (2,907,183) |
| Biskot Bisküvi Gıda San. ve Tic. A.Ş. | 101,635 | - | 1,782,430 | - |
| Ülker Bisküvi San. A.Ş. | - | - | 1,041,011 | - |
| Other | 856,147 | - | 5,991,455 | (7,954,482) |
| | <u>1,134,806,559</u> | <u>(3,440,914)</u> | <u>199,881,277</u> | <u>(25,368,260)</u> |
| 1 January - 31 December 2019 | | | | |
| Transactions with related parties | Purchases | Finance expenses paid | Other income | Other expense |
| Shareholders | | | | |
| Yıldız Holding A.Ş. | 335,040 | (3,995,613) | 73,286 | (2,799,293) |
| Related parties | | | | |
| Pasifik Tüketim Ürünleri Satış ve Tic. A.Ş. | 551,744,166 | - | 32,688 | - |
| Unmaş Unlu Mamuller San. ve Tic. A.Ş. | 310,744,941 | - | 360 | - |
| Yeni Teközel Markalı Ürünler Dağıtım Hizmetleri A.Ş. | 257,146,497 | - | 6,796 | - |
| Bizim Toptan Satış Magazaları A.Ş. | 2,616,665 | - | 121,714,551 | - |
| Aytaç Gıda Yatırım San. Tic. A.Ş. | 65,034,974 | - | 25,895 | - |
| Özen Kişisel Bakım Ürünleri Üretim A.Ş. | 42,706,313 | - | 11,340 | - |
| Asil Hamur Undan Mamuller Gıda San. ve Tic. A.Ş. | 29,125,606 | - | 10,627 | (2,592) |
| Kereviş Gıda San. ve Tic. A.Ş. | - | - | 18,890,601 | - |
| Azmüsebat Çelik San. Tic. A.Ş. | 7,869,635 | - | 122,883 | - |
| Sağlam İnşaat Taahhüt Tic. A.Ş. | - | - | 31,994 | (2,557,329) |
| Sun Doğal Gıda ve Ambalaj Sanayi A.Ş. | - | (299,011) | - | (1,322,670) |
| Önem Gıda San. ve Tic. A.Ş. | - | - | 48,762 | (1,552,027) |
| Donuk Fırın. Ür. San. ve Tic. A.Ş. | 1,289,471 | - | - | (78,802) |
| Other | 15,220 | - | 1,678,300 | (6,827,899) |
| | <u>1,268,628,528</u> | <u>(4,294,624)</u> | <u>142,648,083</u> | <u>(15,140,612)</u> |

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

| | 1 January- 31 December 2020 | 1 January- 31 December 2019 |
|--|-----------------------------------|-----------------------------------|
| Salaries and other short term benefits | 28,228,380 | 23,365,186 |
| | <u>28,228,380</u> | <u>23,365,186</u> |

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26. NATURE AND LEVEL OF RISK RESULTED FROM FINANCIAL INSTRUMENTS

(a) Capital Risk Management

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

The capital structure of the Group consists of debt, which includes the borrowings disclosed in Note 6, other receivables from related parties and other payables to related parties disclosed in Note 25, cash and cash equivalents disclosed in Note 5 and equity attributable to equity holders of the parent, comprising issued capital, reserves and retained earnings as disclosed in Note 19.

Group management reviews capital based on the leverage ratio to be consistent with other companies in industry. This ratio is calculated as net debt divided by the total capital amount. Net debt is calculated as total liability amount (comprises of borrowings, other receivables from related parties and other payables to related parties and interest bearing other payables to non-related parties) less cash and cash equivalents. Total capital is calculated as shareholders’ equity plus the net debt amount as presented in the consolidated balance sheet.

As of 31 December 2020 and 2019 net debt / total capital ratio is as follows:

| | 31 December 2020 | 31 December 2019 |
|--|---------------------|---------------------|
| Total liabilities (*) (Note 6) | 33,436,289 | 108,499,301 |
| Less: Cash and cash equivalents (Note 5) | (1,149,089,432) | (431,286,166) |
| Net debt | (1,115,653,143) | (322,786,865) |
| Total equity | 253,897,878 | (26,864,823) |
| Total capital | (861,755,265) | (349,651,688) |
| Gearing ratio | 0% | 0% |

(*) Effect of IFRS 16 and trade payables are not included.

(b) Financial Risk Factors:

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

The treasury department presents the financial and risk positions of the Group and how to reduce financial risks of the Group to the Board of Directors three times a year and sends monthly reports of its financial position to the main shareholders.

(c) Credit Risk Management

Credit risk refer to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the Group. Receivables arising from sales consists of credit card slips. Since the customers are final consumers, the Group has no risk for credit card slip receivables.

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

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26. NATURE AND LEVEL OF RISK RESULTED FROM FINANCIAL INSTRUMENTS (Continued)

(c) Credit Risk Management (Continued)

The credit risks exposed because of financial instrument types

| 31 December 2020 | Trade receivables | | | Receivables | | | Deposits in banks |
|--|--------------------------|--------------|----------------------|--------------------|----------------------|--------------|--------------------------|
| | Related Party | Other | Related Party | Other | Related Party | Other | |
| Maximum net credit risk as of balance sheet date (i) | 39,412,698 | 66,770,948 | - | 38,114,493 | - | - | 980,509,376 |
| The part of maximum risk under guarantee with collateral (ii) | - | - | - | - | - | - | - |
| A. Net book value of neither past due nor impaired financial assets | 39,412,698 | 6,709,984 | - | 38,114,493 | - | - | 980,509,376 |
| B. Book value of restructured otherwise accepted as past due and impaired financial assets | - | - | - | - | - | - | - |
| C. Net book value of past due but not impaired assets | - | 60,060,964 | - | - | - | - | - |
| D. Impaired asset net book value | - | 9,070,556 | - | - | - | - | - |
| - Past due (gross amount) | - | (9,070,556) | - | - | - | - | - |
| - Impairment (-) | - | - | - | - | - | - | - |
| - Net value collateralized or guaranteed part of net value | - | - | - | - | - | - | - |
| - Not over due (gross amount) | - | - | - | - | - | - | - |
| - Impairment (-) | - | - | - | - | - | - | - |
| - Net value collateralized or guaranteed part of net value | - | - | - | - | - | - | - |
| E. Off-balance sheet items bearing credit risk | - | - | - | - | - | - | - |

(i) The factors that increase the credit reliability such as guarantees received are not considered in the balance.

(ii) Except for "the part of maximum risk under guarantee with collateral.", there is a credit card receivable amounting to TL 284,760,756 which holds no credit risk.

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(Amounts are expressed as Turkish Lira ("TL") unless otherwise stated.)

26. NATURE AND LEVEL OF RISK RESULTED FROM FINANCIAL INSTRUMENTS (Continued)

(c) Credit Risk Management (Continued)

The credit risks exposed because of financial instrument types

| | <u>Trade receivables</u> | | | <u>Receivables</u> | | | <u>Deposits in banks</u> |
|--|--------------------------|--------------|----------------------|--------------------|----------------------|--------------|--------------------------|
| | <u>Related Party</u> | <u>Other</u> | <u>Related Party</u> | <u>Other</u> | <u>Related Party</u> | <u>Other</u> | |
| 31 December 2019 | | | | | | | |
| Maximum net credit risk as of balance sheet date (i) | 26,934,858 | 47,482,181 | - | 24,810,563 | - | 24,810,563 | 317,459,086 |
| The part of maximum risk under guarantee with collateral (ii) | - | - | - | - | - | - | - |
| A. Net book value of neither past due nor impaired financial assets | 26,934,858 | 6,100,328 | - | 24,810,563 | - | 24,810,563 | 317,459,086 |
| B. Book value of restructured otherwise accepted as past due and impaired financial assets | - | - | - | - | - | - | - |
| C. Net book value of past due but not impaired assets | - | 41,381,853 | - | - | - | - | - |
| D. Impaired asset net book value | - | 8,877,791 | - | - | - | - | - |
| - Past due (gross amount) | - | (8,877,791) | - | - | - | - | - |
| - Impairment (-) | - | - | - | - | - | - | - |
| - Net value collateralized or guaranteed part of net value | - | - | - | - | - | - | - |
| - Not over due (gross amount) | - | - | - | - | - | - | - |
| - Impairment (-) | - | - | - | - | - | - | - |
| - Net value collateralized or guaranteed part of net value | - | - | - | - | - | - | - |
| E. Off-balance sheet items bearing credit risk | - | - | - | - | - | - | - |

(i) The factors that increase the credit reliability such as guarantees received are not considered in the balance.

(ii) Except for "the part of maximum risk under guarantee with collateral ", there is a credit card receivable amounting to TL 27,790,691 which holds no credit risk..

ŞOK MARKETLER TİCARET A.Ş.**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
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(Amounts are expressed as Turkish Lira ("TL") unless otherwise stated.)

26. NATURE AND LEVEL OF RISK RESULTED FROM FINANCIAL INSTRUMENTS (Continued)**(c) Credit Risk Management (Continued)**

Aging of overdue receivables as 31 December 2020 and 2019 is as follows:

| | Trade Receivables | |
|---|--------------------------|---------------------|
| | 31 December 2020 | 31 December 2019 |
| Overdue between 1-30 days | 51,078,236 | 39,670,936 |
| Overdue between 1-3 Months | 196,385 | 1,022,921 |
| Overdue between 3-12 Months | 8,786,343 | 687,996 |
| Total overdue receivables | 60,060,964 | 41,381,853 |
| The portion of under guarantee with collateral etc | - | - |

(d) Liquidity risk management:

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

Liquidity Risk Tables

The following table details the Group's expected maturity for its non-derivative financial liabilities and prepared with the assumption that the liabilities will be paid as soon as they mature. The tables below have been drawn up based on the undiscounted contractual maturities of the financial assets.

The maturities estimated by the Group are same as the maturities on agreements

31 December 2020

| | Book value | <u>Contractual</u> | <u>Up to 3</u> | <u>3-12</u> | <u>1-5 years (III)</u> | <u>Over 5 years</u> |
|------------------------------|----------------------|-----------------------------|-----------------------|--------------------|-------------------------------|----------------------------|
| | | <u>undiscounted</u> | | | | |
| | | <u>cash flow</u> | | | | |
| | | <u>(I+II+III+IV)</u> | | | | |
| Financial liabilities | | | | | | |
| Finance leasing payables | 33,436,289 | 35,638,641 | 8,729,293 | 26,187,879 | 721,469 | - |
| Leasing liabilities | 2,404,322,761 | 4,608,477,856 | 212,963,511 | 593,380,725 | 2,568,850,872 | 1,233,282,748 |
| Trade payables | 4,600,841,407 | 4,743,128,697 | 4,743,128,697 | - | - | - |
| Other payables | 4,686,643 | 4,686,643 | - | 3,277,382 | 1,409,261 | - |
| Total liability | 7,043,287,100 | 9,391,931,837 | 4,964,821,501 | 622,845,986 | 2,570,981,602 | 1,233,282,748 |

31 December 2019

| | Book value | <u>Contractual</u> | <u>Up to 3</u> | <u>3-12</u> | <u>1-5 years (III)</u> | <u>Over 5 years</u> |
|------------------------------|----------------------|-----------------------------|-----------------------|--------------------|-------------------------------|----------------------------|
| | | <u>undiscounted</u> | | | | |
| | | <u>cash flow</u> | | | | |
| | | <u>(I+II+III+IV)</u> | | | | |
| Financial liabilities | | | | | | |
| Finance leasing payables | 108,499,301 | 121,378,058 | 21,553,560 | 64,660,680 | 35,163,818 | - |
| Leasing liabilities | 1,966,652,722 | 3,910,290,449 | 173,473,076 | 472,724,951 | 2,135,061,324 | 1,129,031,098 |
| Trade payables | 3,395,061,181 | 3,515,593,180 | 3,515,593,180 | - | - | - |
| Other payables | 2,460,720 | 2,460,720 | - | 1,482,122 | 978,598 | - |
| Total liability | 5,472,673,924 | 7,549,722,407 | 3,710,619,816 | 538,867,753 | 2,171,203,740 | 1,129,031,098 |

ŞOK MARKETLER TİCARET A.Ş.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2020 AND 2019

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26. NATURE AND LEVEL OF RISK RESULTED FROM FINANCIAL INSTRUMENTS (Continued)

(e) Market Risk Management

The Group’s activity is subject to very limited financial risks of changes in foreign currency exchange rates.

Market risk exposures of the Group are measured using sensitivity analysis.

In the current period there has been no significant change to the Group’s exposure to market risks or the manner in which it manages and measures the risk.

Foreign currency risk management

Transactions in foreign currencies expose the Group to foreign currency risk. The Group does not use any derivative instruments to preserve its foreign currency risk as a result of its major transactions and cash flows.

The detail by foreign currency of the Group’s monetary assets and liabilities with foreign currencies as below:

| 31 December 2020 | TL Equivalent (Functional Currency) | US Dollar | Euro | Other |
|--|---|----------------|------------------|------------|
| Monetary financial assets | 90,740 | 4,770 | 5,854 | 301 |
| CURRENT ASSETS | 90,740 | 4,770 | 5,854 | 301 |
| Monetary financial assets | 290,684 | 39,600 | - | - |
| NON CURRENT ASSETS | 290,684 | 39,600 | - | - |
| TOTAL ASSETS | 381,423 | 44,370 | 5,854 | 301 |
| Trade Payables | 14,582,462 | 763,081 | 997,021 | - |
| CURRENT LIABILITIES | 14,582,462 | 763,081 | 997,021 | - |
| Monetary other liabilities | 1,373,552 | - | 152,483 | - |
| NON CURRENT LIABILITIES | 1,373,552 | - | 152,483 | - |
| TOTAL LIABILITIES | 15,956,013 | 763,081 | 1,149,504 | - |
| Net foreign currency position | (15,574,590) | (718,711) | (1,143,650) | 301 |
| Monetary items net foreign currency asset / liability position | (15,574,590) | (718,711) | (1,143,650) | 301 |

ŞOK MARKETLER TİCARET A.Ş.**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
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(Amounts are expressed as Turkish Lira (“TL”) unless otherwise stated.)

26. NATURE AND LEVEL OF RISK RESULTED FROM FINANCIAL INSTRUMENTS (Continued)**Foreign currency risk management (Continued)**

| 31 December 2019 | TL Equivalent (Functional Currency) | US Dollar | Euro | Other |
|---|---|----------------|------------------|------------|
| Monetary financial assets | 166,937 | 18,521 | 8,383 | 150 |
| CURRENT ASSETS | 166,937 | 18,521 | 8,383 | 150 |
| Monetary financial assets | 235,232 | 39,600 | - | - |
| NON CURRENT ASSETS | 235,232 | 39,600 | - | - |
| TOTAL ASSETS | 402,169 | 58,121 | 8,383 | 150 |
| Trade Payables | 11,750,262 | 713,088 | 1,129,880 | - |
| CURRENT LIABILITIES | 11,750,262 | 713,088 | 1,129,880 | - |
| Monetary other liabilities | 237,473 | - | 35,707 | - |
| NON CURRENT LIABILITIES | 237,473 | - | 35,707 | - |
| TOTAL LIABILITIES | 11,987,735 | 713,088 | 1,165,587 | - |
| Net foreign currency position | (11,585,566) | (654,967) | (1,157,204) | 150 |
| Monetary items net foreign currency asset / liability position | (11,585,566) | (654,967) | (1,157,204) | 150 |

Foreign currency sensitivity

The Group undertakes certain transactions denominated in US Dollar hence exposures to certain exchange rate fluctuations arise. As of 31 December 2020, a 20% strengthening of US Dollar against the TL, on the basis that all other variables remain constant, would have decreased profit before taxation by TL 1,055,140 (31 December 2019: TL 778,127).

The Group undertakes certain transactions denominated in Euro hence exposures to certain exchange rate fluctuations arise. As of 31 December 2020, a 20% strengthening of Euro against the TL, on the basis that all other variables remain constant, would have would have decreased profit before taxation by TL 2,060,377 (31 December 2019: TL 1,539,220).

Interest rate sensitivity

The Group is not subject to interest rate risk, as the Group does not have any floating rate liability.

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26. NATURE AND LEVEL OF RISK RESULTED FROM FINANCIAL INSTRUMENTS (Continued)

Other price risks

The Group does not hold equity investments or liability like bond / stocks etc. which can be exposed to price changes.

27. FINANCIAL INSTRUMENTS

Categories of financial instruments:

Categories of financial instruments and fair values

| 31 December 2020 | Amortized cost | Carrying value | Note |
|---|----------------|----------------|------|
| <u>Financial assets</u> | | | |
| Cash and cash equivalents | 1,149,089,432 | 1,149,089,432 | 5 |
| Trade receivables (including related parties) | 106,183,646 | 106,183,646 | 7 |
| Other receivables (including related parties) | 38,114,493 | 38,114,493 | 8 |
| <u>Financial liabilities</u> | | | |
| Borrowings and finance leases | 33,436,289 | 33,436,289 | 6 |
| Lease liabilities | 2,404,322,761 | 2,404,322,761 | 6 |
| Trade payables (including related parties) | 4,600,841,407 | 4,600,841,407 | 7 |
| Other liabilities (including related parties) | 3,277,382 | 3,277,382 | 8 |
| | | | |
| 31 December 2019 | Amortized cost | Carrying value | Note |
| <u>Financial assets</u> | | | |
| Cash and cash equivalents | 431,286,166 | 431,286,166 | 5 |
| Trade receivables (including related parties) | 74,417,039 | 74,417,039 | 7 |
| Other receivables (including related parties) | 24,810,563 | 24,810,563 | 8 |
| <u>Financial liabilities</u> | | | |
| Borrowings and finance leases | 108,499,301 | 108,499,301 | 6 |
| Lease liabilities | 1,966,652,722 | 1,966,652,722 | 6 |
| Trade payables (including related parties) | 3,395,061,181 | 3,395,061,181 | 7 |
| Other liabilities (including related parties) | 1,482,122 | 1,482,122 | 8 |

Group management believes that the carrying value of the financial instruments approximate to their fair values.

ŞOK MARKETLER TİCARET A.Ş.**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
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28. EARNINGS PER SHARE

As of 31 December 2020 and 2019 earnings per share calculation is as follows:

| | 1 January- 31 December 2020 | 1 January- 31 December 2019 |
|---|-----------------------------------|-----------------------------------|
| Earnings / (Loss) per share | | |
| Average number of shares during the period (full value) | 592,954,244 | 592,058,508 |
| Net Profit / (loss) for the period attributable to equity holder of the parents | 272,612,688 | (298,637,678) |
| Earnings / (loss) per share | 0.4598 | (0.5044) |

29. EVENTS AFTER THE REPORTING PERIOD

None.

ŞOK MARKETLER TİCARET A.Ş.

SUPPLEMENTARY INFORMATION

(Amounts are expressed as Turkish Lira ("TL") unless otherwise stated.)

SUPPLEMENTARY INFORMATION

APPENDIX-1 - EBITDA

The supporting information not required by IFRS is considered important for the Group's financial performance by the Group management and the calculation of EBITDA (earnings before interest, tax, depreciation and amortization) is presented below. The Group calculates the adjusted EBITDA (earnings before interest, tax, depreciation and amortization, other income) for the better understanding of investors and other interested parties about Group operations.

| | 1 January- 31 December 2020 | 1 January- 31 December 2019 |
|--|-----------------------------------|-----------------------------------|
| Profit / (Loss) for the period | 271,911,626 | (298,329,722) |
| Tax income / (expense) | (21,948,383) | (54,438,823) |
| Profit / (Loss) before taxation | 293,860,009 | (243,890,899) |
| Financial income and expense, net | (1,053,373,372) | (1,098,599,034) |
| Amortization and depreciation | (697,508,002) | (598,502,429) |
| Other income and expense, net | (54,530,271) | (17,034,507) |
| EBITDA | 2,099,271,654 | 1,470,245,071 |
| IFRS 16 Effect | 803,348,097 | 660,145,147 |
| Adjusted EBITDA excluding IFRS 16 | 1,295,923,557 | 810,099,924 |

Such financial information are presented for informational purposes and are not an integral part of the consolidated financial statements.

ŞOK MARKETLER TİCARET A.Ş.**SUPPLEMENTARY INFORMATION**

(Amounts are expressed as Turkish Lira (“TL”) unless otherwise stated.)

SUPPLEMENTARY INFORMATION**APPENDIX-2 – CONSOLIDATED FINANCIAL STATEMENTS BEFORE IFRS 16****IFRS 16 Leases**

The effects of IFRS 16 lease standard on the Group's consolidated financial statements are presented below:

ASSETS

| | 31 December | | |
|---------------------------------|----------------------|-----------------------|-----------------------|
| | 2020 | IFRS 16 Effect | Before IFRS 16 |
| Current Assets | | | |
| Prepaid expenses | 11,680,334 | (2,315,746) | 13,996,080 |
| Total Current Assets | 3,377,045,204 | (2,315,746) | 3,379,360,950 |
| Non Current Assets | | | |
| Right of use assets | 2,114,935,110 | 2,114,935,110 | - |
| Deferred tax assets | 197,621,010 | 58,198,284 | 139,422,726 |
| Total Non-Current Assets | 4,384,784,572 | 2,173,133,394 | 2,211,651,178 |
| TOTAL ASSETS | 7,761,829,776 | 2,170,817,648 | 5,591,012,128 |

LIABILITIES AND EQUITY

| | 31 December | | |
|--|----------------------|-----------------------|-----------------------|
| | 2020 | IFRS 16 Effect | Before IFRS 16 |
| Current Liabilities | | | |
| Lease liabilities | 745,332,925 | 745,332,925 | - |
| Total Current Liabilities | 5,746,230,609 | 745,332,925 | 5,000,897,684 |
| Non current liabilities | | | |
| Lease liabilities | 1,658,989,836 | 1,658,989,836 | - |
| Total Non-Current Liabilities | 1,761,701,289 | 1,658,989,836 | 102,711,453 |
| EQUITY | | | |
| Retained earnings / (Accumulated losses) | 129,419,773 | (116,797,552) | 246,217,325 |
| Net profit / (loss) for the Period | 272,612,688 | (116,461,610) | 389,074,298 |
| Shareholder's equity | 253,119,036 | (233,259,162) | 486,378,198 |
| Non-controlling interest | 778,842 | (245,950) | 1,024,792 |
| Total Equity | 253,897,878 | (233,505,112) | 487,402,990 |
| TOTAL LIABILITIES AND EQUITY | 7,761,829,776 | 2,170,817,649 | 5,591,012,127 |

ŞOK MARKETLER TİCARET A.Ş.

SUPPLEMENTARY INFORMATION

(Amounts are expressed as Turkish Lira (“TL”) unless otherwise stated.)

SUPPLEMENTARY INFORMATION

APPENDIX-2 – CONSOLIDATED FINANCIAL STATEMENTS BEFORE IFRS 16

IFRS 16 Leases

The effects of IFRS 16 lease standard on the Group's consolidated financial statements are presented below:

| | 1 January- 31 December 2020 | IFRS 16 Effect | Before IFRS 16 |
|---|--|-----------------------|-----------------------|
| Revenue | 21,353,835,397 | - | 21,353,835,397 |
| Cost of sales (-) | (16,318,273,326) | - | (16,318,273,326) |
| Gross profit | 5,035,562,071 | - | 5,035,562,071 |
| Marketing and selling expenses (-) | (3,473,128,697) | 361,612,167 | (3,834,740,864) |
| General administrative expenses (-) | (160,669,722) | - | (160,669,722) |
| Other income from operating activities | 18,637,484 | 2,646,065 | 15,991,419 |
| Other expenses from operating activities (-) | (73,167,755) | - | (73,167,755) |
| Operating profit | 1,347,233,381 | 364,258,232 | 982,975,149 |
| Financial expense | (1,102,190,530) | (510,008,171) | (592,182,359) |
| Financial income | 48,817,158 | - | 48,817,158 |
| Profit / (loss) from continuing operations before taxation | 293,860,009 | (145,749,939) | 439,609,948 |
| Income tax expense | (778,968) | - | (778,968) |
| Deferred tax income / (expense) | (21,169,415) | 29,165,708 | (50,335,123) |
| PROFIT FOR THE YEAR | 271,911,626 | (116,584,231) | 388,495,857 |

ŞOK MARKETLER TİCARET A.Ş.**SUPPLEMENTARY INFORMATION**

(Amounts are expressed as Turkish Lira ("TL") unless otherwise stated.)

SUPPLEMENTARY INFORMATION**APPENDIX-2 – CONSOLIDATED FINANCIAL STATEMENTS BEFORE IFRS 16****IFRS 16 Leases**

The effects of IFRS 16 lease standard on the Group's consolidated financial statements are presented below:

| | 1 January- 31 December 2020 | IFRS 16 Effect | Before IFRS 16 |
|--|--|-----------------------|-----------------------|
| A. Cash Generated by Operating Activities | | | |
| Profit / (loss) for the period | 271,911,626 | (116,584,231) | 388,495,857 |
| Adjustments related to reconciliation of net profit / (loss) for the period | | | |
| -Depreciation of property and equipment | 697,508,002 | 441,735,930 | 255,772,072 |
| -Loss / (gain) on sale of property and equipment, net | 2,934,504 | (2,646,065) | 5,580,569 |
| -Tax income / (expenses) | 21,948,383 | (29,165,708) | 51,114,091 |
| -Interest expenses | 576,970,639 | 510,008,171 | 66,962,468 |
| Cash generated by / (used in) operations before changes in working capital | 1,643,572,416 | 803,348,097 | 840,224,319 |
| Changes in working capital : | | | |
| Changes in prepaid expenses | 62,847,360 | - | 62,847,360 |
| Cash used in operations | 2,187,972,245 | 803,348,097 | 1,384,624,148 |
| Net cash generated by operating activities: | 2,148,874,344 | 803,348,097 | 1,345,526,247 |
| B. INVESTING ACTIVITIES | | | |
| Proceeds from the sale of property and equipment | 2,861,991 | 2,646,065 | 215,926 |
| Net cash used in investing activities | (492,558,212) | 2,646,065 | (495,204,277) |
| C. FINANCING ACTIVITIES | | | |
| Interest payments of lease liabilities | (510,008,171) | (510,008,171) | - |
| Payments of lease liabilities | (295,985,991) | (295,985,991) | - |
| Net cash (used in) / generated from financing activities | (938,512,866) | (805,994,162) | (132,518,704) |
| NET CHANGE IN CASH AND CASH EQUIVALENTS (A+B+C) | 717,803,266 | - | 717,803,266 |
| D. CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE PERIOD | 431,286,166 | - | 431,286,166 |
| E. CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD (A+B+C+D) | 1,149,089,432 | - | 1,149,089,432 |