

**ŞOK MARKETLER TİCARET A.Ş.  
AND ITS SUBSIDIARIES**

CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE INTERIM PERIOD  
1 JANUARY 2019 – 30 JUNE 2019  
AND INDEPENDENT AUDITOR'S REVIEW REPORT



## REPORT ON REVIEW OF CONSOLIDATED INTERIM FINANCIAL STATEMENTS

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

1. We have reviewed the accompanying consolidated interim balance sheet of Şok Marketler Ticaret A.Ş. and its subsidiary (collectively referred to as the “Group”) as of 30 June 2019 and the related consolidated interim statements of comprehensive income, changes in equity and cash flows for the six-month period then ended, and a summary of significant accounting policies and other explanatory notes (Notes 1-32). Management is responsible for the preparation and fair presentation of these consolidated interim financial statements in accordance with International Accounting Standard 34 “Interim Financial Reporting”. Our responsibility is to express a conclusion on these consolidated interim financial statements based on our review.

### *Scope of Review*

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

### *Conclusion*

3. Based on our review, nothing has come to our attention that causes us to believe that the accompanying consolidated interim financial statements do not present fairly, in all material respects, the financial position of the Group as at 30 June 2019, and its financial performance and its cash flows for the six-month period then ended in accordance with International Accounting Standard 34 “Interim Financial Reporting”.



#### *Other Information*

4. Management is responsible for the other information. The other information comprises “Appendix 1 Other Information” (but does not include the consolidated interim financial information and our auditor’s conclusion thereon).

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

In connection with our review of the consolidated interim financial information, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the review, 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.

#### *Other Matter*

5. The consolidated financial statements of the Group as of 31 December 2018 were audited and the interim consolidated interim financial information as of 30 June 2018 and for the six-month period then ended were reviewed by another audit firm whose audit report on 2018 annual financial statements dated 6 March 2019 expressed an unqualified opinion and whose review report on interim financial information for the six-month period ended 30 June 2018 dated 9 August 2018 expressed an unmodified conclusion thereon.

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

Adnan Akan, SMMM  
Partner

Istanbul, 8 August 2019

# ŞOK MARKETLER TİCARET A.Ş. AND ITS SUBSIDIARIES

## CONSOLIDATED FINANCIAL STATEMENTS AS AT 30 JUNE 2019

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

<b>CONTENTS</b>	<b>PAGE</b>
<b>CONSOLIDATED BALANCE SHEET</b>	1-2
<b>CONSOLIDATED STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME</b> .....	3
<b>CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY</b> .....	4
<b>CONSOLIDATED STATEMENTS OF CASH FLOWS</b> .....	5
<b>NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS</b> .....	6-58
NOTE 1 GROUP’S ORGANISATION AND NATURE OF OPERATIONS .....	6
NOTE 2 BASIS OF PRESENTATION OF THE CONSOLIDATED FINANCIAL STATEMENTS .....	6-28
NOTE 3 TRANSACTIONS UNDER COMMON CONTROL .....	28
NOTE 4 SEGMENT REPORTING .....	29
NOTE 5 DISCLOSURES RELATED TO STATEMENT OF CASH FLOWS .....	29
NOTE 6 FINANCIAL BORROWINGS .....	29-30
NOTE 7 TRADE RECEIVABLES AND PAYABLES .....	31-32
NOTE 8 OTHER RECEIVABLES AND PAYABLES .....	32
NOTE 9 INVENTORIES .....	33
NOTE 10 PREPAID EXPENSES AND DEFERRED INCOME .....	33
NOTE 11 RIGHT OF USE ASSETS .....	34
NOTE 12 PROPERTY AND EQUIPMENT .....	34-35
NOTE 13 INTANGIBLE ASSETS .....	36
NOTE 14 GOODWILL .....	37
NOTE 15 PROVISIONS, CONTINGENT ASSETS AND LIABILITIES .....	37-38
NOTE 16 COMMITMENTS .....	38
NOTE 17 EMPLOYEE BENEFITS .....	39-40
NOTE 18 OTHER ASSETS AND LIABILITIES .....	40
NOTE 19 CAPITAL, RESERVES AND OTHER EQUITY ITEMS .....	41
NOTE 20 REVENUE AND COST OF SALES .....	42
NOTE 21 MARKETING, SELLING AND GENERAL ADMINISTRATIVE EXPENSES .....	42-43
NOTE 22 OTHER INCOME AND EXPENSES FROM OPERATING ACTIVITIES .....	43
NOTE 23 FINANCIAL EXPENSES AND INCOME .....	44
NOTE 24 TAX ASSETS AND LIABILITIES (INCLUDING DEFERRED TAX ASSETS AND LIABILITIES) .....	44-46
NOTE 25 RELATED PARTY BALANCES AND TRANSACTIONS .....	47-50
NOTE 26 NATURE AND LEVEL OF RISK RESULTED FROM FINANCIAL INSTRUMENTS .....	51-57
NOTE 27 FINANCIAL INSTRUMENTS .....	57
NOTE 28 EARNINGS PER SHARE .....	58
NOTE 29 DISCONTINUED OPERATIONS .....	58
NOTE 30 EVENTS AFTER THE REPORTING PERIOD .....	58
<b>OTHER INFORMATION</b>	
APPENDIX–1 SUPPLEMENTARY UNAUDITED INFORMATION .....	59

**ŞOK MARKETLER TİCARET A.Ş. AND ITS SUBSIDIARIES****CONSOLIDATED BALANCE SHEET AS AT 30 JUNE 2019**

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

**ASSETS**

		<b>Reviewed 30 June 2019</b>	<b>Audited 31 December 2018</b>
<b>Current Assets</b>	<b>Note</b>		
Cash and cash equivalents	5	349,623,851	354,087,758
Trade receivables	7	120,576,154	69,539,782
Due from related parties	25	24,855,536	27,362,610
Other trade receivables		95,720,618	42,177,172
Other receivables	8	7,942,845	3,639,920
Inventories	9	1,100,038,234	872,461,203
Prepaid expenses	10	20,501,871	10,467,177
Other current assets	18	3,575,347	5,138,881
<b>Total Current Assets</b>		<b>1,602,258,302</b>	<b>1,315,334,721</b>
<b>Non Current Assets</b>			
Other receivables	8	15,293,083	13,380,154
Property and equipment	12	1,049,999,085	977,595,003
Right of use assets	11	1,704,283,909	-
Intangible assets		682,103,127	684,705,993
Goodwill	14	578,942,596	578,942,596
Other intangible assets	13	103,160,531	105,763,397
Other non current assets		-	274
Deferred tax assets	24	305,207,380	270,915,382
<b>Total Non-Current Assets</b>		<b>3,756,886,584</b>	<b>1,946,596,806</b>
<b>TOTAL ASSETS</b>		<b>5,359,144,886</b>	<b>3,261,931,527</b>

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

**ŞOK MARKETLER TİCARET A.Ş. AND ITS SUBSIDIARIES**

**CONSOLIDATED BALANCE SHEET AS AT 30 JUNE 2019**

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

**LIABILITIES AND EQUITY**

	<b>Note</b>	<b>Reviewed 30 June 2019</b>	<b>Audited 31 December 2018</b>
<b>Current Liabilities</b>			
Short term borrowings	6	75,778,962	75,397,282
Lease liabilities	6	532,448,003	-
Obligations under finance leases	6	94,951,426	101,967,392
Trade payables	7	2,869,854,794	2,484,528,147
Due to related parties	25	352,928,244	357,587,212
Other trade payables		2,516,926,550	2,126,940,935
Other payables	8	700,464	555,874
Payables regarding employee benefits	17	143,390,295	88,640,962
Deferred income	10	16,607,710	14,365,832
Other short term provisions		58,643,442	52,303,456
Provision for short term employee benefits	17	20,317,128	15,007,661
Other provisions	15	38,326,314	37,295,795
Other current liabilities	18	60,566,219	27,359,064
<b>Total Current Liabilities</b>		<b>3,852,941,315</b>	<b>2,845,118,009</b>
<b>Non current liabilities</b>			
Obligations under finance leases	6	67,392,415	106,879,422
Lease liabilities	6	1,241,077,595	-
Provision for long term employee benefits	17	45,238,721	41,587,275
Deferred income	10	1,439,984	4,472,693
Other payables	8	999,222	885,105
<b>Total Non-Current Liabilities</b>		<b>1,356,147,937</b>	<b>153,824,495</b>
<b>EQUITY</b>			
Share capital	19	611,928,571	611,928,571
Repurchased shares		( 190,231,327)	( 199,789,445)
Accumulated other comprehensive income or expense that will not be reclassified to profit or loss:			
Actuarial loss		( 11,947,850)	( 11,519,461)
Restricted reserves appropriated from profits	19	260,000	260,000
Effect of transactions under common control		( 567,113,629)	( 602,824,230)
Retained earnings		428,057,451	397,169,153
Net profit / (loss) for the year		( 121,798,191)	66,598,899
<b>Shareholder's equity</b>		<b>149,155,025</b>	<b>261,823,487</b>
<b>Non-controlling interest</b>		<b>900,609</b>	<b>1,165,536</b>
<b>Total Equity</b>		<b>150,055,634</b>	<b>262,989,023</b>
<b>TOTAL LIABILITIES AND EQUITY</b>		<b>5,359,144,886</b>	<b>3,261,931,527</b>

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

**ŞOK MARKETLER TİCARET A.Ş. AND ITS SUBSIDIARY**

**CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME  
FOR THE INTERIM PERIOD ENDED 30 JUNE 2019**

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

	<b>Note</b>	<b>Reviewed 1 January- 30 June 2019</b>	<b>Reviewed 1 April- 30 June 2019</b>	<b>Reviewed 1 January- 30 June 2018</b>	<b>Reviewed 1 April- 30 June 2018</b>
Revenue	20	7,515,151,635	3,991,750,091	5,453,424,554	2,883,912,951
Cost of sales (-)	20	(5,778,474,537)	(3,035,799,032)	(4,173,354,361)	(2,200,909,249)
<b>Gross profit</b>		<b>1,736,677,098</b>	<b>955,951,059</b>	<b>1,280,070,193</b>	<b>683,003,702</b>
Marketing and selling expenses (-)	21	(1,305,016,929)	(675,913,667)	(1,118,581,305)	(582,260,197)
General administrative expenses (-)	21	(48,292,568)	(22,253,386)	(30,491,614)	(13,182,486)
Other income from operating activities	22	7,110,763	6,918,990	2,686,146	1,958,455
Other expenses from operating activities (-)	22	(10,545,805)	(9,505,332)	(12,635,589)	(7,542,667)
<b>Operating profit</b>		<b>379,932,559</b>	<b>255,197,664</b>	<b>121,047,831</b>	<b>81,976,807</b>
Financial expense	23	(568,856,078)	(303,134,892)	(386,530,635)	(194,000,286)
Financial income	23	33,599,839	13,924,136	46,941,891	11,430,821
<b>Loss from continuing operations before taxation</b>		<b>(155,323,680)</b>	<b>(34,013,092)</b>	<b>(218,540,913)</b>	<b>(100,592,658)</b>
Income tax expense	24	(926,950)	146,654	(2,174,677)	(340,414)
Deferred tax income / (expense)	24	34,182,339	9,275,587	331,484,889	331,791,345
<b>Profit / (Loss) from continuing operations for the period</b>		<b>(122,068,291)</b>	<b>(24,590,851)</b>	<b>110,769,299</b>	<b>230,858,273</b>
<b>Discontinued operations</b>					
Profit / (Loss) for the period from discontinuing operation	29	-	-	(547,114)	(1,382,936)
<b>PROFIT / (LOSS) FOR THE PERIOD</b>		<b>(122,068,291)</b>	<b>(24,590,851)</b>	<b>110,222,185</b>	<b>229,475,337</b>
Attributable to:					
Equity holders of the parent		(121,798,191)	(24,444,789)	109,987,644	229,484,925
Non-controlling interests		(270,100)	(146,062)	234,541	(9,588)
<b>Profit / (Loss) per share</b>	<b>28</b>	<b>(0.1990)</b>	<b>(0.0399)</b>	<b>0.2618</b>	<b>0.4777</b>
<b>Other Comprehensive Income and Loss</b>					
<b>Items that will not be reclassified to profit or loss</b>		<b>(423,216)</b>	<b>(2,555,107)</b>	<b>(4,219,918)</b>	<b>(2,418,230)</b>
Defined benefit plans remeasurement losses	17	(532,875)	(3,197,739)	(5,279,404)	(3,028,588)
Tax related to other comprehensive income that will not be reclassified to profit or loss					
Deferred tax income	24	109,659	642,632	1,059,486	610,358
<b>OTHER COMPREHENSIVE LOSS</b>		<b>(423,216)</b>	<b>(2,555,107)</b>	<b>(4,219,918)</b>	<b>(2,418,230)</b>
<b>TOTAL OTHER COMPREHENSIVE (LOSS) / INCOME</b>		<b>(122,491,507)</b>	<b>(27,145,958)</b>	<b>106,002,267</b>	<b>227,057,107</b>
<b>Total comprehensive (expense) / income attributable to:</b>					
Non-Controlling Interests		(264,927)	(140,889)	206,394	(45,810)
Equity Holders of the Parent		(122,226,580)	(27,005,069)	105,795,873	227,102,917
<b>(LOSS) / PROFIT FOR THE PERIOD</b>		<b>(122,491,507)</b>	<b>(27,145,958)</b>	<b>106,002,267</b>	<b>227,057,107</b>

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

**ŞOK MARKETLER TİCARET A.Ş. AND ITS SUBSIDIARIES**

**CONSOLIDATED STATEMENT OF CHANGES IN EQUITY**

FOR THE INTERIM PERIOD ENDED 30 JUNE 2019

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

	<u>Accumulated other comprehensive income or expense that will not be reclassified to profit or loss</u>					<u>Retained Earnings / Accumulated Losses</u>		<u>Shareholder's equity</u>	<u>Non-controlling interest</u>	<u>Equity</u>
	<u>Share capital</u>	<u>Repurchase of share</u>	<u>Actuarial loss</u>	<u>Restricted reserves</u>	<u>Effect of transactions under common control (*)</u>	<u>Profit / (Loss) for the year</u>	<u>Retained earnings / Accumulated Losses</u>			
<b>Reported as of 1 January 2018</b>	<b>360,000,000</b>	-	<b>( 15,317,761)</b>	<b>260,000</b>	<b>( 438,284,421)</b>	<b>( 390,190,707)</b>	<b>( 1,538,988,319)</b>	<b>( 2,022,521,208)</b>	<b>( 162,448,634)</b>	<b>( 2,184,969,842)</b>
Transfer to retained earnings	-	-	-	-	-	390,190,707	( 390,190,707)	-	-	-
Effect of transactions under common control	-	-	( 322,674)	-	( 164,539,809)	-	292,389	( 164,570,094)	163,169,094	( 1,401,000)
Capital increase and share issue	251,928,571	-	-	-	-	-	2,330,347,068	2,582,275,639	-	2,582,275,639
Repurchase of shares	-	( 199,789,445)	-	-	-	-	-	( 199,789,445)	-	( 199,789,445)
Total comprehensive income	-	-	( 4,191,771)	-	-	109,987,644	-	105,795,873	206,394	106,002,267
<b>Balance as of 30 June 2018</b>	<b>611,928,571</b>	<b>( 199,789,445)</b>	<b>( 19,832,206)</b>	<b>260,000</b>	<b>( 602,824,230)</b>	<b>109,987,644</b>	<b>401,460,431</b>	<b>301,190,765</b>	<b>926,854</b>	<b>302,117,619</b>
<b>Balance as of 1 January 2019</b>	<b>611,928,571</b>	<b>( 199,789,445)</b>	<b>( 11,519,461)</b>	<b>260,000</b>	<b>( 602,824,230)</b>	<b>66,598,899</b>	<b>397,169,153</b>	<b>261,823,487</b>	<b>1,165,536</b>	<b>262,989,023</b>
Transfer to retained earnings	-	-	-	-	-	( 66,598,899)	66,598,899	-	-	-
Effect of transactions under common control (*)	-	-	-	-	35,710,601	-	( 35,710,601)	-	-	-
Capital increase and share issue	-	-	-	-	-	-	-	-	-	-
Repurchase of shares	-	9,558,118	-	-	-	-	-	9,558,118	-	9,558,118
Total comprehensive Loss	-	-	( 428,389)	-	-	( 121,798,191)	-	( 122,226,580)	( 264,927)	( 122,491,507)
<b>Balance as of 30 June 2019</b>	<b>611,928,571</b>	<b>( 190,231,327)</b>	<b>( 11,947,850)</b>	<b>260,000</b>	<b>( 567,113,629)</b>	<b>( 121,798,191)</b>	<b>428,057,451</b>	<b>149,155,025</b>	<b>900,609</b>	<b>150,055,634</b>

(\*) 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. AND ITS SUBSIDIARIES**

**CONSOLIDATED STATEMENT OF CASH FLOWS  
FOR THE INTERIM PERIOD ENDED 30 JUNE 2019**

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

	<b>Note</b>	<b>1 January- 30 June 2019</b>	<b>1 January- 30 June 2018</b>
<b>A. Cash Generated by Operating Activities</b>			
(Loss) / profit for the period		( 122,068,291)	110,222,185
(Loss) / profit from discontinued operations		-	(547,114)
(Loss) / profit from continued operations		( 122,068,291)	110,769,299
<b>Adjustments related to reconciliation of net (loss) / (profit) for the</b>			
-Depreciation and amortization	11-12-13	294,030,722	96,409,473
-Provision for retirement and vacation payments	17	18,664,322	13,247,326
-Provision for doubtful receivables	7	-	3,198
-Lawsuit provisions	15	2,188,552	2,496,562
-Discount (income) / expenses		( 26,992,851)	( 7,849,094)
-Allowance for / reversal of impairment on inventories, net	9	( 2,482,905)	4,462,226
-Gain / (loss) on sale of property and equipment, net	22	1,701,404	590,273
-Tax (income) / expenses	24	( 33,255,389)	( 329,310,212)
-Interest income	23	( 6,689,608)	( 12,047,115)
-Interest expenses	23	279,003,595	187,251,956
<b>Cash generated by / (used in) operations before changes in working capital</b>		<b>404,099,551</b>	<b>66,023,892</b>
<b>Changes in working capital :</b>			
Changes in trade receivables		( 50,207,563)	136,309,630
Changes in inventories		( 225,094,126)	( 91,249,519)
Changes in other receivables and current assets		( 5,221,834)	23,738,265
Changes in trade payables		411,376,596	( 13,017,074)
Changes in other payables and expense accruals		33,465,862	( 12,582,036)
Changes in employee benefits		54,749,333	( 1,768,304)
Changes in prepaid expenses		( 10,825,525)	( 43,065,105)
<b>Cash used in operations</b>		<b>612,342,294</b>	<b>64,389,749</b>
Income taxes paid		( 357,162)	( 2,174,677)
Collections from doubtful receivables	7	114,090	175,504
Payments for lawsuits	15	( 1,158,033)	-
Retirement benefits and unused vacation provision paid	17	( 10,236,284)	( 9,458,547)
<b>Net cash generated by operating activities:</b>		<b>600,704,905</b>	<b>52,932,029</b>
<b>B. INVESTING ACTIVITIES</b>			
Interest received	23	6,689,608	12,047,115
Purchases of property and equipment	12	( 176,595,585)	( 181,911,470)
Purchases of intangible assets	13	( 3,100,421)	( 4,133,067)
Proceeds from the sale of property and equipment	11-12-23	104,120	851,877
<b>Net cash used in investing activities</b>		<b>( 172,902,278)</b>	<b>( 173,145,545)</b>
<b>C. FINANCING ACTIVITIES</b>			
Public offering and capital increase		-	2,645,249,996
Cash paid for public offering expenses		-	( 62,937,928)
Payments for finance leases	6	( 46,502,973)	( 47,792,075)
Interest paid		( 73,302,579)	( 230,672,903)
Changes in other payables		-	( 557,659,523)
Cash paid for repurchase of company shares under price stability	19	9,558,118	( 199,789,445)
Interest payments of lease liabilities		( 205,212,940)	-
Payments of lease liabilities		( 116,699,765)	-
Repayments / proceeds of borrowings	6	( 106,395)	( 1,102,962,228)
<b>Net cash (used in) / generated from financing activities</b>		<b>( 432,266,534)</b>	<b>443,435,894</b>
<b>NET CHANGE IN CASH AND CASH EQUIVALENTS (A+B+C)</b>		<b>( 4,463,907)</b>	<b>323,222,378</b>
<b>Cash flows of discontinued operation</b>		-	(547,114)
<b>D. CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE PERIOD</b>	5	<b>354,087,758</b>	<b>92,091,962</b>
<b>E. CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD (A+B+C+D)</b>	5	<b>349,623,851</b>	<b>414,767,226</b>

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

## ŞOK MARKETLER TİCARET A.Ş. AND ITS SUBSIDIARIES

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE INTERIM PERIOD 1 JANUARY – 30 JUNE 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 30,613 as of 30 June 2019 (31 December 2018:27,823).

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 UCZ Mağazacılık Tic. A.Ş (“UCZ”).

With the Capital Market Board's approval of the public offering, the shares of Şok Marketler Ticaret A.Ş. started to be trade on 18 May 2018 on Yıldız Market with the “SOKM” code which was offered to public on 8-11 May 2018, with a nominal value of TL 218,500,000 issued due to the increase from TL 360,000,000 to TL 578,500,000 with 10.5 base price.

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. All of the shares issued within the framework of capital increase mentioned above are allocated to Yıldız Holding A.Ş.. On 16 May 2018 capital increase completed by depositing the relevant amount to the Company account at base price of 10.5 TL.

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

As of 30 June 2019, the Group has a total of 6,844 stores 6,560 units ("Şok" sales store), 284 units ("Şok Mini" sales store) (31 December 2018: "Şok" sales store: 6,100, "Şok Mini" sales store: 264).

The Group's internet address is [www.sokmarket.com.tr](http://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 8 August 2019. The General Assembly has the authority to amend the 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”).

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. AND ITS SUBSIDIARIES**

### **NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE INTERIM PERIOD 1 JANUARY - 30 JUNE 2019**

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

## **2. BASIS OF PRESENTATION OF THE 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:

Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;

Level 2 inputs are inputs, other than quoted prices included within Level 1, that are observable for the asset or liability, either directly or indirectly; and

Level 3 inputs are unobservable inputs for the asset or liability.

### **2.2 Functional Currency**

The 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 Company, and the presentation currency for the Group’s financial statements.

## ŞOK MARKETLER TİCARET A.Ş. AND ITS SUBSIDIARIES

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE INTERIM PERIOD 1 JANUARY - 30 JUNE 2019

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

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

### 2.3 Basis of Consolidation

Subsidiaries	30 June 2019	31 December 2018	30 June 2019	31 December 2018
	Direct Ownership Rate %		Group Efficiency Rate %	
Mevsim Taze Sebze Meyve San. ve Tic. A.Ş.	%80	%80	%80	%80
Teközel Gıda Tem. Sağ. Mark. Hizm. A.Ş. (*)	-	%100	-	%100
UCZ Mağazacılık Tic. A.Ş. (**)	%100	-	%100	%100

The details of the Group's subsidiaries at 30 June 2019 and 31 December 2018 are as follows:

(\*) 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 UCZ Mağazacılık Tic. A.Ş ("UCZ").

(\*\*) On 25 December 2017, Teközel acquired 21,000,000 shares of UCZ, presenting 60% of the total capital of TL 35,000,000 for a consideration of TL 1,000 and gained control of UCZ. On 30 January 2018, the Group purchased the remaining shares of UCZ and UCZ became a 100% subsidiary of the Group.

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.

## ŞOK MARKETLER TİCARET A.Ş. AND ITS SUBSIDIARIES

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE INTERIM PERIOD 1 JANUARY - 30 JUNE 2019

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

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

##### 2.4 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.

##### 2.5 Changes in Accounting Estimates and Errors

###### Following 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.

##### 2.6 Application of new and revised IFRSs

###### *a) Standards, amendments and interpretations applicable as at 30 June 2019 (continued):*

- **Amendment to IFRS 9, ‘Financial instruments’;** effective from annual periods beginning on or after 1 January 2018. This amendment confirmed two points: (1) that reasonable compensation for prepayments can be both negative or positive cash flows when considering whether a financial asset solely has cash flows that are principal and interest and (2) that when a financial liability measured at amortised cost is modified without this resulting in de-recognition, a gain or loss should be recognised immediately in profit or loss. The gain or loss is calculated as the difference between the original contractual cash flows and the modified cash flows discounted at the original effective interest rate. This means that the difference cannot be spread over the remaining life of the instrument which may be a change in practice from IAS 39.
- **Amendment to IAS 28, ‘Investments in associates and joint venture’;** effective from annual periods beginning on or after 1 January 2019. These amendments clarify that companies account for long-term interests in associate or joint venture to which the equity method is not applied using IFRS 9.
- **IFRS 16, ‘Leases’;** effective from annual periods beginning on or after 1 January 2019, with earlier application permitted if IFRS 15 ‘Revenue from Contracts with Customers’ is also applied. This standard replaces the current guidance in IAS 17 and is a far-reaching change in accounting by lessees in particular. Under IAS 17, lessees were required to make a distinction between a finance lease (on balance sheet) and an operating lease (off balance sheet). IFRS 16 now requires lessees to recognise a lease liability reflecting future lease payments and a ‘right of use asset’ for virtually all lease contracts. The IASB has included an optional exemption for certain short-term leases and leases of low-value assets; however, this exemption can only be applied by lessees. For lessors, the accounting stays almost the same. However, as the IASB has updated the guidance on the definition of a lease (as well as the guidance on the combination and separation of contracts), lessors will also be affected by the new standard. At the very least, the new accounting model for lessees is expected to impact negotiations between lessors and lessees. Under IFRS 16, a contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

**ŞOK MARKETLER TİCARET A.Ş. AND ITS SUBSIDIARIES**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE INTERIM PERIOD 1 JANUARY - 30 JUNE 2019

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

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

**2.6 Application of new and revised IFRSs (Continued)**

*a) Standards, amendments and interpretations applicable as at 30 June 2019 (continued):*

- IFRS 16, ‘Leases’;

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

<b>ASSETS</b>			
	<b>30 June</b>		
	<b>2019</b>	<b>IFRS 16 Effect</b>	<b>Before IFRS 16</b>
<b>Current Assets</b>			
Prepaid expenses	20,501,871	( 2,628,835)	23,130,706
<b>Total comprehensive Loss</b>	<b>1,602,258,302</b>	<b>( 2,628,835)</b>	<b>1,604,887,137</b>
<b>Non Current Assets</b>			
Right of use assets	1,704,283,909	1,704,283,909	-
Deferred tax assets	305,207,380	14,374,105	290,833,275
<b>Total Non-Current Assets</b>	<b>3,756,886,584</b>	<b>1,718,658,014</b>	<b>2,038,228,570</b>
<b>TOTAL ASSETS</b>	<b>5,359,144,886</b>	<b>1,716,029,179</b>	<b>3,643,115,707</b>
<b>LIABILITIES AND EQUITY</b>			
	<b>30 June</b>		
	<b>2019</b>	<b>IFRS 16 Effect</b>	<b>Before IFRS 16</b>
<b>Current Liabilities</b>			
Lease liabilities	532,448,003	532,448,003	-
<b>Total Current Liabilities</b>	<b>3,852,941,315</b>	<b>532,448,003</b>	<b>3,320,493,312</b>
<b>Non current liabilities</b>			
Lease liabilities	1,241,077,595	1,241,077,595	-
<b>Total Non-Current Liabilities</b>	<b>1,356,147,937</b>	<b>1,241,077,595</b>	<b>115,070,342</b>
<b>EQUITY</b>			
Net profit / (loss) for the year	(121,798,191)	(57,496,419)	(64,301,772)
<b>Shareholder's equity</b>	<b>149,155,025</b>	<b>(57,496,419)</b>	<b>206,651,444</b>
<b>Total Equity</b>	<b>150,055,634</b>	<b>(57,496,419)</b>	<b>207,552,053</b>
<b>TOTAL LIABILITIES AND EQUITY</b>	<b>5,359,144,886</b>	<b>1,716,029,179</b>	<b>3,643,115,707</b>

**ŞOK MARKETLER TİCARET A.Ş. AND ITS SUBSIDIARIES**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE INTERIM PERIOD 1 JANUARY - 30 JUNE 2019

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

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

**2.6 Application of new and revised IFRSs (Continued)**

*a) Standards, amendments and interpretations applicable as at 30 June 2019 (continued):*

- IFRS 16, ‘Leases’;

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

	<b>1 January- 30 June 2019</b>	<b>IFRS 16 Effect</b>	<b>Before IFRS 16</b>
Revenue	7,515,151,635	-	7,515,151,635
Cost of sales (-)	(5,778,474,537)	-	(5,778,474,537)
<b>Gross profit</b>	<b>1,736,677,098</b>	<b>-</b>	<b>1,736,677,098</b>
Marketing and sales expenses (-)	(1,305,016,929)	132,660,216	(1,437,677,145)
General administrative expenses (-)	(48,292,568)	682,200	(48,974,768)
Other income from operating activities	7,110,763	-	7,110,763
Other expenses from operating activities (-)	(10,545,805)	-	(10,545,805)
<b>Operating profit</b>	<b>379,932,559</b>	<b>133,342,416</b>	<b>246,590,143</b>
Financial expense	(568,856,078)	(205,212,940)	(363,643,138)
Financial income	33,599,838	-	33,599,838
<b>Loss from continuing operations before taxation</b>	<b>(155,323,681)</b>	<b>(71,870,524)</b>	<b>(83,453,157)</b>
Income tax expense	(926,950)		(926,950)
Deferred tax income / (expense)	34,182,340	14,374,105	19,808,235
<b>PROFIT / (LOSS) FOR THE PERIOD</b>	<b>(122,068,291)</b>	<b>(57,496,419)</b>	<b>(64,571,872)</b>

**ŞOK MARKETLER TİCARET A.Ş. AND ITS SUBSIDIARIES**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE INTERIM PERIOD 1 JANUARY - 30 JUNE 2019

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

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

**2.6 Application of new and revised IFRSs (Continued)**

*a) Standards, amendments and interpretations applicable as at 30 June 2019 (continued):*

- IFRS 16, ‘Leases’;

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

	<b>1 April- 30 June 2019</b>	<b>IFRS 16 Effect</b>	<b>Before IFRS 16</b>
Revenue	3,991,750,091	-	3,991,750,091
Cost of sales (-)	(3,035,799,032)	-	(3,035,799,032)
<b>Gross profit</b>	<b>955,951,059</b>	<b>-</b>	<b>955,951,059</b>
Marketing and sales expenses (-)	(675,913,667)	70,343,787	(746,257,454)
General administrative expenses (-)	(22,253,386)	682,200	(22,935,586)
Other income from operating activities	6,757,377	-	6,757,377
Other expenses from operating activities (-)	(9,343,719)	-	(9,343,719)
<b>Operating profit</b>	<b>255,197,664</b>	<b>71,025,987</b>	<b>184,171,677</b>
Financial expense	(303,134,892)	(111,740,433)	(191,394,459)
Financial income	13,924,135	-	13,924,135
<b>Loss from continuing operations before taxation</b>	<b>(34,013,093)</b>	<b>(40,714,446)</b>	<b>6,701,353</b>
Income tax expense	146,654	-	146,654
Deferred tax income / (expense)	9,275,588	8,142,889	1,132,699
<b>PROFIT / (LOSS) FOR THE PERIOD</b>	<b>(24,590,851)</b>	<b>(32,571,557)</b>	<b>7,980,706</b>

**ŞOK MARKETLER TİCARET A.Ş. AND ITS SUBSIDIARIES**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE INTERIM PERIOD 1 JANUARY - 30 JUNE 2019

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

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

**2.6 Application of new and revised IFRSs (Continued)**

*a) Standards, amendments and interpretations applicable as at 30 June 2019 (continued):*

- IFRS 16, ‘Leases’;

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

	<b>1 January- 30 June 2019</b>	<b>IFRS 16 Effect</b>	<b>Before IFRS 16</b>
<b>A. Cash Generated by Operating Activities</b>			
(Loss) / profit for the period	(122,068,291)	(57,496,419)	(64,571,872)
<b>Adjustments related to reconciliation of net (loss) / (profit) for the period</b>			
-Depreciation and amortization	294,030,722	185,941,454	108,089,268
-Tax (income) / expenses	(33,255,389)	(14,374,105)	(18,881,284)
-Interest expenses	279,003,595	205,212,940	73,790,655
<b>Cash generated by / (used in) operations before changes in working capital</b>	<b>404,099,551</b>	<b>319,283,870</b>	<b>84,815,681</b>
Changes in working capital :			
Changes in prepaid expenses	(10,825,525)	2,628,835	(13,454,360)
<b>Cash used in operations</b>	<b>612,342,294</b>	<b>321,912,705</b>	<b>290,429,589</b>
<b>Net cash generated by operating activities:</b>	<b>600,704,905</b>	<b>321,912,705</b>	<b>278,792,200</b>
<b>B. INVESTING ACTIVITIES</b>			
<b>Net cash used in investing activities</b>	<b>(172,902,278)</b>	-	<b>(172,902,278)</b>
<b>C. FINANCING ACTIVITIES</b>			
Interest payments of lease liabilities	(205,212,940)	(205,212,940)	-
Payments of lease liabilities	(116,699,765)	(116,699,765)	-
<b>Net cash (used in) / generated from financing activities</b>	<b>(432,266,534)</b>	<b>(321,912,705)</b>	<b>(110,353,829)</b>
<b>NET CHANGE IN CASH AND CASH EQUIVALENTS (A+B+C)</b>	<b>(4,463,907)</b>	-	<b>(4,463,907)</b>
<b>Cash flows of discontinued operation</b>	-	-	-
<b>D. CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE PERIOD</b>	<b>354,087,758</b>	-	<b>354,087,758</b>
<b>E. CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD (A+B+C+D)</b>	<b>349,623,851</b>	-	<b>349,623,851</b>

## ŞOK MARKETLER TİCARET A.Ş. AND ITS SUBSIDIARIES

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE INTERIM PERIOD 1 JANUARY - 30 JUNE 2019

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

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

### 2.6 Application of new and revised IFRSs (Continued)

#### a) *Standards, amendments and interpretations applicable as at 30 June 2019 (continued):*

- **Annual improvements 2015-2017;** effective from annual periods beginning on or after 1 January 2019. These amendments include minor changes to:
  - IFRS 3, ‘Business combinations’, – a company remeasures its previously held interest in a joint operation when it obtains control of the business.
  - IFRS 11, ‘Joint arrangements’, – a company does not remeasure its previously held interest in a joint operation when it obtains joint control of the business.
  - IAS 12, ‘Income taxes’ – a company accounts for all income tax consequences of dividend payments in the same way.
  - IAS 23, ‘Borrowing costs’ – a company treats as part of general borrowings any borrowing originally made to develop an asset when the asset is ready for its intended use or sale.
- **Amendments to IAS 19, ‘Employee benefits’ on plan amendment, curtailment or settlement’;** effective from annual periods beginning on or after 1 January 2019. These amendments require an entity to:
  - use updated assumptions to determine current service cost and net interest for the remainder of the period after a plan amendment, curtailment or settlement; and
  - recognise in profit or loss as part of past service cost, or a gain or loss on settlement, any reduction in a surplus, even if that surplus was not previously recognised because of the impact of the asset ceiling.

#### b) *Standards, amendments and interpretations that are issued but not effective as at 30 June 2019:*

- **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.
- **IFRS 17, ‘Insurance contracts’;** effective from annual periods beginning on or after 1 January 2021. This standard replaces IFRS 4, which currently permits a wide variety of practices in accounting for insurance contracts. IFRS 17 will fundamentally change the accounting by all entities that issue insurance contracts and investment contracts with discretionary participation features.

With the exception of IFRS 16, the Group is in the process of assessing the impact of the standards, amendments or improvements on the financial position or performance of the Group and no significant effect is expected.

## ŞOK MARKETLER TİCARET A.Ş. AND ITS SUBSIDIARIES

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE INTERIM PERIOD 1 JANUARY - 30 JUNE 2019

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

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

### 2.7 Summary of Significant Accounting Policies

#### 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. When the control of the goods or services is transferred to the customers, the related amount is reflected to the 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 68% of total revenue was made in cash and 32% in credit card in the financial reporting period ending on 30 June 2019. At the same reporting period the Group collected receivables from sales with credit cards which originally have 32 days maturity by bearing the relevant financing cost in 1 day approximately.

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

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.

## ŞOK MARKETLER TİCARET A.Ş. AND ITS SUBSIDIARIES

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE INTERIM PERIOD 1 JANUARY - 30 JUNE 2019

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

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

### 2.7 Summary of Significant Accounting Policies (Continued)

#### 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.

#### 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.

## ŞOK MARKETLER TİCARET A.Ş. AND ITS SUBSIDIARIES

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE INTERIM PERIOD 1 JANUARY - 30 JUNE 2019

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

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

### 2.7 Summary of Significant Accounting Policies (Continued)

#### Business combinations (Continued)

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.

## ŞOK MARKETLER TİCARET A.Ş. AND ITS SUBSIDIARIES

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE INTERIM PERIOD 1 JANUARY - 30 JUNE 2019

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

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

### 2.7 Summary of Significant Accounting Policies (Continued)

#### Leasing

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

#### IFRS 16 “Leases”

#### The 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.

#### 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 TMS16 “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 TAS 36 Impairment of Assets to determine whether the right-of-use asset is impaired and to account for any impairment loss identified.

## ŞOK MARKETLER TİCARET A.Ş. AND ITS SUBSIDIARIES

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE INTERIM PERIOD 1 JANUARY - 30 JUNE 2019

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

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

### 2.7 Summary of Significant Accounting Policies (Continued)

#### IFRS 16 "Leases" (Continued)

##### 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:

- 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 account for a lease modification as a separate lease if both:

The Group determines its revised lease payments related to the remaining leasing period considering its payments related to the revised agreement. Under these circumstances, the Group uses an unadjusted interest rate.

## ŞOK MARKETLER TİCARET A.Ş. AND ITS SUBSIDIARIES

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE INTERIM PERIOD 1 JANUARY - 30 JUNE 2019

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

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

##### 2.7 Summary of Significant Accounting Policies (Continued)

###### IFRS 16 “Leases” (Continued)

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.

Leases with a lease term of 12 months or less and leases of low-value assets determined by the Group are evaluated in scope of the exemption of IFRS 16 and payments associated with those leases are recognised on a straight-line basis as an expense in profit or loss.

###### 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.

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.

## ŞOK MARKETLER TİCARET A.Ş. AND ITS SUBSIDIARIES

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE INTERIM PERIOD 1 JANUARY - 30 JUNE 2019

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

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

### 2.7 Summary of Significant Accounting Policies (Continued)

#### Borrowing Costs

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

#### **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 Company 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.

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:

## ŞOK MARKETLER TİCARET A.Ş. AND ITS SUBSIDIARIES

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE INTERIM PERIOD 1 JANUARY - 30 JUNE 2019

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

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

### 2.7 Summary of Significant Accounting Policies (Continued)

#### Financial assets (Continued)

##### (i) Amortised cost and effective interest method (Continued)

(a) Credit-impaired financial assets when purchased or generated. For such financial assets, the Company 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 Company 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 22).

##### (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.

## ŞOK MARKETLER TİCARET A.Ş. AND ITS SUBSIDIARIES

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE INTERIM PERIOD 1 JANUARY - 30 JUNE 2019

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

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

### 2.7 Summary of Significant Accounting Policies (Continued)

#### 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 Company 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.

The Company does not reclassify any financial liability.

##### 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.

## ŞOK MARKETLER TİCARET A.Ş. AND ITS SUBSIDIARIES

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE INTERIM PERIOD 1 JANUARY - 30 JUNE 2019

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

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

### 2.7 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 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 Company restates its financial statements if such subsequent events arise which require to adjust 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.

## ŞOK MARKETLER TİCARET A.Ş. AND ITS SUBSIDIARIES

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE INTERIM PERIOD 1 JANUARY - 30 JUNE 2019

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

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

### 2.7 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 Company’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.

#### Taxation

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

#### 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.

## ŞOK MARKETLER TİCARET A.Ş. AND ITS SUBSIDIARIES

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE INTERIM PERIOD 1 JANUARY - 30 JUNE 2019

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

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

### 2.7 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.

Cash flows from operating activities represent cash flows generated from fast-moving consuming goods sales of the Group.

## ŞOK MARKETLER TİCARET A.Ş. AND ITS SUBSIDIARIES

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE INTERIM PERIOD 1 JANUARY - 30 JUNE 2019

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

#### **2. BASIS OF PRESENTATION OF THE FINANCIAL STATEMENTS (Continued)**

##### **2.7 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.

##### **2.8 Critical Accounting Judgments and Key Sources of Estimation Uncertainty**

In the process of applying the Group’s accounting policies, which are described in Note 2.7, 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 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 expects net profit in 2019 and 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 1,600,093,999. The Group recorded deferred tax assets with 22% ratio by using its losses in 2019 and 2020 due to the fact that the corporate tax rate is 22% in related years.

## ŞOK MARKETLER TİCARET A.Ş. AND ITS SUBSIDIARIES

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE INTERIM PERIOD 1 JANUARY - 30 JUNE 2019

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

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

##### 2.8 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 7,814,310 is recognized for net realizable value of inventories (31 December 2018: TL 10,297,215).

###### Impairment of goodwill

In accordance with the accounting policy stated in Note 2.7, goodwill is annually tested by the Group for impairment. The recoverable value of cash generating units is determined on the basis of fair value.

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 the management concludes that there is no impairment of goodwill associated with cash-generating units.

###### Provisions

In accordance with the accounting policy in Note 2.7, 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 30 June 2019 and 31 December 2018 the Group evaluated the current risks and booked the required provisions (Note 15). As of 30 June 2019, the provision for the related lawsuits amounted to TL 38,326,314 (2018: TL 37,295,795).

###### 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 2.7.

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 30 June 2019. If the life of the brands was determined as 20 years, loss before tax would increase by TL 2,135,000 (31 December 2018: TL 4,270,000) due to the extinguishment of the brands.

###### 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 2018: TL 602,824,230).

## ŞOK MARKETLER TİCARET A.Ş. AND ITS SUBSIDIARIES

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE INTERIM PERIOD 1 JANUARY - 30 JUNE 2019

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

#### 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

	30 June 2019	31 December 2018
Cash on hand	144,680,341	105,293,703
Cash at banks	116,116,692	226,116,326
Time deposits	68,784,000	220,374,000
Demand deposits	47,332,692	5,742,326
Credit card receivables	88,826,818	22,677,729
Cash and cash equivalents	<u>349,623,851</u>	<u>354,087,758</u>

As of 30 June 2019 the Group has no blocked deposits (31 December 2018: TL 26,036,441). As of 30 June 2019 the Group has decided to classify the cash in transit and credit card receivables in the cash and cash equivalents line. Accordingly as of 31 December 2018, cash in transit balances amounting to TL 35,022,881 has been reclassified to cash on hand and credit card receivables amounting to TL 22,677,729 were reclassified to demand deposits. As of 30 June 2019 the Group's average interest rate on overnight time deposits is 23.50% (31 December 2018: 23.25%). Explanations about the nature and level of risks related to cash and cash equivalents are provided in Note 26.

#### 6. FINANCIAL BORROWINGS

	30 June 2019	31 December 2018
<u>Financial Borrowings</u>		
a) Bank Borrowings	75,778,962	75,397,282
b) Leasing Payables	162,343,841	208,846,814
b) Other Financial Debts	<u>1,773,525,598</u>	-
	<u>2,011,648,401</u>	<u>284,244,096</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) Bank Borrowings:

Details of bank borrowings are as follows:

<u>Currency Type</u>	<u>Weighted Average Effective Interest Rate</u>	<u>30 June 2019</u>	
		<u>Current</u>	<u>Non-current</u>
TL	25.91%	75,778,962	-

  

<u>Currency Type</u>	<u>Weighted Average Effective Interest Rate</u>	<u>31 December 2018</u>	
		<u>Current</u>	<u>Non-current</u>
TL	24.02%	75,397,282	-

  

	30 June 2019	31 December 2018
To be paid within 1 year	<u>75,778,962</u>	<u>75,397,282</u>
	<u>75,778,962</u>	<u>75,397,282</u>

## ŞOK MARKETLER TİCARET A.Ş. AND ITS SUBSIDIARIES

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE INTERIM PERIOD 1 JANUARY - 30 JUNE 2019

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

#### 6. FINANCIAL BORROWINGS (Continued)

##### b) Financial Leasing Payables

	Minimum Leasing Payable		Minimum Leasing Payable	
			Net Present Value	
	30 June 2019	31 December 2018	30 June 2019	31 December 2018
Leasing Payables				
Within 1 year	111,858,848	125,301,302	94,951,426	101,967,392
Between 1-5 years	73,582,407	119,622,007	67,392,415	106,879,422
Less: future financial expense	(23,097,414)	(36,076,495)	-	-
Leasing obligation net present value	<u>162,343,841</u>	<u>208,846,814</u>	<u>162,343,841</u>	<u>208,846,814</u>
Less : liabilities to paid within 12 months (presented in short term liabilities)			(94,951,426)	(101,967,392)
Liabilities to paid after 12 months			<u>67,392,415</u>	<u>106,879,422</u>

As of 30 June 2019 net book value of property and equipment acquired by financial lease is TL 173,362,991 (31 December 2018: TL 207,754,161). 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 remaining 4 years. The Group’s obligations under finance leases are secured by the lessors’ title to the leased assets.

##### c) Lease Liabilities

	30 June 2019	31 December 2018
Lease liabilities		
Short term lease liabilities	532,448,003	-
Long term lease liabilities	1,241,077,595	-
	<u>1,773,525,598</u>	<u>-</u>

As of 30 June 2019, the net book value of the right of use assets arising from lease liabilities is TL 1,704,283,909. The discount rate used is between 24% and 28%.

##### d) 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 2019	Financing cash flows	Non cash		30 June 2019
			Interest accrual	Other	
Bank borrowings	75,397,282	(106,395)	488,075	-	75,778,962
Leasing payables	208,846,814	(46,502,973)	-	-	162,343,841
Lease liabilities	-	(116,699,765)	-	1,666,225,846	1,549,526,081
	<u>284,244,096</u>	<u>(163,309,133)</u>	<u>488,075</u>	<u>1,666,225,846</u>	<u>1,787,648,884</u>

	1 January 2019	Financing cash flows	Non cash		30 June 2018
			Interest accrual	Other	
Bank borrowings	1,402,437,385	(1,102,962,228)	(43,420,947)	-	256,054,210
Leasing payables	306,573,922	(47,792,075)	-	376,802	259,158,649
	<u>1,709,011,307</u>	<u>(1,150,754,303)</u>	<u>(43,420,947)</u>	<u>376,802</u>	<u>515,212,859</u>

## ŞOK MARKETLER TİCARET A.Ş. AND ITS SUBSIDIARIES

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE INTERIM PERIOD 1 JANUARY - 30 JUNE 2019

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

#### 7. TRADE RECEIVABLES AND PAYABLES

	30 June 2019	31 December 2018
<u>Current trade receivables</u>		
Customers - Non related	103,866,383	50,437,027
Trade receivables from related parties (Note 25)	24,855,536	27,362,610
Allowance for doubtful receivables (-)	(8,145,765)	(8,259,855)
	<u>120,576,154</u>	<u>69,539,782</u>

The Group's average period for collection of receivables is 3 days when wholesale revenue is taken into consideration (31 December 2018:2 days). As of 30 June 2019 the Group has decided to classify the cash in transit and credit card receivables in the cash and cash equivalents line. Accordingly as of 31 December 2018, cash in transit balances amounting to TL 35,022,881 has been reclassified to cash on hand and credit card receivables amounting to TL 22,677,729 were reclassified to demand deposits.

There are no guarantee letters obtained for trade receivables as of 30 June 2019 and 31 December 2018. As of 30 June 2019 the Group provided allowance for doubtful receivables amounting to TL 8,145,765 based on reference to past default experience (31 December 2018: TL 8,259,855).

As of 30 June 2019 and 2018 the movements of allowance for doubtful receivables are as follows:

	1 January- 30 June 2019	1 January- 30 June 2018
<u>Movement of Allowance for Doubtful Receivables</u>		
Balance at beginning of the period	(8,259,855)	(8,418,377)
Charge for the year (Not 22)	-	(3,198)
Foreign exchange gain / (loss)	-	(122,142)
Collections	114,090	175,504
Closing balance	<u>(8,145,765)</u>	<u>(8,368,213)</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 has concluded that, with the discontinuation of Teközel's Non-Şok operations in 2018, 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.

**ŞOK MARKETLER TİCARET A.Ş. AND ITS SUBSIDIARIES****NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE INTERIM PERIOD 1 JANUARY - 30 JUNE 2019**

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

**7. TRADE RECEIVABLES AND PAYABLES (Continued)**

	30 June 2019	31 December 2018
<u>Short term trade payables</u>		
Vendors - Non related	2,516,926,550	2,126,940,935
Due to related parties (Note 25)	352,928,244	357,587,212
	<u>2,869,854,794</u>	<u>2,484,528,147</u>

The interest rate used for discount of trade payables is 24.59% (31 December 2018: 23.49%), weighted average maturity is 89 days (2018: 99 days).

As of 30 June 2019 and 31 December 2018, 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**

	30 June 2019	31 December 2018
<u>Short term other receivables</u>		
VAT receivables	5,127,880	1,205,352
Insurance receivables	2,678,194	2,284,423
Receivables from social security premium	3,505	3,605
Other receivables	133,266	146,540
	<u>7,942,845</u>	<u>3,639,920</u>

	30 June 2019	31 December 2018
<u>Other short term payables</u>		
Deposits and guarantees	500,000	-
Other	200,464	555,874
	<u>700,464</u>	<u>555,874</u>

	30 June 2019	31 December 2018
<u>Other long term receivables</u>		
Guarantee and deposits given	15,293,083	13,380,154
	<u>15,293,083</u>	<u>13,380,154</u>

	30 June 2019	31 December 2018
<u>Other long term payables</u>		
Deposits and guarantees	999,222	885,105
	<u>999,222</u>	<u>885,105</u>

## ŞOK MARKETLER TİCARET A.Ş. AND ITS SUBSIDIARIES

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE INTERIM PERIOD 1 JANUARY - 30 JUNE 2019

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

#### 9. INVENTORIES

	30 June 2019	31 December 2018
Trade goods	1,094,192,909	868,276,701
Allowance for diminution in value of inventories (-)	(7,814,310)	(10,297,215)
Other inventory	13,659,635	14,481,717
	<u>1,100,038,234</u>	<u>872,461,203</u>

  

	1 January 30 June 2019	1 January 30 June 2018
<u>Movement of allowance for net realizable value of inventories (-)</u>		
Balance at beginning of the year	10,297,215	5,208,706
Allowance released	(10,297,215)	-
Charge for the year	7,814,310	4,462,226
Closing balance	<u>7,814,310</u>	<u>9,670,932</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 7,814,310 has been booked as of 30 June 2019 (30 June 2019 TL 9,670,932), net realizable value of inventories is TL 55,063,952 (31 December 2018: TL 17,162,025).

#### 10. PREPAID EXPENSES AND DEFERRED INCOME

	30 June 2019	31 December 2018
<u>Short term prepaid expenses</u>		
Prepaid expenses	20,483,906	10,449,212
Work advances given	17,965	17,965
	<u>20,501,871</u>	<u>10,467,177</u>

  

	30 June 2019	31 December 2018
<u>Short term deferred income</u>		
Received advances	10,721,949	8,716,114
Unearned revenues	5,885,761	5,649,718
	<u>16,607,710</u>	<u>14,365,832</u>

  

	30 June 2019	31 December 2018
<u>Long term deferred income</u>		
Unearned revenues	1,439,984	4,472,693
	<u>1,439,984</u>	<u>4,472,693</u>

**ŞOK MARKETLER TİCARET A.Ş. AND ITS SUBSIDIARIES****NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE INTERIM PERIOD 1 JANUARY - 30 JUNE 2019**

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

**11. RIGHT OF USE ASSETS**

<u>Cost</u>	<u>Stores</u>	<u>Warehouses</u>	<u>Vehicles</u>	<u>Total</u>
Additions	1,716,522,519	154,140,818	19,562,026	1,890,225,363
Disposals	(1,728,041)	-	(107,122)	(1,835,163)
Closing balance as of 30 June 2019	<u>1,714,794,478</u>	<u>154,140,818</u>	<u>19,454,904</u>	<u>1,888,390,200</u>
<b><u>Accumulated Amortization</u></b>				
Charge for the year	162,134,773	16,195,419	7,611,262	185,941,454
Disposals	(1,728,041)	-	(107,122)	(1,835,163)
Closing balance as of 30 June 2019	<u>160,406,732</u>	<u>16,195,419</u>	<u>7,504,140</u>	<u>184,106,291</u>
Carrying value as of 30 June 2019	<u>1,554,387,746</u>	<u>137,945,399</u>	<u>11,950,764</u>	<u>1,704,283,909</u>

Depreciation expenses related to right of use assets amounting to TL 185,941,454 booked in marketing and selling expenses.

**12. PROPERTY AND EQUIPMENT**

	<u>Machinery and Equipment</u>	<u>Furniture and Fixture</u>	<u>Leasehold Improvements</u>	<u>Total</u>
<b><u>Cost</u></b>				
Opening balance as of 1 January 2019	87,784,959	1,222,647,953	454,005,272	1,764,438,184
Additions	84,860	143,863,962	32,646,763	176,595,585
Disposals	(88,387)	(1,711,971)	(2,821,162)	(4,621,520)
Closing balance as of 30 June 2019	<u>87,781,432</u>	<u>1,364,799,944</u>	<u>483,830,873</u>	<u>1,936,412,249</u>
<b><u>Accumulated Depreciation</u></b>				
Opening balance as of 1 January 2019	83,710,345	520,858,100	179,423,470	783,991,915
Charge of the year	519,352	82,013,294	22,824,989	105,357,635
Disposals	(88,387)	(1,711,971)	(1,136,028)	(2,936,386)
Closing balance as of 30 June 2019	<u>84,141,310</u>	<u>601,159,423</u>	<u>201,112,431</u>	<u>886,413,164</u>
Carrying value as of 30 June 2019	<u>3,640,122</u>	<u>763,640,521</u>	<u>282,718,442</u>	<u>1,049,999,085</u>

**ŞOK MARKETLER TİCARET A.Ş. AND ITS SUBSIDIARIES****NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE INTERIM PERIOD 1 JANUARY - 30 JUNE 2019**

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

**12. PROPERTY AND EQUIPMENT (Continued)**

	<u>Machinery and Equipment</u>	<u>Furniture and Fixture</u>	<u>Leasehold Improvements</u>	<u>Total</u>
<b><u>Cost</u></b>				
Opening balance as of 1 January 2018	87,791,540	988,509,735	386,076,618	1,462,377,893
Additions	18,750	149,328,263	32,564,457	181,911,470
Disposals		(578,927)	(5,287,956)	(5,866,883)
Closing balance as of 30 June 2018	<u>87,810,290</u>	<u>1,137,259,071</u>	<u>413,353,119</u>	<u>1,638,422,480</u>
<b><u>Accumulated Depreciation</u></b>				
Opening balance as of 1 January 2018	82,010,078	380,627,844	150,209,857	612,847,779
Charge of the year	1,004,388	72,772,592	20,290,985	94,067,965
Disposals	(1,736)	(338,406)	(4,094,122)	(4,434,264)
Closing balance as of 30 June 2018	<u>83,012,730</u>	<u>453,062,030</u>	<u>166,406,720</u>	<u>702,481,480</u>
Carrying value as of 30 June 2018	<u>4,797,560</u>	<u>684,197,041</u>	<u>246,946,399</u>	<u>935,941,000</u>

There is insurance coverage amounting to TL 977,487,223 on the furniture and fixtures and machinery. (31 December 2018: TL 906,580,360). No furniture and fixture was purchased via financial leasing for the period (31 December 2018: None) Net book value of leased property and equipment is TL 173,362,991 (30 June 2018: TL 243,983,133).

Current depreciation expense related to fixed assets amounting to TL 104,270,621 (2018: TL 93,093,442) booked in marketing and selling expenses and TL 1,087,014 booked in general administrative expenses (2018: TL 974,523) (Note 21).

**ŞOK MARKETLER TİCARET A.Ş. AND ITS SUBSIDIARIES****NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE INTERIM PERIOD 1 JANUARY - 30 JUNE 2019**

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

**13. INTANGIBLE ASSETS**

<b><u>Cost</u></b>	<b><u>Trademarks</u></b>	<b><u>Rights</u></b>	<b><u>Total</u></b>
Opening balance as of 1 January 2019	85,675,510	37,362,066	123,037,576
Additions	-	3,100,421	3,100,421
Disposals	-	(193,734)	(193,734)
Closing balance as of 30 June 2019	<u>85,675,510</u>	<u>40,268,753</u>	<u>125,944,263</u>
<b><u>Accumulated Amortization</u></b>			
Opening balance as of 1 January 2019	-	20,125,443	20,125,443
Charge for the year	-	2,731,633	2,731,633
Disposals	-	(73,344)	(73,344)
Closing balance as of 30 June 2019	<u>-</u>	<u>22,783,732</u>	<u>22,783,732</u>
Carrying value as of 30 June 2019	<u>85,675,510</u>	<u>17,485,021</u>	<u>103,160,531</u>

<b><u>Cost</u></b>	<b><u>Trademarks</u></b>	<b><u>Rights</u></b>	<b><u>Total</u></b>
Opening balance as of 1 January 2018	85,675,510	24,840,723	110,516,233
Additions	-	4,133,067	4,133,067
Disposals	-	(60,199)	(60,199)
Closing balance as of 30 June 2018	<u>85,675,510</u>	<u>28,913,591</u>	<u>114,589,101</u>
<b><u>Accumulated Amortization</u></b>			
Opening balance as of 1 January 2018	-	12,431,253	12,431,253
Charge for the year	-	2,341,508	2,341,508
Disposals	-	(50,668)	(50,668)
Closing balance as of 30 June 2018	<u>-</u>	<u>14,722,093</u>	<u>14,722,093</u>
Carrying value as of 30 June 2018	<u>85,675,510</u>	<u>14,191,498</u>	<u>99,867,008</u>

The amortization expense of intangible assets amounting to TL 2,731,663 is presented in marketing and selling expenses (2018: TL 2,341,508) (Note 21).

Assumptions used for brand impairment are explained in Note 2.8.

## ŞOK MARKETLER TİCARET A.Ş. AND ITS SUBSIDIARIES

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE INTERIM PERIOD 1 JANUARY - 30 JUNE 2019

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

#### 14. GOODWILL

The movement of the goodwill for the periods ended 30 June 2019 and 2018 is as follows:

	1 January- 30 June 2019	1 January- 30 June 2018
Opening balance	578,942,596	578,942,596
Closing balance	578,942,596	578,942,596

Detail of goodwill for the periods ended 30 June 2019 and 31 December 2018 is as follows:

Company	Acquisition date	30 June 2019	31 December 2018
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	-	3,958,800	3,958,800
		578,942,596	578,942,596

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 30 June 2019 and 31 December 2018 are as follows:

	30 June 2019	31 December 2018
Lawsuits	38,326,314	37,295,795
	38,326,314	37,295,795

Provisions for lawsuits as of 30 June 2019 and 2018 are as follows:

	1 January- 30 June 2019	1 January- 30 June 2018
Balance at 1 January	37,295,795	30,856,336
Additional provisions recognized (Note 22)	2,188,552	2,496,562
Payments	(1,158,033)	
Balance at 30 June	38,326,314	33,352,898

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 30 June 2019, the provision amount related with the lawsuits is amounting to TL 38,326,314 (31 December 2018: TL 37,295,795).

## ŞOK MARKETLER TİCARET A.Ş. AND ITS SUBSIDIARIES

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE INTERIM PERIOD 1 JANUARY - 30 JUNE 2019

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

#### 15. PROVISIONS, CONTINGENT LIABILITIES, CONTINGENT ASSETS (Continued)

In addition, fixed assets acquired with financial lease of the Group are pledged in favor of the lessor (Note 6). The book value of these liabilities is TL 173,362,991 (31 December 2018: TL 207,754,161).

#### 16. COMMITMENTS

	30 June 2019	31 December 2018
A. CPM's given in the name of its own legal personality (*)		
<i>-Guarantees</i>	3,091,860	10,524,330
<i>-Mortgages</i>	-	-
<i>-Pledges</i>	-	-
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		
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>7,392,600</u>	<u>14,825,070</u>

(\*) TL 7,392,600 of this figure relates to non-cash risks.

The ratio of given CPM's by the Group to equity is 0% as of 30 June 2019 (2018: 0%).

## ŞOK MARKETLER TİCARET A.Ş. AND ITS SUBSIDIARIES

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE INTERIM PERIOD 1 JANUARY - 30 JUNE 2019

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

#### 17. EMPLOYEE BENEFITS

Liabilities within the scope of employee benefits:

	30 June 2019	31 December 2018
<u>Short-term benefits</u>		
Due to personnel	83,150,791	65,282,654
Social security premiums payable	60,239,504	23,358,308
	<u>143,390,295</u>	<u>88,640,962</u>
	30 June 2019	31 December 2018
<u>Provisions for short term employee benefits</u>		
Provision for unused vacation short term	20,317,128	15,007,661
	<u>20,317,128</u>	<u>15,007,661</u>

The movement of provisions for unused vacation for the periods ended 30 June 2019 and 2018 is as follows:

	1 January- 30 June 2019	1 January- 30 June 2018
Opening balance at 1 January	44,349,385	37,792,822
Charge for the period	8,878,567	11,055,480
Payments	(3,308,859)	(3,159,323)
Closing balance at 30 June	<u>49,919,093</u>	<u>45,688,979</u>

	30 June 2019	31 December 2018
<u>Provisions for long term employee benefits</u>		
Provision for unused vacation long term	29,601,965	29,341,724
Retirement pay provision	15,636,756	12,245,551
	<u>45,238,721</u>	<u>41,587,275</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 6,017.60 for each period of service at 30 June 2019 (31 December 2018: TL 5,434.42).

The liability is not funded, as there is no funding requirement. The provision is calculated by estimating the present value 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 30 June 2019, 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 9.69% and a discount rate of 14.81%, resulting in a real discount rate of approximately 4.67% (31 December 2018: 4.67%). Ceiling amount of TL 6,379.86 which is in effect since 1 April 2019 is used in the calculation of Groups' provision for retirement pay liability (1 January 2019: TL 6,017.60). The probability of retirement is considered as 94.1% and 55.1% for white collar and blue collar personnel, respectively.



## ŞOK MARKETLER TİCARET A.Ş. AND ITS SUBSIDIARIES

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE INTERIM PERIOD 1 JANUARY - 30 JUNE 2019

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

#### 19. CAPITAL, RESERVES AND OTHER EQUITY ITEMS

Shareholder structure as of 30 June 2019 and 31 December 2018 is stated below:

Shareholders	%	30 June 2019	%	31 December 2018
Turkish Retail Investments B.V.	24	144,000,000	24	144,000,000
Gözde Girişim Sermayesi Yat.Ort. A.Ş.	23	140,400,327	23	140,400,327
Templeton Strategic Emerging Markets Fund IV.LDC	6	36,000,000	6	36,000,000
Yıldız Holding A.Ş. (**)	5	33,428,571	5	33,428,571
Turkish Holdings IV Cooperatief U.A.	5	31,571,531	6	36,000,000
Free Float and other	37	226,528,142	36	222,099,673
Nominal Capital	100	<u>611,928,571</u>	100	<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 2018: 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 30 June 2019 restricted reserves is TL 260,000 (31 December 2018: TL 260,000).

#### *Actuarial Loss / Gain*

As of 30 June 2019, actuarial loss / gain is negative TL 11,947,850 (31 December 2018: negative TL 11,519,461).

#### *Effect of transactions under common control*

As of 30 June 2019 effect of mergers involving undertakings or businesses subject to common control is negative TL 567,113,628 (31 December 2018: negative TL 602,824,230).

#### *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*

The amount of TL 199,789,445 arising from the transactions made within the scope of price stability transactions is presented under “Repurchased Shares” in the consolidated financial statements 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. TL 9,558,118 of the amount of TL 199,789,445 given to top management as performance premium. As a result of this transaction, TL 190,231,327 is presented under “Repurchased Shares” in the consolidated financial statements (31 December 2018: TL 199,789,445).

**ŞOK MARKETLER TİCARET A.Ş. AND ITS SUBSIDIARIES**

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE INTERIM PERIOD 1 JANUARY - 30 JUNE 2019**

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

**20. REVENUE AND COST OF SALES**

As of 30 June 2019 and 2018 the sales of Group are as follows:

**a) Revenue**

	1 January- 30 June 2019	1 April- 30 June 2019	1 January- 30 June 2018	1 April- 30 June 2018
Revenue from merchandises sold	7,591,506,024	4,032,391,015	5,508,573,717	2,915,196,978
Sales returns (-)	(76,354,389)	(40,640,924)	(55,149,163)	(31,284,027)
	<u>7,515,151,635</u>	<u>3,991,750,091</u>	<u>5,453,424,554</u>	<u>2,883,912,951</u>

**b) Cost of Sales**

	1 January- 30 June 2019	1 April- 30 June 2019	1 January- 30 June 2018	1 April- 30 June 2018
Cost of merchandises sold	(5,778,474,537)	(3,035,799,032)	(4,173,354,361)	(2,200,909,249)
	<u>(5,778,474,537)</u>	<u>(3,035,799,032)</u>	<u>(4,173,354,361)</u>	<u>(2,200,909,249)</u>

**21. MARKETING, SELLING AND GENERAL ADMINISTRATIVE EXPENSES**

	1 January- 30 June 2019	1 April- 30 June 2019	1 January- 30 June 2018	1 April- 30 June 2018
<b>Marketing and sales expenses</b>				
Personnel expenses	(694,394,390)	(360,294,905)	(530,774,935)	(272,895,443)
Depreciation and amortization expenses (Note: 11, 12, 13) (*)	(292,943,708)	(153,312,827)	(95,434,950)	(49,666,449)
Utility expenses	(116,969,865)	(61,416,994)	(70,297,826)	(37,539,733)
Transportation expenses	(94,521,438)	(46,703,781)	(69,750,321)	(39,203,609)
Advertising expenses	(28,509,544)	(14,665,939)	(27,372,536)	(14,401,466)
Rent expenses (*)	(18,886,101)	(7,765,847)	(254,338,251)	(131,825,934)
Packaging expenses	(7,478,571)	(4,053,767)	(23,125,076)	(12,841,068)
Maintenance expenses	(5,730,772)	(3,609,600)	(5,070,155)	(2,183,234)
Tax expenses and duties	(5,074,965)	(2,886,367)	(6,461,984)	(3,265,664)
Vehicle expenses	(4,444,757)	(2,479,945)	(11,153,537)	(7,159,666)
Other marketing and sales expenses	(36,062,818)	(18,723,695)	(24,801,734)	(11,277,931)
	<u>(1,305,016,929)</u>	<u>(675,913,667)</u>	<u>(1,118,581,305)</u>	<u>(582,260,197)</u>

(\*)IFRS 16 has been applied as of 1 January 2019. Excluding the related standard effect for the period between 1 January - 30 June 2019, depreciation and amortization expense is TL 107,002,254, vehicle expenses is TL 12,929,788 and rent expenses is TL 329,084,940 (In 2018, the IFRS 16 standard has not been applied).

**ŞOK MARKETLER TİCARET A.Ş. AND ITS SUBSIDIARIES**

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE INTERIM PERIOD 1 JANUARY - 30 JUNE 2019**

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

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

	1 January- 30 June 2019	1 April- 30 June 2019	1 January- 30 June 2018	1 April- 30 June 2018
<b>General administrative expenses</b>				
Personnel expenses	(28,180,578)	(11,920,248)	(14,634,500)	(4,717,856)
Cash collection expenses	(7,250,018)	(3,699,082)	(4,323,451)	(2,388,195)
Outsourced expenses	(3,482,803)	(1,736,666)	(3,204,747)	(1,504,230)
Information technology expenses	(3,042,984)	(1,816,693)	(2,298,607)	(1,230,433)
Tax expenses and duties	(2,467,737)	(1,336,181)	(1,732,826)	(829,889)
Amortization expenses (Note 12)	(1,087,014)	(552,517)	(974,523)	(477,178)
Rent expenses	-	-	(787,525)	(787,525)
Vehicle expenses	(527,751)	(278,906)	(531,178)	(335,386)
Other administrative expenses	(2,253,683)	(913,093)	(2,004,257)	(911,794)
	<u>(48,292,568)</u>	<u>(22,253,386)</u>	<u>(30,491,614)</u>	<u>(13,182,486)</u>

**22. OTHER INCOME AND EXPENSES FROM OPERATING ACTIVITIES**

	1 January- 30 June 2019	1 April- 30 June 2019	1 January- 30 June 2018	1 April- 30 June 2018
<b>Other income</b>				
Unused provision	114,089	(127,430)	175,504	54,679
Gain on sale of property and equipment	3,066,352	3,066,344	56,179	5,966
Other income	3,930,322	3,980,076	2,454,463	1,897,810
	<u>7,110,763</u>	<u>6,918,990</u>	<u>2,686,146</u>	<u>1,958,455</u>
<b>Other expense</b>				
Provision expense	(2,188,552)	(2,188,552)	(2,496,562)	(343,808)
One-off expenses	-	-	-	-
Loss on sale of property and equipment	(4,767,756)	(3,970,041)	(646,452)	(403,982)
Donations and aids	-	-	-	-
Allowance for doubtful receivables (Note 7)	-	-	(3,198)	(3,198)
Other expenses (-)	(3,589,497)	(3,346,739)	(9,489,377)	(6,791,679)
	<u>(10,545,805)</u>	<u>(9,505,332)</u>	<u>(12,635,589)</u>	<u>(7,542,667)</u>

## ŞOK MARKETLER TİCARET A.Ş. AND ITS SUBSIDIARIES

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE INTERIM PERIOD 1 JANUARY - 30 JUNE 2019

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

#### 23. FINANCIAL EXPENSES AND INCOME

For the periods ended 30 June 2019 and 2018 financial expenses are as follows:

	1 January- 30 June 2019	1 April- 30 June 2019	1 January- 30 June 2018	1 April- 30 June 2018
<b>Finance Expense</b>				
Financial expenses from credit purchases and discount on trade receivables	(288,854,951)	(154,012,861)	(196,712,242)	(107,357,708)
Interest on lease liabilities	(205,212,940)	(111,740,433)	-	-
POS cash collection expense	(45,806,140)	(22,929,670)	(22,707,351)	(12,022,131)
Interest on finance lease obligations	(13,129,350)	(6,001,941)	(20,065,739)	(9,860,019)
Interest on bank overdrafts and loans	(8,676,576)	(3,885,666)	(94,882,556)	(39,619,350)
Interest expense from related parties (Note 25)	(2,015,397)	(1,411,785)	(35,172,579)	(9,316,493)
Foreign exchange loss	(997,532)	(997,532)	(15,709,563)	(14,997,680)
Other	(4,163,192)	(2,155,004)	(1,280,605)	(826,905)
	<u>(568,856,078)</u>	<u>(303,134,892)</u>	<u>(386,530,635)</u>	<u>(194,000,286)</u>

For the periods ended 30 June 2019 and 2018 financial incomes are as follows:

	1 January- 30 June 2019	1 April- 30 June 2019	1 January- 30 June 2018	1 April- 30 June 2018
<b>Finance Income</b>				
Financial income from credit sales and discount on trade payables	26,165,919	11,118,329	32,504,179	2,859,671
Interest income	6,689,608	2,180,408	12,047,115	7,508,907
Foreign exchange gain	744,311	625,399	2,390,597	1,062,243
	<u>33,599,838</u>	<u>13,924,136</u>	<u>46,941,891</u>	<u>11,430,821</u>

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

	30 June 2019	31 December 2018
<i>Current tax asset / (liability)</i>		
Current corporate tax provision	(926,950)	(3,240,264)
Less: prepaid tax and funds	3,663,122	3,663,122
	<u>2,736,172</u>	<u>422,858</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 2019 is 22% (2018: 22%) for the Group.

In Turkey, advance tax returns are filed on a quarterly basis. Advance corporate income tax rate applied in 2019 is 22%. (2018: 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.

## ŞOK MARKETLER TİCARET A.Ş. AND ITS SUBSIDIARIES

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE INTERIM PERIOD 1 JANUARY - 30 JUNE 2019

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

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

##### *Corporate Tax (Continued):*

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.

##### *Income Tax Withholding:*

In addition to corporate taxes, companies should also calculate income withholding taxes and funds surcharge on any dividends distributed, except for companies receiving dividends who are Turkish residents and Turkish branches of foreign companies. Income withholding tax applied from 22 July 2006 is 15% upon the Council of Minister's' Resolution No: 2006/10731. Undistributed dividends incorporated in share capital are not subject to income withholding tax.

##### *Deferred tax:*

The Group recognizes deferred tax assets and liabilities based upon temporary differences arising between the 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 financial statements as of 30 June 2018 because the related temporary differences are not expected to be reversed in 2018, 2019 and 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	
	30 June 2019	31 December 2018	30 June 2019	31 December 2018
<u>Deferred tax assets / (liabilities) :</u>				
Losses to be deducted from prior year losses	1,600,093,999	1,474,050,589	334,510,095	309,301,413
Property and equipment and intangible assets	(314,280,815)	(292,572,083)	(62,856,163)	(58,514,417)
Leasing rights and obligations	71,882,560	-	14,376,512	-
Inventory	132,200,425	115,395,770	26,440,085	23,079,154
Provision for retirement payments	45,238,721	41,587,275	3,131,417	2,449,616
Unused vacation provision	20,317,128	15,007,661	9,986,712	8,872,014
Effect of amortized cost method on receivables and payables	(138,557,164)	(113,416,050)	(27,711,433)	(22,683,210)
Provision for legal claims	38,326,314	37,295,795	7,665,263	7,459,158
Accrual of interest	(146,700)	(40,300)	(29,340)	(8,060)
Other	(1,528,840)	4,798,570	(305,768)	959,714
	<u>1,453,545,628</u>	<u>1,282,107,227</u>	<u>305,207,380</u>	<u>270,915,382</u>

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

22% tax rate is used for the amount of TL 724,564,757 prior year losses to be deducted that expected to be used in 2019 and 2020 years.

**ŞOK MARKETLER TİCARET A.Ş. AND ITS SUBSIDIARIES**

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE INTERIM PERIOD 1 JANUARY - 30 JUNE 2019**

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

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

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

	30 June 2019	31 December 2018
Expiring in 2019	-	197,188,600
Expiring in 2020	27,062,051	27,062,051
Expiring in 2021	20,453,443	20,453,443
Expiring in 2022	93,494,932	93,494,932
Expiring in 2023	31,713,783	31,713,783
Expiring in 2024	74,276,539	-
	<u>247,000,748</u>	<u>369,912,809</u>

The movement of deferred tax liability for the periods ended as of 30 June 2019 and 2018 is as follows :

	1 January- 30 June 2019	1 January- 30 June 2018
<u>Movement of deferred tax asset/ (liabilities):</u>		
Opening balance at 1 January	270,915,382	(47,093,900)
Deferred tax expense recognised in statement of comprehensive income	34,182,339	331,484,889
Recognised in comprehensive income	109,659	1,059,486
Closing balance at 30 June	<u>305,207,380</u>	<u>285,450,476</u>

The amounts reflected in comprehensive statement of profit or loss of the periods ended at 30 June 2019 and 2018 are as follows:

	1 January- 30 June 2019	1 January- 30 June 2018
Current corporate tax provision	(926,950)	(2,174,677)
Deferred tax income / (expense)	34,182,339	331,484,889
Total tax income / (expense)	<u>33,255,389</u>	<u>329,310,212</u>

	1 January- 30 June 2019	1 January- 30 June 2018
<u>Tax reconciliation:</u>		
Loss from continuing operations before taxation	(155,323,680)	(218,540,913)
	<u>%22</u>	<u>%22</u>

Tax at the domestic income tax rate of 22% (2018: 22%)

34,171,210      48,079,001

Tax effects of:

- Carryforward tax losses not recognized as deferred tax	(16,340,839)	(13,014,609)
- Expenses that are not deductible	13,105,909	2,352,932
- Unused tax losses that are previously not recognized as deferred tax assets	-	285,588,948
- Other	2,319,109	6,303,940

Income tax expense recognised in profit or loss

33,255,389      329,310,212

## ŞOK MARKETLER TİCARET A.Ş. AND ITS SUBSIDIARIES

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE INTERIM PERIOD 1 JANUARY - 30 JUNE 2019

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

#### 25. RELATED PARTY BALANCES AND TRANSACTIONS

Balances with related parties	30 June 2019			
	Receivables		Payables	
	Current		Current	
	Trading	Non-trading	Trading	Non-trading
<u>Related parties</u>				
Yıldız Holding A.Ş.	325,353	-	30,664	-
<u>Related parties</u>				
Pasifik Tüketim Ürünleri Satış ve Tic. A.Ş.	-	-	200,866,640	-
Yeni Teközel Markalı Ürünler Dağıtım Hizmetleri A.Ş.	-	-	66,543,089	-
Unmaş Unlu Mamuller San. ve Tic. A.Ş.	-	-	30,769,651	-
Bizim Toptan Satış Magazaları A.Ş.	23,332,143	-	9,117	-
Aytaç Gıda Yatırım San. Tic. A.Ş.	-	-	22,743,084	-
SCA Yıldız Kağıt ve Kişisel Bakım Üretim A.Ş.	-	-	14,983,839	-
Golf Gıda Paz. ve Dağ. Ltd. Şti.	-	-	7,512,288	-
Asil Hamur Undan Mamüller Gıda San. ve Tic. A.Ş.	-	-	4,803,627	-
Azmüsebat Çelik San. Tic. A.Ş.	-	-	3,240,292	-
Penta Teknoloji Ürünleri Dağıtım Tic.A.Ş.	-	-	416,831	-
Sun Doğal Gıda ve Ambalaj Sanayi A.Ş.	-	-	334,059	-
Polinas Plastik San. Tic. A.Ş.	263,314	-	-	-
Donuk Fırın. Ür. San. ve Tic. A.Ş.	-	-	258,863	-
İzsal Gayrimenkul Geliştirme A.Ş.	-	-	244,170	-
Diğer	934,726	-	172,030	-
	<u>24,855,536</u>	<u>-</u>	<u>352,928,244</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.

**ŞOK MARKETLER TİCARET A.Ş. AND ITS SUBSIDIARIES**

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE INTERIM PERIOD 1 JANUARY - 30 JUNE 2019**

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

**25. RELATED PARTY BALANCES AND TRANSACTIONS (Continued)**

	31 December 2018			
	Receivables		Payables	
	Current		Current	
	Trading	Non-trading	Trading	Non-trading
<b>Balances with related parties</b>				
<b>Shareholders</b>				
Yıldız Holding A.Ş.	-	-	4,627,109	-
Gözde Girişim Sermayesi Yatırım Ortaklığı A.Ş.	-	-	537	-
<b>Related parties</b>				
Yeni Teközel M arkalı Ürünler Dağıtım Hizmetleri A.Ş.	1,129,900	-	131,039,707	-
Pasifik Tüketim Ürünleri Satış ve Tic. A.Ş.	-	-	128,503,875	-
Unmaş Unlu M amuller San. ve Tic. A.Ş.	-	-	25,696,760	-
Aytaç Gıda Yatırım San. Tic. A.Ş.	-	-	21,744,821	-
Bizim Toptan Satış Mağazaları A.Ş.	21,032,114	-	11,902	-
Milhans Gıda Ürün. San. Tic. A.Ş.	-	-	9,425,083	-
SCA Yıldız Kağıt ve Kişisel Bakım Üretim A.Ş.	-	-	8,741,211	-
Asil Hamur Undan Mamüller Gıda San. ve Tic. A.Ş.	-	-	7,822,585	-
Biskot Bisküvi Gıda San. ve Tic. A.Ş.	197,976	-	4,594,508	-
Önem Gıda San. ve Tic. A.Ş.	-	-	4,382,815	-
Azmüsebat Çelik San. Tic. A.Ş.	-	-	3,353,770	-
Enfesler Gıda Pazarlama A.Ş.	-	-	3,342,340	-
Kerevitaş Gıda San. ve Tic. A.Ş.	2,367,762	-	-	-
Aktül Kağıt Üretim Pazarlama A.Ş.	-	-	1,767,170	-
Poleks Gıda San. ve Dış Tic. A.Ş.	1,473,011	-	2,649	-
Besler Gıda ve Kimya San. ve Tic. A.Ş.	-	-	935,364	-
Sun Doğal Gıda ve Ambalaj Sanayi A.Ş.	393,660	-	536,180	-
G2m Dağıtım Pazarlama ve Tic. A.Ş.	140,438	-	-	-
Kellogg Med Gıda Tic. Ltd. Şti.	-	-	50,614	-
Penta Teknoloji Ürünleri Dağıtım Tic. A.Ş.	45,816	-	245	-
Nissin Yıldız Gıda San. ve Tic. A.Ş.	-	-	38,065	-
Dank Gıda San. ve Tic. A.Ş.	-	-	11,831	-
PNS Pendik Nişasta San. A.Ş.	1,562	-	-	-
Diğer	580,371	-	958,071	-
	<b>27,362,610</b>	<b>-</b>	<b>357,587,212</b>	<b>-</b>

**ŞOK MARKETLER TİCARET A.Ş. AND ITS SUBSIDIARIES****NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE INTERIM PERIOD 1 JANUARY - 30 JUNE 2019**

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

**25. RELATED PARTY BALANCES AND TRANSACTIONS (Continued)**

	1 January - 30 June 2019				
<u>Transactions with related parties</u>	<u>Purchases</u>	<u>Interest received</u>	<u>Interest paid</u>	<u>Other income</u>	<u>Other expense</u>
<u>Shareholders</u>					
Yıldız Holding A.Ş.	334,282	-	2,015,397	38,761	579,446
<u>Related parties</u>					
Pasifik Tüketim Ürünleri Satış ve Tic. A.Ş.	262,659,339	-	-	19,842	128,571
Unmaş Unlu Mamuller San. ve Tic. A.Ş.	166,886,804	-	-	360	-
Yeni Teközel Markalı Ürünler Dağıtım Hizmetleri A.Ş.	126,142,394	-	-	6,796	-
Bizim Toptan Satış Magazaları A.Ş.	1,823,160	-	-	54,643,949	-
Golf Gıda Paz. ve Dağ. Ltd. Şti.	45,753,716	-	-	-	-
Aytaç Gıda Yatırım San. Tic. A.Ş.	37,782,752	-	-	25,095	-
SCA Yıldız Kağıt ve Kişisel Bakım Üretim A.Ş.	27,455,486	-	-	9,905	-
Asil Hamur Undan Mamüller Gıda San. ve Tic. A.Ş.	11,172,191	-	-	10,627	1,486
Kereviş Gıda San. ve Tic. A.Ş.	-	-	-	8,506,519	-
Azmüsebat Çelik San. Tic. A.Ş.	3,430,260	-	-	122,305	-
Önem Gıda San. ve Tic. A.Ş.	-	-	-	48,762	1,551,858
Sağlam İnşaat Taahhüt Tic. A.Ş.	-	-	-	31,994	982,203
Sun Doğal Gıda ve Ambalaj Sanayi A.Ş.	-	-	-	-	661,335
Donuk Fırın. Ür. San. ve Tic. A.Ş.	579,969	-	-	6,022	-
İzsal Gayrimenkul Geliştirme A.Ş.	-	-	-	15,656	403,966
Polinas Plastik San. Tic. A.Ş.	-	-	-	234,123	-
Biskot Bisküvi Gıda San. ve Tic. A.Ş.	-	-	-	211,896	-
Diğer	15,644	-	-	948,573	359,101
	<u>684,035,997</u>	<u>-</u>	<u>2,015,397</u>	<u>64,881,185</u>	<u>4,667,966</u>

**ŞOK MARKETLER TİCARET A.Ş. AND ITS SUBSIDIARIES**

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE INTERIM PERIOD 1 JANUARY - 30 JUNE 2019**

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

**25. RELATED PARTY BALANCES AND TRANSACTIONS (Continued)**

1 January - 30 June 2018					
Transactions with related parties	Purchases	Interest received	Interest paid	Other income	Other expense
<b>Shareholders</b>					
Yıldız Holding A.Ş.	-	11,308,710	33,395,612	348,009	669,056
<b>Related parties</b>					
Pasifik Tüketim Ürünleri Satış ve Tic. A.Ş.	199,524,687	-	1,210,720	28,349	230,327
Unmaş Unlu Mamuller San. ve Tic. A.Ş.	133,753,895	-	-	-	375
Yeni Teközel Markalı Ürünler Dağ. Hiz. A.Ş.	71,227,395	288	2,317	1,443	-
Aytaç Gıda Yatırım San. Tic. A.Ş.	44,250,411	-	-	26,604	304
Enfesler Gıda Pazarlama A.Ş.	44,057,193	-	-	15,272	684
Bizim Toptan Satış Magazaları A.Ş.	-	-	-	36,127,912	-
Biskot Bisküvi Gıda San. ve Tic. A.Ş.	36,856,844	-	-	35,654	-
Natura Gıda San. ve Tic. A.Ş.	33,650,939	-	-	107,525	-
Kerevitaş Gıda San. ve Tic. A.Ş.	31,028,416	-	-	758,862	-
SCA Yıldız Kağıt ve Kişisel Bakım Üretim A.Ş.	28,097,623	-	-	21,572	-
Aktül Kağıt Üretim Pazarlama A.Ş.	21,373,140	-	-	94,216	-
Besler Gıda ve Kimya San. ve Tic. A.Ş.	13,925,372	-	-	28,110	-
Milhans Gıda Ürün. San. Tic. A.Ş.	12,605,502	-	-	55	-
Asil Hamur Undan Mam. Gıda San. ve Tic. A.Ş.	10,225,184	-	-	105	-
Marsa Yağ San. ve Tic. A.Ş.	7,966,924	-	-	27,552	-
Azmüsebat Çelik San. Tic. A.Ş.	6,044,451	-	-	74,826	-
Polinas Plastik San. Tic. A.Ş.	3,735,624	-	-	209,867	-
CCC Gıda San. ve Tic. A.Ş.	2,944,341	-	-	25,447	-
Kellogg Med Gıda Tic. Ltd. Şti.	917,234	-	-	3,720	1,069
Donuk Fırın. Ür. San. ve Tic. A.Ş.	779,660	-	-	-	-
Poleks Gıda San. ve Dış Tic. A.Ş.	720,757	-	-	13,343,464	3,446
Önem Gıda San. ve Tic. A.Ş.	205,620	-	43,419	50,222	2,821,716
Nissin Yıldız Gıda San. ve Tic. A.Ş.	52,128	-	14,505	2,687	2,172
Sun Doğal Gıda ve Ambalaj Sanayi A.Ş.	42,122	2,251,049	506,006	-	568,500
Diğer	7,480	423	-	542,901	970,414
	<u>703,992,942</u>	<u>13,560,470</u>	<u>35,172,579</u>	<u>51,874,374</u>	<u>5,268,063</u>

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

	1 January- 30 June 2019	1 January- 30 June 2018
Salaries and other short term benefits	20,100,528	4,457,520
	<u>20,100,528</u>	<u>4,457,520</u>

## ŞOK MARKETLER TİCARET A.Ş. AND ITS SUBSIDIARIES

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE INTERIM PERIOD 1 JANUARY - 30 JUNE 2019

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

#### 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 payables to non-related parties disclosed in Note 8, 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 30 June 2019 and 31 December 2018 net debt / total capital ratio is as follows:

	30 June 2019	31 December 2018
Total liabilities	238,122,803	284,244,096
Less: Cash and cash equivalents (Note 5)	(349,623,851)	(354,087,758)
Net debt	(111,501,048)	(69,843,662)
Total equity	150,055,634	262,989,023
Total capital	38,554,586	193,145,361
Gearing ratio	0%	0%

##### (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.

**ŞOK MARKETLER TİCARET A.Ş. AND ITS SUBSIDIARIES**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE INTERIM PERIOD 1 JANUARY - 30 JUNE 2019

(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>Receivables</u>				<u>Deposits in Banks and Credit Card Receivables</u>
	<u>Trade receivables</u>		<u>Other Receivables</u>		
<u>30 June 2019</u>	<u>Related Party</u>	<u>Other</u>	<u>Related Party</u>	<u>Other</u>	
Maximum net credit risk as of balance sheet date (i)	24,855,536	95,720,618	-	23,235,928	204,943,510
The part of maximum risk under guarantee with collateral (ii)	-	-	-	-	-
A. Net book value of neither past due nor impaired financial assets	24,855,536	11,126,768	-	23,235,928	204,943,510
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	-	84,593,850	-	-	-
D. Impaired asset net book value					
- Past due (gross amount)	-	8,145,765	-	-	-
- Impairment (-)	-	(8,145,765)	-	-	-
- 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 88,826,818 which holds no credit risk.

**ŞOK MARKETLER TİCARET A.Ş. AND ITS SUBSIDIARIES**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE INTERIM PERIOD 1 JANUARY - 30 JUNE 2019

(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)

<b>The credit risks exposed because of financial instrument types</b>	<b>Receivables</b>				<b>Deposits in Banks and Credit Card Receivables</b>
	<b><u>Trade receivables</u></b>		<b><u>Other Receivables</u></b>		
<b>31 December 2018</b>	<b><u>Related Party</u></b>	<b><u>Other</u></b>	<b><u>Related Party</u></b>	<b><u>Other</u></b>	
Maximum net credit risk as of balance sheet date (i)	27,362,610	42,177,172	-	17,020,074	248,794,055
The part of maximum risk under guarantee with collateral (ii)	-	-	-	-	-
A. Net book value of neither past due nor impaired financial assets	27,362,610	2,672,076	-	17,020,074	248,794,055
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	-	39,505,096	-	-	-
D. Impaired asset net book value					
- Past due (gross amount)	-	8,259,855	-	-	-
- Impairment (-)	-	(8,259,855)	-	-	-
- 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 22,690,645 which holds no credit risk..

**ŞOK MARKETLER TİCARET A.Ş. AND ITS SUBSIDIARIES**

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE INTERIM PERIOD 1 JANUARY - 30 JUNE 2019**

(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 30 June 2019 and 31 December 2018 is as follows:

	<b>Trade Receivables</b>	
	30 June 2019	31 December 2018
Overdue between 1-30 days	82,392,457	38,966,874
Overdue between 1-3 Months	1,991,694	404,569
Overdue between 3-12 Months	209,699	133,653
<b>Total overdue receivables</b>	<b>84,593,850</b>	<b>39,505,096</b>
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

**30 June 2019**

	<u>Book value</u>	<u>Contractual</u> <u>undiscounted</u> <u>cash flow</u> <u>(I+II+III+IV)</u>	<u>Up to 3</u> <u>months (I)</u>	<u>3-12</u> <u>months (II)</u>	<u>1-5 years</u> <u>(III)</u>	<u>Over 5 years</u> <u>(IV)</u>
		<b>Financial liabilities</b>				
Bank borrowings	75,778,962	77,077,650	77,077,650	-	-	-
Leasing payables	162,343,841	185,441,254	27,964,711	83,894,136	73,582,407	-
Lease liabilities	1,773,525,598	3,332,071,117	145,427,048	392,934,421	1,765,419,319	1,028,290,329
Trade payables	2,869,854,794	2,980,277,734	2,980,277,734	-	-	-
Other payables	1,699,686	1,699,686	-	700,464	999,222	-
<b>Total liability</b>	<b>4,883,202,881</b>	<b>6,576,567,441</b>	<b>3,230,747,143</b>	<b>477,529,021</b>	<b>1,840,000,948</b>	<b>1,028,290,329</b>

**31 December 2018**

	<u>Book value</u>	<u>Contractual</u> <u>undiscounted</u> <u>cash flow</u> <u>(I+II+III+IV)</u>	<u>Up to 3</u> <u>months (I)</u>	<u>3-12</u> <u>months (II)</u>	<u>1-5 years</u> <u>(III)</u>	<u>Over 5 years</u> <u>(IV)</u>
		<b>Financial liabilities</b>				
Bank borrowings	75,397,282	84,287,288	84,287,288	-	-	-
Leasing payables	208,846,814	244,923,310	31,325,326	93,975,977	119,622,007	-
Trade payables	2,484,528,147	2,594,951,087	2,594,951,087	-	-	-
Other payables	1,440,979	1,440,979	-	555,874	885,105	-
<b>Total liability</b>	<b>2,770,213,222</b>	<b>2,925,602,664</b>	<b>2,710,563,701</b>	<b>94,531,851</b>	<b>120,507,112</b>	<b>-</b>

## ŞOK MARKETLER TİCARET A.Ş. AND ITS SUBSIDIARIES

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE INTERIM PERIOD 1 JANUARY - 30 JUNE 2019

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

#### 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:

##### 30 June 2019

	TL Equivalent ( Functional Currency)	US Dollar	Euro	Other
Monetary financial assets	79,937	4,449	8,294	-
CURRENT ASSETS	79,937	4,449	8,294	-
Monetary financial assets	636,514	110,600	-	-
NON CURRENT ASSETS	636,514	110,600	-	-
TOTAL ASSETS	716,451	115,049	8,294	-
Trade Payables	1,942,415	205,651	115,846	-
CURRENT LIABILITIES	1,942,415	205,651	115,846	-
TOTAL LIABILITIES	1,942,415	205,651	115,846	-
Net foreign currency position	(1,225,964)	(90,602)	(107,552)	-
Monetary items net foreign currency asset / liability position	(1,225,964)	(90,602)	(107,552)	-

## ŞOK MARKETLER TİCARET A.Ş. AND ITS SUBSIDIARIES

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE INTERIM PERIOD 1 JANUARY - 30 JUNE 2019

(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 2018	TL Equivalent	US Dollar	Euro	Other
	( Functional Currency)			
Trade payables	188,499	-	31,271	-
Monetary financial assets	592,434	3,228	95,463	-
CURRENT ASSETS	780,933	3,228	126,734	-
Monetary financial assets	206,753	39,300	-	-
NON CURRENT ASSETS	206,753	39,300	-	-
TOTAL ASSETS	987,686	42,528	126,734	-
Trade Payables	4,180,465	548,501	214,068	670
CURRENT LIABILITIES	4,180,465	548,501	214,068	670
TOTAL LIABILITIES	4,180,465	548,501	214,068	670
Net foreign currency position	(3,192,779)	(505,973)	(87,334)	(670)
Monetary items net foreign currency asset / liability position	(3,192,779)	(505,973)	(87,334)	(670)

##### Foreign currency sensitivity

The Company undertakes certain transactions denominated in US Dollar hence exposures to certain exchange rate fluctuations arise. As of 30 June 2019, a 20% strengthening of US Dollar against the TL, on the basis that all other variables remain constant, would have increased loss before taxation by TL 104,285 (31 December 2018: TL 532,375).

The Company undertakes certain transactions denominated in Euro hence exposures to certain exchange rate fluctuations arise. As of 30 June 2019, a 20% strengthening of Euro against the TL, on the basis that all other variables remain constant, would have increased loss before taxation by TL 140,908 (31 December 2018: 105,290 increase).

##### Interest rate sensitivity

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

**ŞOK MARKETLER TİCARET A.Ş. AND ITS SUBSIDIARIES**

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE INTERIM PERIOD 1 JANUARY - 30 JUNE 2019**

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

**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**

	Amortized	Financial assets fair value through other		
	cost	comprehensive income	Carrying value	Note
<b>30 June 2019</b>				
<u>Financial assets</u>				
Cash and cash equivalents	349,623,851	-	349,623,851	5
Trade receivables (including related parties)	120,576,154	-	120,576,154	7
Other receivables (including related parties)	23,235,928	-	23,235,928	8
<u>Financial liabilities</u>				
Borrowings and finance leases	238,122,803	-	238,122,803	6
Lease liabilities	1,773,525,598	-	1,773,525,598	6
Trade payables (including related parties)	2,869,854,794	-	2,869,854,794	7
Other liabilities (including related parties)	700,464	-	700,464	8
<b>31 December 2018</b>				
<u>Financial assets</u>				
Cash and cash equivalents	354,087,758	-	354,087,758	5
Trade receivables (including related parties)	69,539,782	-	69,539,782	7
Other receivables (including related parties)	17,020,074	-	17,020,074	8
<u>Financial liabilities</u>				
Borrowings and finance leases	284,244,096	-	284,244,096	6
Trade payables (including related parties)	2,484,528,147	-	2,484,528,147	7
Other liabilities (including related parties)	555,874	-	555,874	8

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

## ŞOK MARKETLER TİCARET A.Ş. AND ITS SUBSIDIARIES

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE INTERIM PERIOD 1 JANUARY - 30 JUNE 2019

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

#### 28. EARNINGS PER SHARE

As of 30 June 2019 and 2018 loss per share calculation is as follows:

<b>Earnings / (Loss) per share</b>	1 January- 30 June 2019	1 April- 30 June 2019	1 January- 30 June 2018	1 April- 30 June 2018
Average number of shares during the period (full value)	611,928,571	611,928,571	420,182,936	480,365,873
Net loss for the period attributable to equity holder of the parents	(121,798,191)	(24,444,789)	109,987,644	229,484,925
<b>Earnings per share from continuing and discontinued</b>	<b>(0.1990)</b>	<b>(0.0399)</b>	<b>0.2618</b>	<b>0.4777</b>
Net loss for the period attributable to equity holder of the parents	(121,798,191)	(24,444,789)	109,987,644	229,484,925
Less: Profit from discontinued operations during the year	-	-	(547,114)	(1,382,936)
Net loss for the calculation of share income from continuing operations	(121,798,191)	(24,444,789)	110,534,758	230,867,861
Earnings per share from continuing operations	(0.1990)	(0.0399)	0.2631	0.4806
Profit from discontinued operations during the period	-	-	(547,114)	(1,382,936)
Earnings per share from discontinued operations	-	-	(0.0013)	(0.0029)

#### 29. DISCONTINUED OPERATIONS

Due to change in its shareholding structure Teközel has decided to gradually discontinue its retail, wholesale and export operations associated with customers other than Şok Marketler Ticaret A.Ş. ("Non-Şok Operations") from 1 January 2018 and has discontinued the related operations on 30 June 2018.

All profit and loss items of the operations to be withdrawn are shown in the "Profit from discontinued operations" line in the income statement.

	1 January 30 June 2019	1 April 30 June 2019	1 January 30 June 2018	1 April 30 June 2018
<b>Profit for the period from discontinued operations</b>	<b>2019</b>	<b>2019</b>	<b>2018</b>	<b>2018</b>
Revenue	-	-	106,189,409	(12,228,445)
Cost of sales (-)	-	-	(104,456,449)	10,538,484
<b>Gross profit</b>	<b>-</b>	<b>-</b>	<b>1,732,960</b>	<b>(1,689,961)</b>
Administrative expenses (-)	-	-	(1,047,433)	(89,842)
Marketing and sales expenses (-)	-	-	(860,161)	(23,371)
Other income and expenses from operating activities	-	-	(372,480)	420,238
<b>Loss from operations before taxation</b>	<b>-</b>	<b>-</b>	<b>(547,114)</b>	<b>(1,382,936)</b>

#### 30. EVENTS AFTER THE REPORTING PERIOD

None.

## ŞOK MARKETLER TİCARET A.Ş. AND ITS SUBSIDIARIES

### SUPPLEMENTARY INFORMATION

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

#### APPENDIX 1 - SUPPLEMENTARY INFORMATION

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 and expense royalty expense effect and Teközel wholesale operation) for the better understanding of investors and other interested parties about Group operations.

	1 January - 30 June 2019	1 April - 30 June 2019	1 January - 30 June 2018	1 April - 30 June 2018
<b>Profit / (Loss) from continuing operations for the period</b>	<b>(122,068,291)</b>	<b>(24,590,851)</b>	<b>110,769,299</b>	<b>230,858,273</b>
Tax income / (expense)	33,255,389	9,422,241	329,310,212	331,450,931
<b>Loss from continuing operations before taxation</b>	<b>(155,323,680)</b>	<b>(34,013,092)</b>	<b>(218,540,913)</b>	<b>(100,592,658)</b>
Financial income and expense, net	( 535,256,239)	( 289,210,756)	( 339,588,744)	( 182,569,465)
Amortization and depreciation	( 294,030,722)	( 153,865,344)	( 96,409,473)	( 50,143,627)
<b>EBITDA</b>	<b>673,963,281</b>	<b>409,063,008</b>	<b>217,457,304</b>	<b>132,120,434</b>
Other income and expense net	( 3,435,042)	( 2,586,342)	( 9,949,443)	( 5,584,212)
<b>Adjusted EBITDA</b>	<b>677,398,323</b>	<b>411,649,350</b>	<b>227,406,747</b>	<b>137,704,646</b>
TFRS 16 Effect (Note 2)	319,283,870	169,873,386	-	-
<b>Adjusted EBITDA excluding IFRS 16</b>	<b>358,114,453</b>	<b>241,775,964</b>	<b>227,406,747</b>	<b>137,704,646</b>

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