Turkey's Fast-Growing Food Retail Company

ŞOK MARKETLER
ANNUAL REPORT 2018

Our Vision

To be the most preferred retail brand and the leading food retailer of Turkey and to continue creating value for our investors.

Our Mission

To offer our customers the most convenient shopping experience through our differentiated business model, high-quality product variety, affordable prices, and advanced service concept and to be the first choice of our partners and employees.

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CONTACT

Turkey's fastest-growing food retail company

We are the fastest growing company in the food retail sector.

Since 2015, we have moved forward with a unique business model and a robust strategy. Within a five-year period, ŞOK Marketler grew six-fold, tapping into a business model that powerfully combines the strengths of national supermarkets and discount markets.

ŞOK Marketler will continue to grow at full speed, with over 27,000 employees and customer-focused operations.

2018

TL 12.1 billion

Net Sales

2018

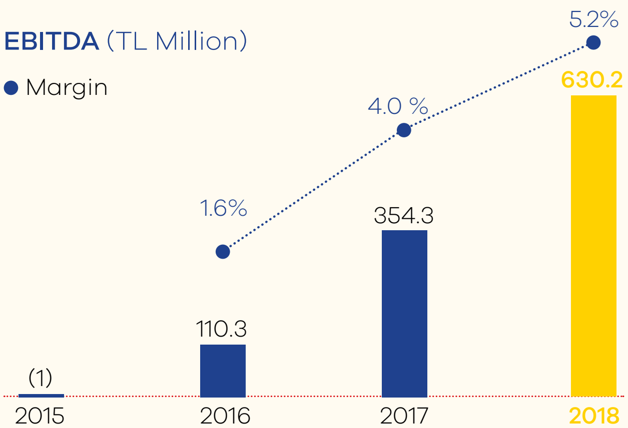
TL 630.2 million

EBITDA

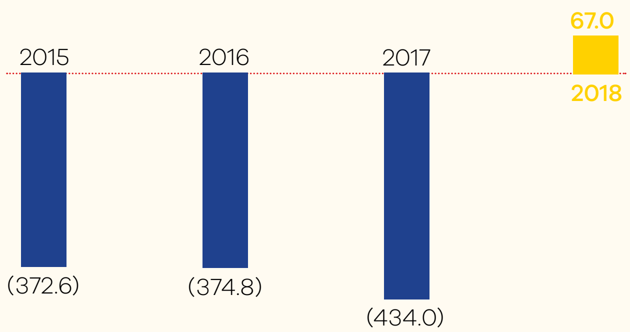
Stores

Net Sales (TL Million)

EBITDA (TL Million)



Net Profit (TL Million)



Highlights

- Over 27,000 employees in 25 distribution centers and 6,364 stores across 81 provinces of Turkey, we ensure that our customers can access all their basic necessities in a "one-stop shop" concept at the sales point closest to their home.
- We continuously and rapidly expand our store network to reach customers more effectively.
- We ensure that fruits and vegetables are delivered to the customer in a fresh way.


ŞOK

Proximate retailing

We have expanded across Turkey by opening an average of approximately three stores per day. With **6,364 stores across 81 provinces,** we continue to provide our customers with access to almost every convenience good from advantageously located stores.


EVERYDAY LOW PRICE
ŞOK IS MORE
THAN ENOUGH

Low prices

We make customers smile with our **"everyday low price"** policy and our campaigns.


Evin
Lio

Product diversity to address households' basic necessities

We offer nearly all basic necessities required for a household. We provide customers with a wide selection of 1,500 products in a **"one-stop shopping"** concept.

ŞOK

MORE THAN ENOUGH

Well-known, established brands

We offer **Mis, Piyale, Mintax, Evin and Amigo** – national brands of our childhood that still hold a place in consumers' memories – and we deliver these values to consumers at affordable prices.


ŞOK

Easy shopping

The layout of our stores is designed in line with in-store shopper research findings, enabling customers to locate products easily.

Our Operation Network

ŞOK Marketler continuously and rapidly expands its store network to reach customers more effectively.

25
Distribution Centers

+1,000
New Stores Opened Annually

TL 12.1 billion
Turnover

ONLY IN ŞOK

ŞOK Marketler's Own Brands

Piyale

One of Turkey's oldest and most recognized brands, Piyale was established in 1922.

Mis

Founded in 1976, Mis Süt was one of Turkey's first modern dairy plants and remains one of our most popular and preferred nostalgic brands.

Amigo

As Turkey's most wide-spread peanut brand, Amigo was among the country's first packed nut producers.

Evin

Having won the hearts of a generation through its commercials, all Evin products are available to consumers only at ŞOK Marketler.

Mintax

The Mintax brand, which joined Yıldız Holding in 2012, is a leader in the cleaning products category at ŞOK Marketler.

Bizim Vatan

An essential part of our tables, Bizim Vatan offers products ranging from tuna fish to garnishes, from tomato paste to beans, and from pickles to salad toppings such as grape-apple vinegar and pomegranate syrup.

Peki

Beloved by young people, various Peki products are sold in ŞOK Marketler at affordable prices.

Karmen

Featuring a broad range of chocolate products, including madlen chocolates, biscuits and chocolate-coated wafers, Karmen products are available only at ŞOK Marketler.

ŞOK Marketler in Brief

Among the key players in the Turkish retail sector, ŞOK Marketler creates employment for 4,000 people while opening 1,000 stores per year.

27,000+
Employees

TL 12.1 billion
Revenue

ŞOK Marketler meets nearly all customer needs in a **"one-stop shop"** concept at a sales point located near consumers' homes, with 6,364 stores, including 264 ŞOK Mini Markets, 25 distribution centers, and over 27,000 employees across Turkey's 81 provinces.

An Average of Three New Stores Opening Per Day

The Company's network of stores continues to expand rapidly, reaching customers effectively by offering them a convenient and nearby shopping destination. Since the beginning of 2015, ŞOK Marketler has opened an average of three stores daily: with 699 stores opened in 2015; 1,000 stores in 2016; 1,100 stores in 2017; and 1,000 stores in 2018.

6,364
Stores in 81 Provinces

25
Distribution Centers

ŞOK Marketler revived brands such as Mis, Piyale, Mintax, Evin and Amigo, all of which hold an affectionate place in consumers' memories as domestic brands from the past. The Company brought these values back into the economy, delivering these original, long-standing and well-recognized brands to customers at affordable prices. As part of its diverse product portfolio, the Company offers customers more choices by providing its own brands together with domestic brands, and meets the majority of consumer shopping needs with high-quality, easily accessed products.

Delivering fruits and vegetables, customers at ŞOK Marketler have constant access to fresh product. ŞOK Marketler is one of the leading retailers in Turkey for personal care and cleaning products. It aims to provide the best service to customers with its differentiated business model, its everyday low price" strategy, and a range of campaigns.

To this end, ŞOK Marketler uses the motto "ŞOK Is More Than Enough." The Company is traded on the Istanbul Stock Exchange with the code SOKM.

Please visit **www.sokmarket.com.tr** for more information.

Our Business Model

ŞOK Marketler aims to offer the best service with a distinctive business model and "everyday low price" strategy, as well as a store concept tailored for customers' needs while streamlining the shopping experience.

6,364 stores in **81** provinces with easy shopping experience...

Proximity

Proximity is an important criterion for customers seeking convenience when shopping. As of 31 December 2018, ŞOK Marketler have a total of 6,364 stores in Turkey, with at least one in every city, aiming to become even closer to customers each day by opening around 1,000 new stores annually.

Price

ŞOK's **"everyday low price"** strategy is designed to boost customer demand towards competitively-priced products. The prices for ŞOK Marketler' own brands are displayed in bright yellow boxes with the caption, **"everyday low price."** Such products are displayed side by side with the equivalent, best-selling products of domestic brands, which are nevertheless more expensive.

In addition to this policy, ŞOK offers various promotions. Tapping into the **"everyday low price"** policy and these promotions, ŞOK Marketler consistently offers customers a better value proposition.

Choice

ŞOK Marketler is dedicated to providing customers with a wide range of choices. Accordingly, it has 1,500 different product items in its portfolio as of 31 December 2018, offering customers a **'one-stop shop'** experience with a broad product portfolio. ŞOK provides a wide array of fresh fruits and vegetables via direct supply; stores also offer a vast range of personal care products, which constituted 3% of the total revenue in 2018. Own products, alongside domestic brands, play a major role in attracting customers to the stores, enabling ŞOK Marketler to offer a wider range of products.

Own Brands

The most well-recognized domestic brands in Turkey, ŞOK, **Mis, Piyale, Mintax, Evin and Amigo,** have been revitalized by ŞOK and are now under its umbrella. ŞOK Marketler's own brands are displayed in bright yellow boxes in the stores alongside domestic-branded, best-selling equivalent products that are, nevertheless, costlier.

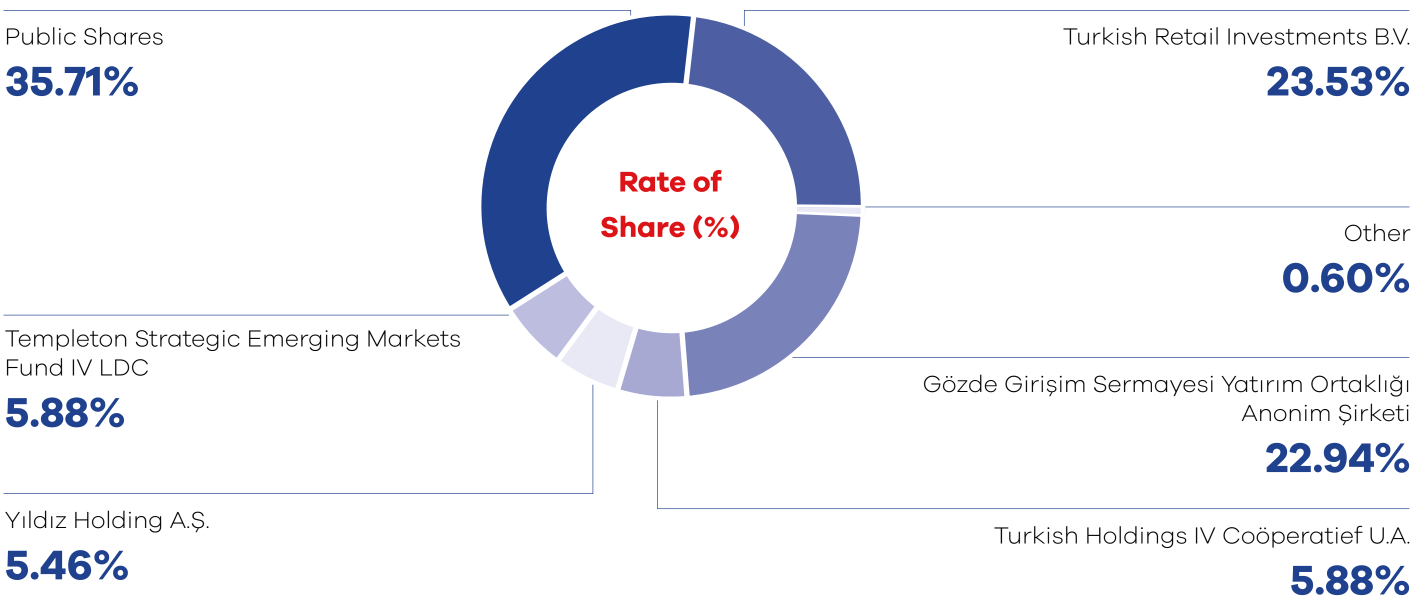
Shopping Experience

Based on results obtained from various customer feedback surveys, the store layout was changed to offer a clean and illuminated environment, enabling **a more convenient shopping experience with spacious aisles and shelves:** the stores are now spaces with which **customers are comfortable and familiar.** As consumers can easily find specific products on the shelves, they continue to return to the stores. Designed in line with a particular arrangement and product shelving diagram, this vision is implemented across the store network.

Our Shareholder Structure

ŞOK Marketler achieves its corporate goals by capitalizing on a strong shareholding structure.

Name of the Shareholder	Share Capital TL (31.12.2018)
Turkish Retail Investments B.V.	144,000,000
Gözde Girişim Sermayesi Yatırım Ortaklığı Anonim Şirketi	140,400,327
Templeton Strategic Emerging Markets Fund IV LDC	36,000,000
Turkish Holdings IV Coöperatief U.A.	36,000,000
Yıldız Holding A.Ş.	33,428,571
Other	3,599,673
Public Shares	218,500,000
Total	**611,928,571**



ŞOK

ŞOK Marketler keeps 1,500 different products available on the shelves so customers can access necessities from a single point.

Key Financial and Operational Indicators

ŞOK Marketler increased net sales up to TL 12.1 billion with a total of 6,364 stores as of the end of 2018.

2018

TL 3,3 billion

Total Assets

TL 263 million

Shareholders' Equity

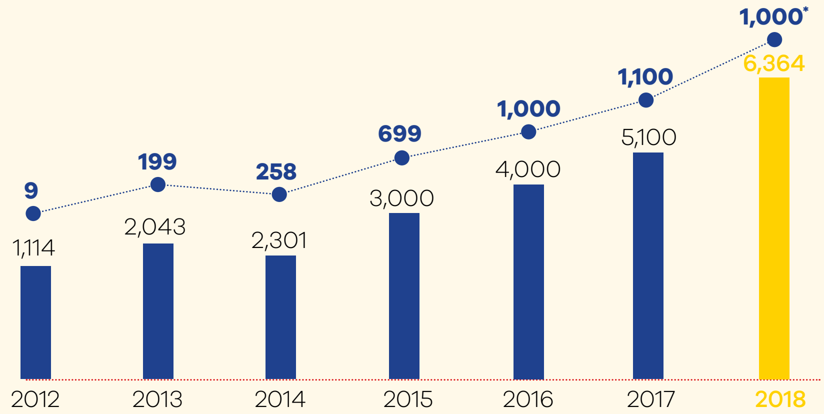
Financial Statement Summary (TL Million)

Consolidated Income Statement - Summary (TL Million)	2017	2018
Net Sales	8,920	12,061
Gross Profit	2,055	2,934
EBITDA	354	630
EBITDAR	765	1,177
Period Net Loss/Profit	(434)	67

Consolidated Balance Sheet - Summary (TL Million)	2017	2018
Cash and Cash Equivalents	92	296
Total Current Assets	1,078	1,315
Property & Equipment	850	978
Non-Current Assets	1,532	1,947
Total Equity	(2,185)	263
Total Assets	**2,610**	**3,262**

Number of ŞOK Stores

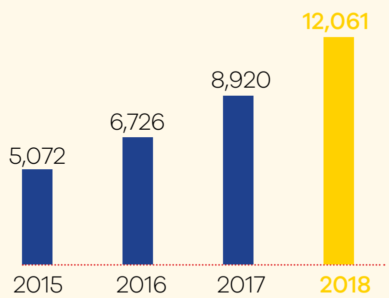
+1,000
Annual store opening



** Net Number of Stores Opened (excluding 264 ŞOK mini stores)*

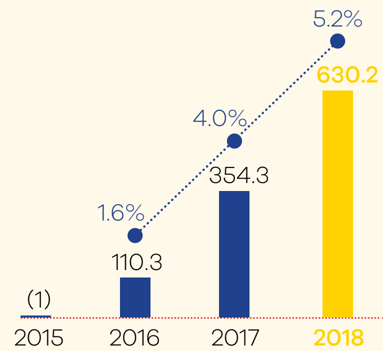
Net Sales (TL Million)

ŞOK Marketler announced total sales of TL 12.1 billion in 2018 by consistently increasing its business volume.



EBITDA (TL Million)

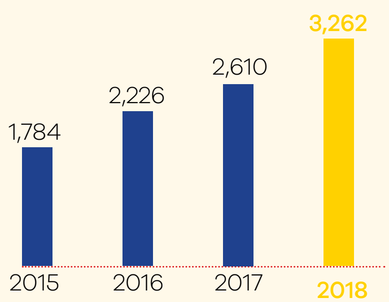
ŞOK Marketler announced an EBITDA of TL 630.2 million with a 78% YoY increase, having maintained a sustainable profitability in the 2018 activity period as well.



Margin

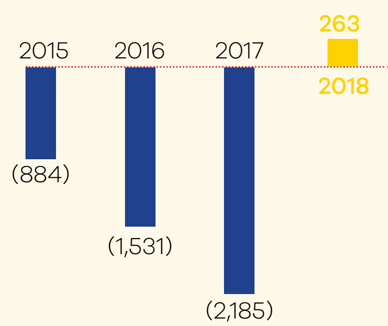
Total Assets (TL Million)

ŞOK Marketler has consistently continued to increase its total assets, with a YoY hike by 25%, representing TL 3.3 billion.



Equity (TL Million)

ŞOK Marketler effectively manages business processes with a robust equity structure.



The Success Story of ŞOK Marketler

ŞOK Marketler continues to offer high quality services, putting customer satisfaction first since 1995.

1995
ŞOK Marketler began its operations with 13 stores.

2011
ŞOK Marketler joined Yıldız Holding with 1,255 stores and 7 warehouses.

2013
ŞOK Marketler incorporated Dia S.A. discount supermarket chain with its 584 stores, Onur Ekspres Marketçilik A.Ş retail chain, which is known as "Onurex" in Turkey with its 116 stores, and Devamlı İndirim Mağazacılık (Dim) retail chain with its 18 stores.

2014
The conversion of all stores to ŞOK Marketler were completed.

2015
The new business model and store concept were developed. An average of 3 stores/day were opened for organic growth and the number of stores reached 3,000 by the end of the year.

2016
While continuing to open 3 stores a day with the new store concept, the existing 1,648 stores were converted into a new store concept. As in the previous year, 1,000 new stores were opened and the number of stores reached 4,000.

2017
ŞOK became accessible in 81 provinces and the number of stores reached out to more than 5,100.

Mobile application "Cep'te ŞOK" was developed. The app operates on a "Click and Collect" basis and with the application the Company became the first in the sector.

2018
The number of ŞOK Marketler stores reached 6,364, in 81 provinces.

With a market size of TL 2.3 billion, ŞOK Marketler undertook the greatest primary public offering of the last decade.

Public Offering

ŞOK Marketler successfully completed one of Turkey's largest public offerings in the last decade with a public offering size of TL 2.3 billion, and as of May 18, 2018, it started to be traded on BIST Stars.

35.71%
Free Float Rate

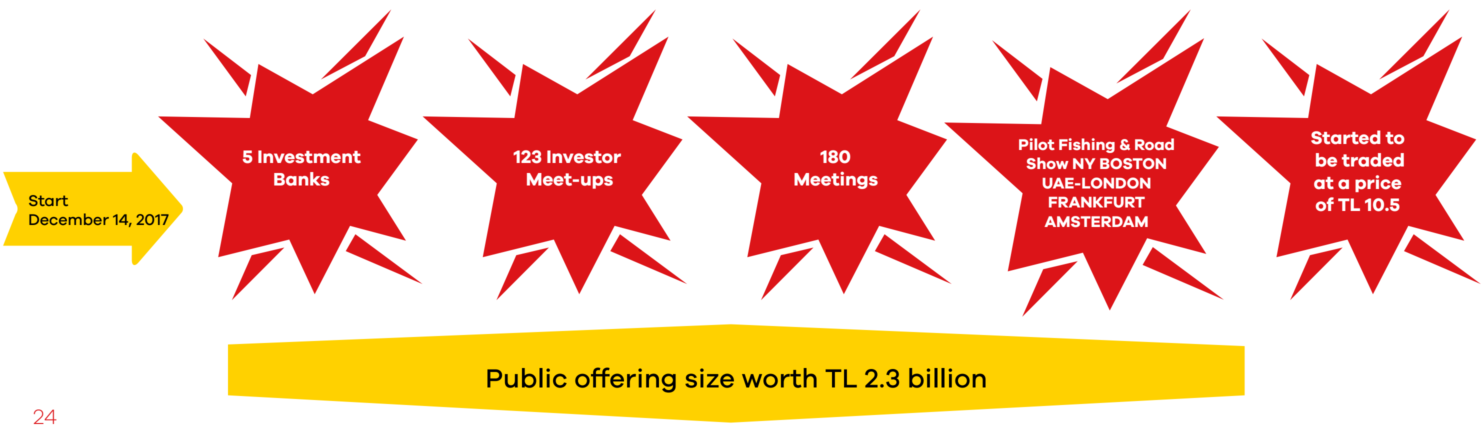
TL 6.6 billion
Market Value

Undertaking Turkey's one of the largest initial public offerings in the last decade, with TL 2.3 billion; ŞOK Marketler increased its capital to TL 611.9 million from TL 360 million.

This transaction undertaken by ŞOK Marketler is a testament to the trust and faith in Turkey's long-term investment potential. Continuing its journey as a rapidly-growing and transparent company, ŞOK Marketler has a free float rate of 35.71 %, while its market value amounts to TL 6.6 billion as of 31 December 2018.

During the IPO process, ŞOK Marketler organized 123 investor meet-ups and a total of 180 meetings, with the support of five investment banks. Pilot Fishing and Roadshow meetings were held in New York, Boston, UAE, London, Frankfurt and Amsterdam, with the Company's public offering being priced at TL 10.5 as of 18 May 2018.

As part of the Public Offering approval of the Capital Markets Board, ŞOK Marketler' public offering took place on 8-11 May 2018, and the company's capital was increased to TL 578,500,000 from TL 360,000,000, and the shares issued with a nominal value of TL 218,500,000 were quoted as per the Listing Directive.



Shareholding Structure

Pre-initial Public Offering

- **50%** Turkish Retail Investments B.V.
- **39%** Gözde Girişim Ser. Yatırım Ortaklık A.Ş.
- **10%** Templeton Strategic Emerging Markets Fund
- **1%** Others

Post-Public Offering

- **23%** Turkish Retail Investment B.V
- **23%** Gözde Girişim Ser. Yatr. Ortaklık A.Ş.
- **6%** Turkish Holdings IV Cooperatief
- **6%** Templeton Stategic Emerging Markets Fund IV. LDC
- **1%** Others
- **36%** Free Float
- **5%** Yıldız Holding A.Ş

We received 1.8 times higher demand overseas and 2.5 higher demand domestically!

- **85%** Foreign Corporate Investors
- **7.5%** Domestic Corporate Investors
- **7.5%** Domestic Individual-Corporate Investors

Following the completion of public offering through restriction of new share purchase rights of all existing shareholders at the Company, as per the authorized capital system, the company's capital was increased to TL 611,928,571, from TL 578,500,000, with a capital increase amounting to TL 33,428,571. All of the shares issued as part of the said capital increase were allocated to Yıldız Holding A.Ş.

Critical in terms of depth of the economy and capital markets with a high demand from the investors, public offering involved allocation of the shares with a nominal value of TL 16,387,500, accounting for 7.5% of the shares offered to public with a nominal value of TL 218,500,000, to Domestic Individual Investors; while the shares with a nominal value of TL 16,387,500, accounting for 7.5%, were allocated to Domestic Corporate Investors; the shares with a nominal value of TL 185,725,000, accounting for 85%, were allocated to Foreign Corporate Investors.

Capital Prior to Public Offering	TL 360,000,000
Capital After Public Offering	TL 578,500,000
Number of Shares Issued	TL 218,500,000
Capital Increase	TL 33,428,571
Total Capital	**TL 611,928,571**

With the proceeds of TL 2.3 billion obtained from IPO, the Company paid its financial debts to related and non-related parties, thereby achieving a strong balance sheet.

Public Offering

ŞOK Marketler won the first prize in the public offering category of Turkey Bonds & Loans Awards.

ŞOK public offering was awarded with "IPO/Equity Capital Markets Deal of the Year"
As one of the leading Turkish retail companies with affordability policy and an extended network of stores, ŞOK Marketler undertook its public offering in May 2018, winning the first prize in the public offering category of **Turkey Bonds & Loans Awards organized by Global Financial Conferences.** The Company was entitled to the '"IPO/ Equity Capital Markets Deal of the Year" in the award ceremony that took place in Istanbul on 21 February 2019.

As Uğur Demirel, CEO of ŞOK Marketler, stated:

"During the public offering of our company, demands from both foreign and domestic investors—individual and corporate—well exceeded the expectations.

Investors' enthusiasm towards the company is actually a testament of the trust in Turkish economy, our sector and company.

At a time when global and national market conditions go through a difficult time, we assumed a major responsibility as ŞOK Marketler, and we are delighted to have achieved a successful result. With a market size of TL 2.3 billion, we undertook one of the largest initial public offering in the last decade in Turkey. This transaction underlined the investors' trust and faith in our country's long-term investment potential, regardless of the short-term fluctuations in the markets, and we ensured a foreign capital inflow to our country at a time when needed.

We are continuing our journey and rapid growth as a transparent company."

Investor Relations

84% of publicly trading shares of ŞOK Marketler are held by foreign investors as of end of 2018. In the same period, 65% of the shares on BIST were held by foreign investors.

The issued capital of the Company is TL 611,928,571, divided into two groups, and a total of 611,928,571 in registered form, of which 144,000,000 are Preferred Shares and 467,928,571 Ordinary Shares, with a nominal value of TL 1 each. The issued capital is fully paid.

Shares held by foreign investors in the Company were realized as 85% as of year-end 2018. In the same period, the foreign investor share on BIST was 65%.

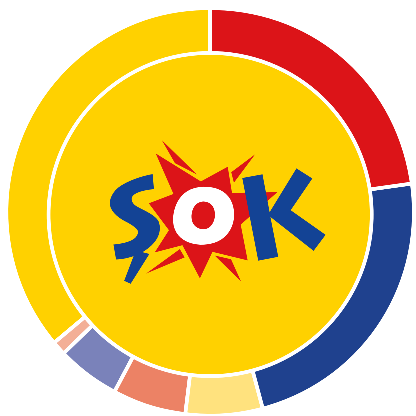
May 18, 2018
Date of Initial Public Offering

SOKM.IS
Stock Exchange Code

TL 611,928,571
Paid-in Capital

TL 1,800,000,000
Authorized Capital

BIST Indices that the Company is Included
BIST 100/BIST ALL/BIST TRADE/BIST SERVICES/BIST STARS/BIST 100-30/BIST 50/BIST IPO



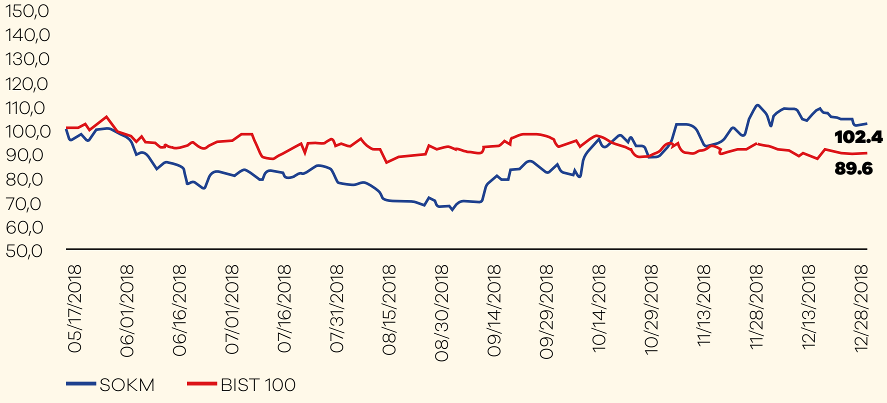
- **23%** Turkish Retail Investments B.V.
- **23%** Gözde Girişim Sermayesi Yatırım Ortaklığı Anonim Şirketi.
- **36%** Free Float
- **6%** Templeton Strategic Emerging Markets Fund IV LDC
- **6%** Turkish Holdings IV Cooperatief U.A
- **5%** Yıldız Holding A.Ş.
- **1%** Other

Investor Relations

ŞOK Marketler regularly organizes teleconferences for all stakeholders following quarterly financial results disclosures.

Stock Performance

DAILY TRADING DATA AS PER CLOSING VALUES ON SOKM AND BIST-100 INDICES AS OF DECEMBER 31, 2018=100



In 2018, SOKM shares delivered a performance of 2.4 points higher than the BIST-100 Index.

	31.12.2018	1-Month (%)	3-Month (%)	6-Month (%)	Since SOKM IPO (%)
SOKM	10.75	5.7	16.7	32.7	2.4
BIST-100	91,270	-2.9	-7.9	-3.3	-10.4

Investor Relations Activities

In 2018, more than 350 meetings took place with existing and potential, domestic and foreign institutional and individual investors and analysts in Turkey and abroad, with the participation of senior management, in order to share information regarding the Company's operating results and performance, as well as other developments within the period.

Furthermore, the Company regularly organizes live webcasts for all stakeholders promptly following the disclosure of quarterly financial results. The Company attends conferences and meetings held in Turkey and abroad to update shareholders and investors. In 2018, four conferences were attended in Turkey and abroad, and a roadshow was organized.

The Company's website (www.sokmarket.com.tr) is available in two languages, Turkish and English. **Investor Relations page in Turkish:** https://sokmarketyatirimciiliskileri.com/tr/ **Investor Relations page in English:** https://sokmarketyatirimciiliskileri.com/en/

Material event disclosures made by the Company, as well as copies of the presentations used in meetings, are available on the Investor Relations website of the Company. Quarterly financial results and other relevant information, as well as annual reports in Turkish and English, are also available on the website.

In addition to traditional information channels, various communication tools are also used for public disclosure purposes. Material event disclosures are sent directly to stakeholders, by e-mail, if they have further inquiries and provide their contact information via the website and other channels.

2018 Main Indicators

TL 10.75
Closing Price

TL 6.6 billion
Market Value

84%
Foreign Investors' Shares (in Free Float)

TL 6.98
Lowest Price

TL 9.24
Average Price

TL 11.49
Highest Price

Message from the Chair of the Board of Directors

As ŞOK Marketler, we will continue to create value for our stakeholders and maintain our fast growth by effectively implementing our original business model.

2018 Developments

6,364 Stores

27,000+ Employees

TL 337 million Investment

TL 67 million Net Profit

We prioritize the fulfillment of our employees, satisfaction of our customers and the development of our suppliers as we create added value for our stakeholders through a sustainable business model and achieve competitive advantage in the market.

Cengiz Solakoğlu
Chair of the Board of Directors

Esteemed Shareholders,
Stakeholders and Employees,

Key trends in the food retail industry are rapidly evolving worldwide. At present, we are experiencing the effects such changes all more closely. As we edge towards the 2020s, we are acquainted with “new retailer,” “new product and producer” and “new shopper” concepts. Consumers with heightened price awareness and sensitivity shape the production and the future of the industry through their preferences. Having further accelerated its rapid and healthy growth with one of the most successful IPOs of the last decade, ŞOK Marketler remain the closest brand to its consumers with its service quality and affordable price policy.

As the rising star of the retail industry, discount stores stood out as the format achieving the biggest growth in store numbers at 34% in the last two years. The number of stores in the modern channel in Turkey reached almost 31,000. With ŞOK Marketler launching its initial public offering in 2018, Turkey saw one of its biggest IPOs over the last decade. Thanks to the successful IPO, we achieved healthy growth along with a robust financial balance sheet. In 2018, we made further contributions to this success by bringing the total number of stores to 6,364 and the total number of our employees to over 27,000 thanks to a TL 337 million investment. By achieving a turnover of TL 12.1 billion, and a sales growth of 35%, we became one of the fastest growing companies in Turkey in terms of the number of stores and turnover. In order to improve the local economy while boosting customer satisfaction, we established a price policy that keeps the consumer price inflation in check and supports the battle against inflation. Our competitive edge is further bolstered by our ability to offer almost all the basic goods across approximately 1,500 product lines to our customers across Turkey’s 81 provinces.

The growth of the Fast-Moving Consumer Goods (FMCG) industry was influential in the development of food retailing. Growing through innovation, the industry increased its total turnover by 19% in spite of the rising prices in milk, household cleaning and paper products. The consumers’ price awareness rose from 69% to 91%. Interest in the already high-growth lines of healthier products, especially the organic group increased.

According to the analysis by the consultancy MK Novo, the Turkish grocery retail market will continue to grow in 2019 and 2020 in tandem with the expansion of the modern channel and the increase in household consumption. Accounting for 40% of food retail business, the modern channel will be worth TL 209 billion by 2023 achieving a 4% increase in its market share. However, despite all this, Turkey still lags far behind other European markets in this field. Therefore, we believe there is a huge white space to explore for the industry. As ŞOK Marketler, we are placed beyond the discount market category thanks to our new and unique business model. Furthermore, we are also able to fulfill our customers’ affordable price expectations. Due to increased digitalization across all socioeconomic and age groups, we aim to continue to develop our e-commerce activities and gradually roll out the technologies introduced by the Industry 4.0 that shape the retail business.

As part of our sustainability efforts, we investigate the environmental, social and financial impacts of our operations and disclose them transparently to the public. We prioritize the fulfillment of our employees, satisfaction of our customers and the development of our suppliers as we create added value for our stakeholders through a sustainable business model and achieve competitive advantage in the market.

Our first sustainability report published in 2018 highlights the growth achieved in product quality and customer satisfaction, our equal opportunity and fair governance policies, investments in employee training, affirmative practices to boost female employee numbers, emphasis on occupational health and safety, and savings in energy consumption with carbon emissions.

We reap the rewards of our efforts through industry awards we receive. The fact that ŞOK Marketler were named “Best Discount Market for Customer Experience Management” at Marketing Türkiye Magazine’s 2016 A.L.F.A Awards and the “Best Digital Channels Project” at IDC Retail Technology Awards 2017 for our mobile application “Cep’te ŞOK” indicates we are on the right track. We firmly believe that we can add value to our financial and other assets through our sustainability efforts.

Our goal for 2019 is to remain the most preferred retail brand and generate value for our investors. Thanks to our competent management team and our organizational structure across every level; our investment and governance policies, our audit mechanisms, our transparency policy and our sustainability practices, we are confident about accomplishing this goal.

I would like to extend my gratitude and thanks to our shareholders for redoubling our power through their support, our stakeholders for sharing our common vision and goals, our valuable employees and our customers for their appreciation of our efforts.

Yours sincerely,

Cengiz Solakoğlu
Chair of the Board of Directors
ŞOK Marketler Tic. A.Ş.

Board of Directors

The members of the Board of Directors, comprising six people, were elected for a term of three years in the 2017 Ordinary General Assembly meeting held by ŞOK Marketler on 18 July 2018. Members' names and roles are as follows:

Full Name	Title
Cengiz Solakoğlu	Chair of the Board of Directors
Ali Ülker	Vice Chair of the Board of Directors
Mustafa Yaşar Serdengeçti	Member of the Board of Directors
Erman Kalkandelen	Member of the Board of Directors
Ahmet Bal	Member of the Board of Directors (Independent)
Ceyda Aydede	Member of the Board of Directors (Independent)

Cengiz SOLAKOĞLU
Chair of the Board
Cengiz Solakoğlu has been a member of our Board of Directors since 2011. He has also been an independent board member of Bizim Toptan Satış Mağazaları A.Ş. ("Bizim Toptan"), a Yıldız Holding company in the wholesale business, since 2011. Prior to joining Bizim Toptan, Mr. Solakoğlu served at Beko Ticaret A.Ş. as sales representative, then general manager, and worked as the general manager of Atılım A.Ş. (part of the Koç Group) for 8 years. He served as the vice president and general manager of Koç Holding Consumption Group. Mr. Solakoğlu is a co founder of 1907 Fenerbahçeliler Derneği and Eğitim Gönüllüleri Vakfı. He was awarded Leader of Civil Society by Ekonomist magazine in 2003. Mr. Solakoğlu graduated from Istanbul Economic Trade Sciences Academy (now Marmara University).

Ali ÜLKER
Vice Chair of The Board
Ali Ülker was born in 1969 and educated in the Business Administration Department of the Faculty of Economics and Administrative Sciences at Boğaziçi University, Istanbul. He has also attended various programs at IMD and Harvard. He worked in the Internal Kaizen Projects at De Boccard & Yorke Consultancy (1992) and on IESC Sales System Development and Internal Organization Projects (1997). Mr Ülker joined the group in 1985 as an intern in the quality control department of Ülker Gıda. From 1986 to 1998 he worked at chocolate production facilities and at Atlas Gıda Pazarlama in positions including sales manager, sales coordinator, product group coordinator, and product group director. In 1998 Mr. Ülker became general director of Atlas Gıda Pazarlama, and in 2001 became the general director of Merkez Gıda Pazarlama. In 2002, he rose to Vice Chair of the food group and in 2005 Chair of the group. Working as Vice Chair of the Yıldız Holding Board of Directors since 2011, Ali Ülker is also Chair of the Global Innovation Group and Quality Group and acts as Chief Synergies Officer. Ali Ülker is married with three children. He enjoys fishing, cinema and literature, as well as playing basketball and billiards.

MUSTAFA YAŞAR SERDENGEÇTİ
Board Member
Mustafa Yaşar Serdengeçti has been a member of our Board of Directors since 2011. He has also been the President of the Retail Group of Yıldız Holding since 2010 and is also Vice Chair of the board of directors of our related party Bizim Toptan. Mr. Serdengeçti has previously also worked at Deva Holding Financial Controls Department and as the Deputy General Manager and General Manager of İstanbul Gıda Dış Ticaret A.Ş., and previously served on the board of Netlog Lojistik Hizmetleri A.Ş. Mr. Serdengeçti graduated from İstanbul University School of Economics.

ERMAN KALKANDELEN

Board Member

Erman Kalkandelen has been a member of our Board of Directors since 2011. He has also been a country manager for Franklin Templeton Investments, responsible for research of companies in Turkey, the Middle East and Eastern Europe. He is a member of the board of Defacto Perakende Ticaret A.Ş. and of Gözde Girişim Sermayesi Yatırım Ortaklığı A.Ş. ("Gözde"). Mr. Kalkandelen has an MBA degree from Sabancı University and has studied strategic management at Florida University, Warrington School of Business Management, and he has finished the business economy program at Ankara University, Political Science Faculty.

CEYDA AYDEDE

Independent Board Member

Ceyda Aydede Ceyda Aydede was graduated from İzmir American College and Boğaziçi University Engineering Faculty Industrial Engineering and she completed the Retail Communication Program at Hesser College (New Hampshire, USA). She worked as an Assistant Auditor at Arthur Andersen from 1977 to 1979, as Sales Manager at Migros T.A. between 1979-1986 and as Public Relations and Research Manager at Migros Türk T.A. between 1986- 1989. She founded Global Promotion and Public Relations Company in 1989. Ceyda Aydede transferred majority of her shares to WPP in 2008 and served as Chair of Global Hill and Knowlton until 2013. She is a partner in H + K Strategies company today. Aydede gave public relations lessons for over 20 years at various universities. She wrote 4 books, which of their names are; A Professional Relationship: Public Relations Campaigns,: Media and Public Relations, Blog Age with Virtual Media Diaries and Rising Trend: Corporate Social Responsibility. Ceyda Ayded had been the Chair of IPRA (International Public Relations Association) in 2003 and she is the founding member of Women's Entrepreneurs Association of Turkey (KAGİDER), and member of TÜHİD (Turkey Public Relations Association), and PRSA (American Public Relations Association). She is also a member of the Board of Trustees of the Boğaziçi University Foundation (BÜVAK) and the Board of Trustees of the Health and Education Foundation (SEV), had been the Chair between 2013 and 2015.

AHMET BAL

Independent Board Member

Ahmet Bal was born in Tokat in 1957. In 1981, he graduated from the Department of Economics and Finance of the Faculty of Political Sciences of Ankara University and entered the Board of Accountants of the Ministry of Finance. He received the title of Chief Accountant and Certified Public Accountant in 1991. Mr. Bal received his MBA degree in Business Administration from Nottingham University in England in 1992. He started to work as an Assistant Financial Affairs Coordinator in Anadolu Endüstri Holding in 1994. He carried his duties as Finance Director in Efes Sinai Yatırım Ticaret A.Ş. between 1995 and 1998 and as General Manager between 1998-1999. He served as the Financial Affairs Coordinator for the Automotive, Finance and Stationery companies in Anadolu Endüstri Holding's Financial Affairs Department between 1999-2006. He worked as the Audit Coordinator responsible for all Group companies Anadolu Endüstri Holding between 2006-2012. From 2013 to 2018, he served as the Audit President responsible for the audit of all Anadolu Group companies. Ahmet Bal is married and has two children.

Message from the CEO

With a 1,000 new ŞOK stores launched and another 264 transformed into ŞOK Mini stores in 2018, we now reached a total of 6,364 stores across Turkey's 81 provinces.

2018 Developments

6,364 Stores

35% Growth in Net Sales

TL 12.1 billion Turnover

5.2% EBITDA Margin

We will continue to maintain our rapid growth through our original business model which brought a new breath to Turkey's food retail industry by combining the edges of supermarkets and discount stores.

Uğur Demirel
CEO

Esteemed Stakeholders,

As ŞOK Marketler, we are the fastest growing store chain in Turkey's grocery retail industry, as well as a pioneer of the industry through our innovative and growth-oriented business model.

As you all know, we concluded a year of significant economic developments in Turkey and the world. At this period of challenging market conditions due to global and local factors, we assumed a great responsibility as ŞOK Marketler and are pleased to have achieved successful results. One of the biggest achievements in 2018 was the initial public offering of ŞOK Marketler shares. Valued at TL 2.3 billion in the first half of the year, we conducted one of the Turkey's largest initial public offerings over the last decade and increased our capital of TL 360 million to TL 611.9 million. We sustain our growth with a focus on high-performance culture. In 2018, we continued to boost our performance thanks to the new stores launched, our successful business model, market position, competent staff and dynamic business structure. Our net sales increased by 35% compared to 2017 and reached TL 12.1 billion. We minimized financial indebtedness and bolstered our balance sheet through the revenues obtained by the IPO. Outperforming our sales growth, we increased EBITDA profitability by 5.2% and concluded 2018 with a net profit of TL 67 million.

We conducted a range of special campaigns within the framework of our 2018 sales strategy. Our campaigns launched with the taglines "What Shall I Cook Today," "More than Enough" and "Deals of the Week" obtained several awards. Our investments worth a total of TL 337 million in 2018 supplied funds into the local economy. With a 1,000 new ŞOK stores launched and another 264 converted into ŞOK Mini stores in 2018, we now reached a total of 6,364 stores across Turkey's 81 provinces. We continued our policy of creating another 4,000 jobs on average every year in tandem with new store openings and started 2019 with over 27,000 employees.

We will continue to maintain our rapid growth through our original business model which brought a new breath to Turkey's food retail industry by combining the edges of supermarkets and discount stores. We remain one of the fastest growing actors in the food retail industry by boosting the sales performance of our stores.

We are aware that the share of modern retail channel is growing by each day in Turkey and across the world. As ŞOK Marketler, we believe in the growth potential of our Company and the market we operate in and forge ahead with our growth-oriented activities.

Finally, I would like to share with you our pleasure over the publication of our first ever Sustainability Report in 2018. Laying out how our operations are conducted in a competitive climate with a huge team, the focus of our Sustainability Report was the fulfillment of our employees, the satisfaction of our customers and the development of our suppliers. In 2019, we aim to implement our sustainability approach with maximum efficiency across all our operations.

We are mindful of the contributions and confidence of all our stakeholders in making 2018 a very special year full of success stories for the Company. As we continue our growth in 2019 in line with our targets, our work as ŞOK Marketler will be guided by our goal of satisfying our suppliers, customers and shareholders and a strong focus on the food retail market and developments.

Yours sincerely,

Uğur Demirel
CEO
ŞOK Marketler Tic. A.Ş.

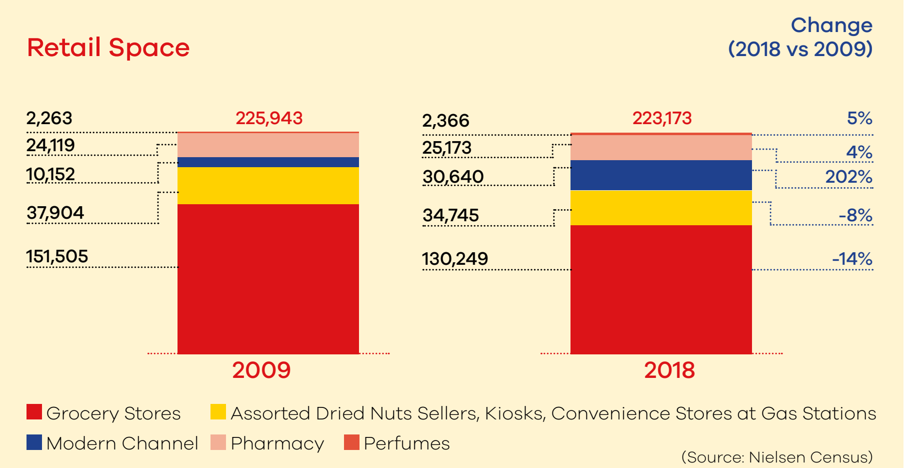
Turkey's Food Retail Market and the Position of ŞOK Marketler[1]

The Turkish food retail market is the seventh largest market in Europe in terms of household spending.

The Turkish food retail market, at TL 37.1 billion in 2002, grew to TL 218 billion in 2016; it is the seventh largest market in Europe in terms of household spending. Over the past ten years, the Turkish food retail market has seen significant changes. 'Traditional channel' sales points, also including small-scale and independent grocery stores that are generally run by families, dominated the market, until the emergence of 'modern channel' retailers (e.g. supermarkets, hypermarkets and discount retail stores). Modern channel stores continued to gain market share, over time, from traditional channel stores, accounting for 40% of the Turkish food retail market in 2017. The period between 2012 and 2017 marked the fastest growth in market size of the discount retail segment in the modern channel, with a compound annual growth rate (CAGR) of 28%, compared to 11% and 13% CAGR in the entire modern channel and traditional channel, respectively.

[1] (Source: MK Novo Report)

The number of modern channel stores tripled between 2008 and 2018.



(Source: Nielsen Census)

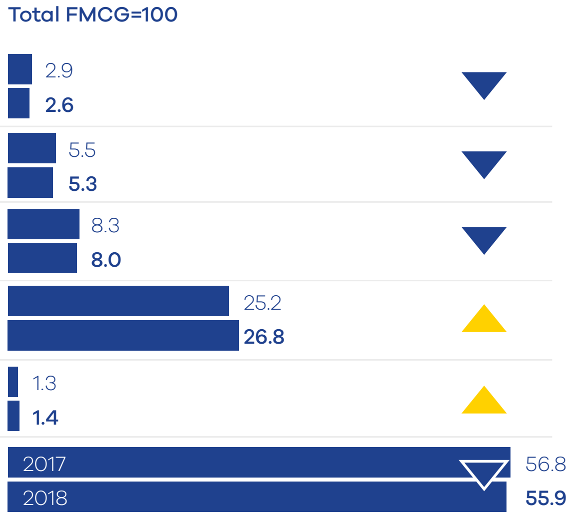
In the past two years, the discount store format has seen the largest increase in the number of stores.

(Source: Nielsen Census)

Small-format supermarkets with an area of less than 400 square meters, including discount stores due to the size of their turnover, were the fastest growing in the dominant modern channel, with 26.8% turnover and 25% growth in 2018.

Channels and Turnover Growth (%)*

Turnover Weight (%)



** Source: Nielsen*

*** FMCG (Fast Moving Consumer Goods)*

**** SPM*

In ten year period between 2019 and 2018, modern channel stores including discount markets increased three-fold. It can be observed that discount markets contributed to this change. In the last two years, the market share of the discount retail segment increased 31%.

Urban population and household spending increased between 2000 and 2017, while the middle-income class grew by almost three folds between 2002 and 2016. As shopping malls grow in number, discount stores are becoming increasingly popular. Currently, the urban population in Turkey is in parallel with that of Russia, France and the UK. The food retail industry is projected to further grow in the future, taking note of these developments. Turkey's growth potential in modern channels can also been observed by looking into the modern channel shares in Turkey and other countries for the year 2018 in turnover. According to data from Nielsen, the FMCG market share grew 18% in 2018 and taking turnover of the fastest growing markets into account, reached 25% including six market channels which are under 400m². According to the data of MK Novo, the market share of discount retail segment which was 18% in 2017 is estimated to reach for 24% in the total Turkish food retail market by 2023; and 31% by 2030. In the discount stores segment, it is suggested that 13,000-17,000 stores will potentially be added to the existing number of 18,000 stores by the year 2030. The growth is mostly expected to take place in metropolitan cities like Istanbul, Ankara, Bursa, Izmir, Antalya, as well as other big cities.

ŞOK Marketler increased its market share in discount retail segment by opening new stores and growing sales in current stores. Between 2012 and 2017, while increasing number of stores by 35% and sales by 46%, ŞOK Marketler managed to be one of the fastest growing companies in the food retail sector. The Company's turnover increased from 8.3% to 19.3% in discount retail market.[2]

[1] *(Source: Nielsen)*
[2] *(Source: MK Novo Report)*

Our Stores

ŞOK Marketler offers customers an easy in-store shopping experience via a spacious store concept designed in accordance with survey findings.

81
Cities

6,364
Stores

27,000+
Employees

	The Number of ŞOK Stores	Net Number of Stores Opened
2012	1,114	9
2013	2,043	199
2014	2,301	258
2015	3,000	699
2016	4,000	1,000
2017	5,100	1,100
2018	6,364	1,000*

** Excluding 264 ŞOK Mini stores*

Conducting operations with the goal of continuous development, ŞOK Marketler increased the number of its total stores to 6,364 by opening 1,000 new stores in 2018, excluding ŞOK Mini stores, with an investment of TL 337 million; the number of employees over 27,000, demonstrating significant employment creation. In May 2018, the Company's net profit for 2018 was actualized as TL 67 million upon its ranking among the top largest 10 public offerings of the last decade. Effective utilization of public offering revenue solidified the Company's financial and operational agility. Offering services in two types of stores —ŞOK and ŞOK Mini — ŞOK Marketler acquired Istanbul-based UCZ wholly in June 2018, turning its branches into ŞOK Mini stores.

The Shopping Experience is the Number One Priority...
With an orderly and spacious layout that offers an easy shopping experience for customers in each and every store, ŞOK Marketler provides a convenient shopping environment with accessible shelves and enhanced illumination. Additionally, the standard shelf display plan makes it easier to determine the inventory to be topped up, and stock turnover increases efficiency in terms of staff volume and in-store audits. ŞOK Marketler' own brands are displayed in easily-recognizable bright yellow boxes designed by the Marketing Team. These yellow boxes ensure that ŞOK's own brands can be easily recognized, as well as presented in a standard manner, and highlight the slogan

TL **337** million
Investment

1,000*
New Stores

25
Distribution Centers

"everyday low price." A ŞOK product is displayed alongside an equivalent domestic-branded product, with the price tag of each one indicating the price per product. Such placement makes it easier to compare the products, which, in turn, makes it possible to compare the Company's own brands with prominent national brands, in line with the pricing policy. Moreover, the ŞOK logo is highlighted with bright yellow and red colors, in the exterior parts of stores, to ensure that the signs are noticed quickly to draw attention.

Teközel Gıda Acquired

As the producer of ŞOK Market own brands, the supplier Teközel undertook the majority of supplier operations. In December 2017, Teközel was acquired by Yıldız Holding, with 55% of the shares. Upon this acquisition, the Company started to supply the products of its own brands directly. The remaining 45% of Teközel Gıda shares was purchased for TL 25.6 million in 2018.

Managing supply operations from 24 distribution centers, each based in rented premises, as of 31 December 2017, ŞOK Marketler in 2018 started to manage supply operations with a total of 25 distribution centers across 81 provinces; each distribution center services an average of 245 stores. ŞOK Marketler aims to sustain its growth in the upcoming period as well, in order to create value for our customers and the national economy.

ŞOK Marketler managed supply processes with a total of 25 distribution centers in 2018.

** Excluding 264 ŞOK Mini stores*

Our Distribution Channels and Supply Chain

ŞOK Marketler enjoys broad and diverse procurement sources, comprising more than 1,000 suppliers, and is becoming an important actor for suppliers, thanks to its consistent growth.

1,000+

Number of Suppliers to ŞOK Marketler

Most of the products displayed on ŞOK Marketler's shelves are supplied from local firms.

ŞOK Marketler aims to support the growth of domestic producers, with its distribution channels and a supply chain that it treats as the rings of a value chain. Most of the products displayed on the Company's shelves are supplied from local firms, while tremendous efforts are undertaken to support small-scale producers and protect local products. The Company places importance on its suppliers' growing in line with its own organic growth. In fulfilling the Company's quality standards and working conditions, suppliers raise their own quality standards and expand their product range. Defined as a process of mutual learning, this relationship is based on a win-win approach.

Fresh Fruits & Vegetables from Mevsim

ŞOK Marketler distributes products to stores rapidly and effectively through a network of 25 strategically positioned distribution centers. Products are distributed to stores across 81 provinces, while fresh fruits and vegetables are supplied via Mevsim, a subsidiary of the Company. Thanks to Mevsim, fresh fruits and vegetables are delivered to stores directly from the distribution centers, eliminating the need for multiple middlemen. Automatic inventory renewal tools are utilized, recognizing that freshness is a priority for customers when it comes to this product group; thus, these products are delivered to stores from distribution centers within 24 hours via the existing distribution network.

Products sold at stores are procured in accordance with supply contracts. In addition to the contracts concluded with Teközel, which supplies the Company's own brand products, there are companies that act as primary suppliers.

Supply contracts govern the delivery of products to ŞOK Marketler by suppliers; product storage; responsibilities of the parties in the event of damages/losses and defective goods; and the terms of purchase and return.

ŞOK Marketler distributes products to stores rapidly and effectively through a network of 25 distribution centers.

Furthermore, in the majority of contracts regarding the supply of tobacco products, parties also agree on the shelf standards and conditions regarding the preservation of goods.

Comprising over 1,000 suppliers and various procurement sources, ŞOK Marketler grows consistently, which, in turn, makes the Company a key client for suppliers – a client that develops in importance. Additionally, the supply chain is managed successfully through methods developed by ŞOK Marketler. ŞOK opted for a process in which fresh vegetables and fruits are directly delivered to the stores without use of intermediaries, and this is how it is able to offer customers fruits and vegetables in their freshest condition, within 24 hours of delivery from the distribution centers to the stores.

ŞOK Marketler offers fresh fruits and vegetables on a daily basis.

Business Ethics

We utilize impartial methods and practices to measure our employees' performance, and ensure, looking at their results, that they are offered opportunities for improvement in the related areas.

We provide our employees with a working environment where they feel safe, comfortable and valued, and that fits the nature of the job performed.

ŞOK Marketler Code of Conduct

Regulatory Compliance and Responsibilities
We conduct all activities and operations in Turkey and abroad in compliance with applicable laws and international law.
We value accurate and timely communication in our relations with regulatory authorities. We conduct business in compliance with the law, regulations and professional standards, as well as the Yıldız Holding Code of Conduct.

Human and Employee Rights
We respect human rights, individual differences and the personal traits of individuals. We are committed to providing equal opportunities to our employees and candidates who apply for a position in the Company. We protect the confidentiality of their personal information. We do not discriminate with regard to gender, race, religion, language, marital status, political opinion and disability.

We provide our employees with a working environment where they feel safe, comfortable and valued, and that fits the nature of the job performed.

As ŞOK Marketler, we reject the use of child labor other than in those cases permitted by law. We do not work with any supplier or contractor that uses children as a means for labor. We utilize impartial methods and practices to measure our employees' performance, and ensure, looking at their results, that they are offered opportunities for improvement in the related areas. We promote a system where solidarity and collaboration are fundamental, and achievements are shared, rather than tolerating a negative environment based on competition. We encourage off-time social activities that enrich our employees' social lives.

We consider it fundamental to stand in solidarity with employees and their families in extraordinary situations such as natural disasters.

Mobbing
Mobbing is defined as intimidation of employees by psychological violence, pressure, obstruction and harassment. We develop measures to prevent mobbing attempts – which are considered a crime in Turkish Criminal Law – that will protect our employees against such treatment. We care

about protecting our employees' dignity and we do not tolerate any breach of their personal values or allow them to be terrorized by emotional attacks of any kind, including psychological pressure and harassment, from any person or organization.

Environment, Health and Safety

As an environment-friendly company, we conduct our activities in full compliance with environmental legislation. We work to prevent the pollution of air, water and soil, while implementing recycling and re-use processes to minimize waste. We develop methods to protect natural resources including energy and water conservation and undertake efforts for efficient use of energy and materials.

We identify risks for urgent environmental issues and take measures to minimize them. We provide employees and subcontractors with courses on environmental protection to raise their awareness. We observe all laws and regulations on occupational health and safety. We implement the principles of 'Risk Management' in order to create a safe and healthy working environment. We ensure and require that adequate personal protective equipment is used, and that safety measures are taken. We prohibit the use of alcohol and drugs at work, and/or in a manner to impact performance, and we prohibit smoking in areas other than designated smoking areas.

We ensure that our employees are aware of their important responsibility and role in the implementation of corporate policies and regulations on workplace health and safety. We value the health of society and consumers as a retail company.

Our Responsibilities to Shareholders

We manage the resources and assets of our company with efficiency and foresight, in favor of the interests of our shareholders. We also consider shareholders' opinions in decision-making processes. We regulate our relations with them in the context of financial discipline and transparency. Any sales and purchase transactions regarding our public company are conducted in accordance with legal procedures.

We invest in areas that will boost our competitive power and generate high returns by taking into account sustainable profitability. Our announcements to the public and shareholders provide timely, accurate and comprehensible information regarding our financial statements, strategies, investments and risk profile within the scope of the applicable laws.

Political Activities

ŞOK Marketler does not engage in collaborative or supportive actions with political parties or groups acting for their interests and does not conduct activities on behalf of political parties. Any decisions by our employees to contribute to any political or social activity are entirely personal decisions. However, we request that our employees conduct their political activities outside working hours and that they do not solicit their colleagues regarding these topics. Furthermore, our employees are strictly prohibited from using the Company name, their position, their title or the Company's resources for any political activities.

Business Ethics

Impartiality Principle

In conducting all our activities and operations, we treat public institutions, organizations, civil society organizations and political parties equally, without seeking interest.

Social Responsibility, Volunteering, Donations and Sustainability

In line with our social awareness, we participate in projects to contribute to the development of society and we make donations. We require that our corporate donations and social support are carried out for projects, organizations and institutions in compliance with our internal regulations, the Yıldız Holding Code of Conduct and the Company's reputation. We do not provide donations for private accounts and for-profit organizations. We encourage employees to participate in social activities in such fields as the environment, health, education and sports, provided that their individual volunteering efforts are undertaken with their resources, take place outside the workplace and do not interfere with their performance. We pursue human and social healthcare and protect the environment in our own activities and in the activities of our suppliers and business partners.

3. Our Responsibilities to Individuals

Relations with Public Organizations and Institutions

In conducting our activities and operations, we treat public institutions, organizations, civil society organizations and political parties equally, without seeking interest. We avoid any relation, influence and action that may interfere with taking fair and impartial decisions regarding our activities. We do not provide any benefits of pecuniary and non-pecuniary value to public officials. We provide timely, accurate, correct and comprehensive information to the public and our shareholders. We provide the public with any kind of information, including developments and changes, that might have an effect on the value of the investments traded in the capital markets, within the legally defined terms. We protect the confidentiality of insider information that has not yet been made public. We hold employees who are involved in bids, tender preparations and negotiations accountable for the accuracy and truth of all their statements, correspondence and declarations to relevant parties.

Relations with Suppliers and Business Partners

Honest and fair treatment in our relations with suppliers and business partners is always essential for us. We expect suppliers and business partners to comply with ŞOK Marketler's Ethical Principles and Code of Conduct, to share these values, and act accordingly. We make it mandatory for our suppliers and business partners to maintain compliance with laws and regulations, to respect their employees' rights, and to observe standards in such fields as environmental protection.

Relations with Customers and Consumers

The satisfaction and comfort of our customers and consumers is a top priority. We abstain from practices that are unfair or misleading in our relations with them. We handle customers' requests and complaints and take them into account in our decisions.
We promptly solve any and all supplier-related problems from the time of shipment to delivery, and work to make sure product quality exceeds customers' expectations.
We aim at providing the best service by focusing on changing customer and market needs.

Relations with Competitors and Compliance with Competition Laws

We are committed to acting in full compliance with applicable fair competition rules and applicable laws and regulations in effect in Turkey. We require our employees to comply with these laws and regulations. We do not deliver statements against our competitors and their directors and abstain from any remarks that may lead to speculations about them. We do not resort to unethical means to access information about other companies. We also have practices in place that prevent employees from resorting to such means. We prohibit employees from delivering remarks on information that shapes or impacts our competitive actions. Furthermore, we do not tolerate industrial espionage by our employees, nor bribery and/or theft.

Media Relations

We follow an open and transparent communication model with the media. We ensure that our corporate messages, information and announcements do not mislead public opinion. We treat all media organizations equally and impartially. We respond to requests from the media regarding ŞOK Marketler' financial data or the sector in coordination with the Corporate Communication Department in charge of these matters. We forward inquiries and requests from the media to the relevant departments. We prefer to have written communications with the media.

Distinction of Corporate and Personal Interests

Definition of Conflicts of Interest

A situation in which employees, family members and close relatives benefit from commercial activities conducted with the suppliers of ŞOK Marketler is defined as a conflict of interest. We do not permit employees to work in the position of the Company's supplier. Similarly, neither their families nor relatives may be suppliers of the company our employees are bound with. We prohibit employees from investing in, or lending money to, our suppliers in a manner that conflicts with corporate interests. Similarly, we do not allow our employees to benefit from special advantages and conditions provided by the supplier to the Company for their personal interests. We advise employees to consult Yıldız Holding's Ethical Board and their supervisors to determine whether actions of this nature constitute a conflict of interest.

Accepting or Giving Gifts or Benefits (Credit, Discount etc.)

We prohibit employees from giving or receiving cash or redeemable gifts from ŞOK Marketler's suppliers that might have an impact on their impartiality and decisions. Our employees are rewarded with gifts through the internal reward system in place at the Company. Employees are obliged to comply with relevant corporate regulations on accepting and giving gifts.

Investments by Employees

We compel the employees of our public companies and their employees who have internal access to information to act in accordance with the Disclosure Policy and regulation of the relevant company.

We prohibit our employees from investing in or lending money to the parent company or branch of any supplier affiliated with the Company without the permission of the Chair; or demanding profit from special benefits and conditions introduced to the Company for the suppliers or customers, for personal interest.

Purchase and Sales Policy of the Company's Equity Shares

We compel our employees to comply with legal regulations and the Company's internal procedures regarding the purchase and sale of Company equity shares to avoid any conflict of interests.

Duties Outside the Company

We expect our employees to comply with their employment agreements and loyalty rules. In accordance with the Company's enforced regulations, we do not permit our full-time employees to work for any other organization outside our Company. We do not permit our employees to conduct activities directly or indirectly defined as 'tradesman'. Likewise, our employees are not permitted to be employed by competitors or companies that have business relations with the Company. We allow our part-time employees, or employees with consultant status, to conduct outside activities, with the exception of competitors, provided that they inform the management of the company they are affiliated with.

Participation by Employees as Speakers in Events

According to the Company information policy, appointed Company spokespeople/ representatives may share information approved by the corporate communication and other relevant departments with the public. Any charges incurred due to any duty representing the Company, conducted in any kind of association, employer union or similar non-governmental organization shall be covered by the relevant organization. Any payments made by employees of ŞOK Marketler in exchange for a seminar speaker charge or similar service shall also be covered by the relevant organization. With the exception of gifts with pecuniary value, our employees may accept symbolic mementos such as awards, shields, plaques, etc.

Business Ethics

Relatives and Friends
Managers authorized for employment decisions may not hire their first-degree relatives and their relatives. We require our employees to notify the Company in written form within one month in the case that any of their first-degree relatives are employed in critical positions by any competitor.

Representation and Entertainment
We have representation funds available for customer entertainment and expenses for business meeting costs. We expect that representation funds to be spent solely for the relevant events and we do not allow transfers between budget expenditure areas. It is essential that all expenditures are documented by invoices; invoices from other entities may not be obtained for expenditures that are not invoiced. We require legally compliant notes of expenses where necessary. Non-deductible expenses are kept in non-deductible expense accounts and are recorded to the receivable accounts of the relevant companies. Business-related entertainment activities are carefully examined according to corporate standards and relevant internal regulations and are approved by the Company's senior management. Any entertainment expenses other than these are not permitted.

Insider Information
Our employees are prohibited from disclosing any publicly undisclosed information to third parties, either for their personal interest or for the interest of anyone outside the Company. It is strictly prohibited for any employee with access to insider information to profit and/or provide profit to third parties by using such information (insider trading). Persons with access to insider information include the Chair and the Members of the Board of Directors of the public company, managers (directors and senior management), auditors, those who may have access to insider information during the execution of their professions and duties, and those who directly or indirectly may have access to insider information because they are known to have contact with the persons mentioned above. We compel the employees of the public ŞOK Marketler, and our employees with access to corporate information, to comply with the obligations indicated in the relevant Communiqué of the Capital Markets Board and Company policies. Employees of ŞOK Marketler, other than those indicated above, may freely purchase and sell ŞOK Marketler equity shares, assessing publicly disclosed information without any time limitation. The practices indicated above are also applied to first-degree relatives of the persons mentioned above, and any procedures conducted by first-degree relatives shall be considered to have been conducted by the persons mentioned above.

Anti-Money Laundering and Anti-Corruption
Any kind of aiding and abetting of a person committing a crime or breaking the law by means of legitimizing the sources of income or merchandise, providing direct or indirect profit using deceptive means and tools, participation in any process aimed at investment, or concealment or laundering of the resources obtained by means of such activities, are defined as money laundering.

We compel our employees to take great care to fight against money laundering and corruption. For this purpose, our employees are obliged to comply with all provisions of the enforced laws, regulations and Company policies.

ŞOK Marketler is committed to fighting against money laundering activities and supporting efforts regarding the prevention of money laundering activities.

Protection of Company Assets and Data Confidentiality

Protection of Corporate Assets
Our employees are responsible for proper use of all active assets and resources of the Group, including intellectual property rights, technology, computer hardware and support, software, immovable properties, machinery and equipment, raw materials, company vehicles and cash reserves.

The equipment, systems, facilities and assets of ŞOK Marketler may be used solely to execute the operations of the Company, or for purposes permitted by the management. Unless it is otherwise specified in the regulations published by the Company, Company assets may not be used for personal purposes or for the benefit of any person outside the Company.

We expect our employees to use Company assets in compliance with corporate principles and regulations. We take preventive measures against the use of Company assets by unauthorized third parties or damage to Company assets.

Use of IT Resources

The IT resources of ŞOK Marketler contain all computer hardware owned, leased by or leased to the company. The hardware in question covers any kind of software, PCs, laptops, network servers, internet access, intranet and e-mail access devices.

All IT resources of ŞOK Marketler, any information created, stored or transferred using these resources are the property of ŞOK Marketler. Our employees are required to use these resources properly and responsibly for work purposes in accordance with the laws and company regulations, and take necessary precautions to protect these resources and prevent the access by unauthorized third parties.

Confidential Information and Principles of Protection of Confidential Information

The scope of the confidential information of ŞOK Marketler includes, but is not limited to, the following:

"Commercial information, technical data, financial data, production data, customer information, personal information, product information, equipment and application information, technical formulas and drawings, system and program information, purchase information, engineering information, regulations, work plans and all information not disclosed to the public." This information is not defined as confidential but is confidential. While performing their duties, our employees protect all confidential information/documents they have access to. The confidential information they access is used only for the benefit of the work they conduct for the Company, within the framework of legal and ethical rules. Our employees are strictly prohibited from disclosing any publicly undisclosed information to third parties for personal gain or for the benefit of anyone outside the Company.

Even when our employees terminate their employment, they are strictly prohibited from directly or indirectly using or allowing the use of any confidential information or documents of the Company that are indicated above, either in writing or verbally, for personal gain or for the benefit of third parties, without the written permission of the Company.

We expect our employees to pay utmost attention to matters of data confidentiality and security while using any kind of IT resources and electronic communication tools. We expect our employees to comply with the Company's policies and instructions without exception, and to take the necessary precautions to prevent access by unauthorized parties to confidential information or any leakage of confidential information.

Intellectual Property Rights

The scope of the "Intellectual Property Rights" of ŞOK Marketler includes, but is not limited to, the following:

"Intellectual rights of ŞOK Marketler such as brands, patents, databases, printed communication materials, processes, advertisements, product packages, labels and plans (marketing, production, technique), product designs, know-how and any information, including any kind of innovations written, invented, developed, produced or implemented by employees."

Any commercial/financial rights of intellectual properties generated by our employees during their employment and execution of their duties using Company resources, such as products, designs, programs etc., are the property of the Company and no person or party may make any claims against the Company regarding this matter.

We expect our employees to be aware that any correspondence, written material, documents or records, special process information, regulations, and the Company's private work flow information – confidential or not confidential – are the property of Yıldız Holding and its affiliated companies and must remain within the Company.

We stipulate that our employees comply with all rules and laws regarding software licenses, patents and copyrights and, in order to enable them to conduct their work, we legally supply all necessary software and copyrights. Employees may not use our account illegally.

Product and Service Quality

We act in accordance with the legislation of the countries where we conduct our activities and contribute to the establishment of legal regulations aimed at providing product quality and consumer wellbeing.

We conduct our activities in accordance with such international quality standards as ISO 90001,14000, and 450001, and implement all our quality certificates together with our employees. We provide our customers with easily accessible high-quality products and strong brands, along with the best service.

Abuse and Irregularity

We abstain from bribery, deceptive or any other unethical conduct in the countries and business areas where we conduct activities.

In business relations where our employees are responsible, we compel our employees to act in accordance with relevant laws or regulations, to avoid deliberate partnerships with parties that violate such laws and regulations, and to abstain from any means that are deceptive, dishonest or unethical.

Business Ethics

Commercial and Financial Rights

Any commercial/ financial rights of intellectual properties generated by our employees using Company resources, are the property of ŞOK Marketler.

We prohibit our employees from using their authority for their personal gain and/or for the benefit of their relatives, and from exercising their agency beyond the due care expected of them, which could cause harm to ŞOK Marketler.

We do not permit our employees to gain any direct or indirect personal profit from any purchase and sale activities, transactions and agreements to which ŞOK Marketler is a party.

We expect our employees to immediately notify their managers and/or the Yıldız Holding Ethical Board in the case of any irregularities of such nature in any business relations.

Accuracy in Records and Financial Reporting

Accurate and Complete Bookkeeping
It is essential at ŞOK Marketler that all records are kept in accordance with the legislation. The documents of commercial and financial transactions must reflect the real situation. No payment used outside its intended purpose shall be made or approved.

Presenting Accurate Information and Financial Reports to All Necessary Parties
In all their services and transactions, ŞOK Marketler provide accurate, complete and timely information transfer to all investors, customers, suppliers and official authorities in accordance with the legislation.

Advertising and Promotion

ŞOK Marketler
does not provide deceptive or misleading advertising or make false statements in their sales and marketing activities. Our advertising does not contain any gender, religion or race discrimination or any elements of individual humiliation and violence.

Compliance Responsibility and Notification of Violations

ŞOK Marketler employees,
when they require guidance regarding the Code of Conduct, should consult the following:

- Relevant ethical conduct guide;
- Their supervisor or the human resources manager;
- The Ethics Board (etik.bildirim@yildizholding.com.tr).

Employees are required to report any action or situation they consider to be in violation of ethical rules, as follows:

- In writing, to ŞOK Marketler' CEO, or to the Ethics Board via e-mail (etik.bildirim@yildizholding.com.tr).
- Although signed notifications of ethical violations are preferred, anonymous notifications of ethical violations are also taken into consideration.
- The evaluation of violations is conducted by the Ethics Board. The opinion of the relevant support department (Legal, Auditing, HR, etc.) is solicited when necessary.
- All notifications are kept confidential. Notifications are reviewed by the Ethics Board and appropriate actions/measures are taken in accordance with the Board's decision.
- ŞOK Marketler is committed to protecting the rights of employees who submit reports to the Ethics Board. Retaliation against employees who report ethical violations is prohibited, and necessary actions are taken against persons who attempt to retaliate.
- We expect our employees to adopt attitudes in accordance with an awareness of their responsibilities and work ethics, and to act in line with the meaning and the purpose of the Code of Conduct.

We require our employees to be aware of their responsibilities and act in line with business ethics.

Sustainability Management Structure

The Sustainability Board is in charge of establishing the sustainability strategy and targets, road maps and policies, and mapping out environmental, social and corporate governance risks.

Şok Marketler has formed a Sustainability Board so as to shape strategic investments to be carried out to increase the value generated in the areas of the environment, society and corporate governance. This structure took its final shape as part of the efforts, initiated by Yıldız Holding, to spearhead transformation ensuring that the Company embraces a culture of sustainability and thereby enhances its competitiveness and brand value.

The responsibilities of the Sustainability Board include setting the sustainability strategy, goals, road maps and policies; mapping out the risks related to the environment, society and corporate governance, and managing them proactively; identifying sustainability-related performance measures; informing employees on these areas; undertaking efforts to internalize relevant policies; and planning for efficient communication with stakeholders. The Committee convenes at least twice a year to plan a schedule.

In addition to the CEO and CFO, managers from the key departments, including Sales and Operations, Commercial, Human Resources, Quality, Construction, Investment and Technical Procurement, are members of the Sustainability Committee.

Sponsored by the Yıldız Holding Board of Directors, the Sustainability Initiative contributes to the Company for corporate reputation and risk management. The Initiative also ensures that the sector's global agenda, mega trends, the maiden regulatory environment (including the UN Sustainable Development Goals), and the main issues raised by all stakeholders, are managed efficiently within a strategic framework. Activities are reported to Ali Ülker, Vice Chair of the Board of Yıldız Holding, and the main sponsor of the Sustainability Initiative.

Sustainability Priorities

ŞOK Marketler aims to improve environmental conditions for future generations by protecting natural resources and prioritizing energy efficiency and savings.

Our Priorities	How We Manage?
Digitization	Customer Focus – Product – Supply Chain Management – Employees – Environmental Impact
Food Waste or Loss	Supply Chain Management
Improving Retail Customer Experience	Customer Focus
Responsible Supply Chain Management	Supply Chain Management
Responsible Products & Fair Trade	Supply Chain Management
Product Safety and Quality	Supply Chain Management – Product Range – Customer Focus
Employee Rights, Satisfaction and Loyalty	Employees
Recycling and Packaging Waste	Environmental Impact

ŞOK Marketler has adopted the motto that "sustainability is our promise for future generations." Developed by Yıldız Holding, this motto signifies a holistic management approach, helping to improve the Company's performance with a focus on three main themes: product, people and the planet.

Accordingly, the Company's corporate goals are as follows:

TO INSPIRE customers to adopt a healthy diet and life style, and also to make customer safety a focal point, and ensure that products are delivered to customers at the highest standards with transparency and under attractive terms **(INSPIRING – PRODUCT),**

TO GROW TOGETHER with the community, by engaging in efforts that will contribute to social and economic development for employees and society, and embracing business models that improve social equality **(GROWING TOGETHER – SOCIETY),**

TO RESTORE environmental conditions for future generations by protecting natural resources and prioritizing energy efficiency and savings **(RESTORING – PLANET).**

ŞOK Marketler believes that it is important to focus on particular strategic areas to ensure successful and integrated management. The Company has focused on determining the areas where it can create value for both its business and its stakeholders in a retail sector characterized by fierce competition – an approach that sets the Company apart from the competition and moves it strategically forward.

To this end, the Company conducted a stakeholder analysis via an on-site study based on the methods set forth in world standards; and held in-depth interviews and workshops attended by executives and specialists from different departments. Decisions made on the basis of these interviews were approved by the Board of Directors.

Sustainability Priorities

ŞOK Marketler has defined digitization and changing responsible customer behaviors as the two most important global trends driving the retail sector.

In this analysis, the Company took a risk- and opportunity-based perspective to evaluate the areas that can elevate its environmental, social and administrative (ESA) performance with reference to global and sector trends, as well as its Sustainable Development Goals. As a result, the Company determined digitization and changing responsible customer behaviors as the two global trends driving the retail sector and shaped its general and priority areas of focus accordingly.

[1] *In 2015, 193 United Nations member states ratified the 17 Sustainable Development Goals that aim to put an end to extreme poverty by the year 2030, as well as fighting inequality and injustice, and protecting the planet. For more details on the Goals, please visit http://www.kureselhedefler.org/*

Stakeholder Group	Method of Communication	Frequency of Communication
Employees	Internal notification emails, academic ŞOK, meetings, ŞOKNet (intranet system), surveys, social media	Continuously
Customers	Website, Cepte Şok, Communication Center, product catalogs, notification emails and short messages, social media, surveys and meetings	Continuously
Suppliers	Audits, Chain (intranet system), B2B meetings, emails, social media	Continuously
Public Institutions	Visits	Continuously
Business Partners and Advisors	Joint projects	At least once a month
Media	Press releases, press meetings, social media	Continuously
Non-Governmental Organizations and Associations	Congresses, conferences, seminars etc., joint projects	Continuously
Universities and Research Centers	Joint projects, conferences and training sessions	Continuously
International Organizations	Events such as congresses, conferences, seminars, fairs etc.	Continuously

Product Range

ŞOK Marketler offers customers products of national, international and own brands in the categories of basic foodstuffs and non-food products.

The key strength that differentiates ŞOK Marketler stores from other discount chain stores in Turkey is its vast variety of affordable and quality products. ŞOK Marketler consistently aims to respond to customers' diverse needs with a wide range and a rich selection, bringing national and international branded products, as well as own brands, in the categories of foodstuffs and non-food products. Own brands such as the historical Mis, Piyale, Mintax, Evin and Amigo are displayed on shelves, alongside best-selling national brands. The Company is committed to ensuring that all products are always safe and of high quality.

Product – Inspire

ŞOK Marketler prioritizes the delivery of products to customers at the highest standards, with transparency and under attractive conditions. Consumer safety is a focal point, and the Company endeavors to inspire customers to adopt a healthy diet and life style.

The Company's priority is its customer focus, and its supply and product chain are holistically aligned with this approach.

Product Safety and Quality

ŞOK Marketler undertakes product safety audits in stores and warehouses, and ensures that its processes comply with international quality standards.

ŞOK Marketler is committed to offering products that protect the health of the millions of customers who shop at its stores. ŞOK does not compromise on national or international quality standards when it comes to ensuring safety from the fields to the tables, and offering customers healthy products. All suppliers are evaluated at least twice a year, and the Company continues to work only with suppliers that meet each and every standard.

A 35% Increase in Supplier Audits

Every year, ŞOK Marketler increases the number of audits conducted among suppliers to ensure that they comply with product safety and halal food standards. The Company raised its audit rate among suppliers by 35% in 2018 compared to 2015. The control and auditing procedures reinforce suppliers' development and encourage them to maintain standards at the highest level.

The Company also conducts audits at sales points and storage facilities, in addition to those audits carried out with suppliers. To this end, product safety checks are conducted in ŞOK's stores and warehouses, thus ensuring compliance with international quality standards.

ISO 22000 Food Safety System Certification process continues

The Company planned all its business processes in accordance with the IFS Logistics and the ISO 22000 Food Safety System Certification, both of which guarantee product safety, with an aim to complete the certification process by 2019. Additionally, in 2018, the Company initiated efforts to manage its entire product security process in accordance with the ISO 9001:2015 Quality System Management standards. In 2019, the Company aims to obtain its ISO 9001:2015 Quality System Management certificate. All suppliers are required to hold either IFS and BRC International Food Safety Standards or a FSSC 22000 Food Safety System Certificate.

New Call Management Infrastructure

The Company's audits include inspections on compliance with Ministry of Food, Agriculture and Livestock Turkish Food Codex Legislation; halal food inspections; and in other areas, depending on the type of product, such as caliber, weight, packaging, labeling, organoleptic evaluations, etc.

In addition, a "Call Management" system has been developed to report defective products with quality issues caused by the supplier, and, thus, prevent such products from reaching customers. In this way, an effective monitoring system has been implemented, preventing any situation that may pose a threat to customers' health.

The Company also developed a digital system whereby defective products reported to the call management system are returned to the supplier. Suppliers monitor their defective products on the system and perform the corrective measures required to guarantee quality.

ŞOK Marketler complies with national and international quality standards in order to consistently offer healthy products to customers.

Customer Focus

With the renewal in 2015 of its store layout, ŞOK Marketler provides customers with a comfortable and pleasant shopping environment.

650 million
Number of Yearly Store Visit

1,500
Different Products

ŞOK Marketler places its customers at the center of its products and services, because maintaining customer satisfaction at the highest possible level is essential for the Company's business success. ŞOK strives to ensure that all customers, whether they shop in a store or online, enjoy a shopping experience with a high quality and budget-friendly product range and concept.

The Company closely follows customers' rapidly changing expectations and needs and improves their shopping experience through innovative and digital solutions. Customers now have the opportunity to shop online via the mobile app, Cepte Şok – a first in the Company's field of activity.

With products that are suitable for all budgets, ŞOK Marketler aims to be accessible in all regions of Turkey. In 2015, the Company carried out a complete renovation of its stores and diversified its product range. It opened 1,000 new stores in 2018: with more than 6,300 stores across 81 provinces, ŞOK Marketler is even closer to its customers. The vast majority of customers are individual customers. The number of visits to ŞOK Marketler stores increased by an average of 60% in 2017 compared to 2015, to more than 650 million.

Customer Experience

ŞOK Marketler aims to provide its customers with a shopping experience that exceeds their expectations, to be more competitive in the sector and to become a preferred choice of brand. The Company is able to achieve this goal thanks to a unique business model that differentiates it among its rivals in the five main areas, particularly including a rich portfolio of national and own brand products, as well as proximity, affordability, diversity, and easy and convenient shopping.

With a wide and constantly growing network of stores, ŞOK Marketler is as close as possible to its customers. As part of its "everyday low price" strategy, ŞOK offers customers various promotions, including numerous benefits, along with affordable and high-quality products. Around 1,500 different products can be found on ŞOK stores' shelves, providing customers with a one-stop shop for all their needs. The stores' concept was renovated in 2015 to provide customers with an enjoyable and convenient shopping environment featuring products organized by category within spacious and well-illuminated aisles.

Customer Satisfaction Survey

ŞOK Marketler believes that it is impossible to improve without considering customer feedback on its products and services. Accordingly, the Company engages in activities to efficiently manage customer experience and actively follow evolving customer practices. Within this scope, the Company conducts customer satisfaction surveys. The Company carries out Mystery Shopper Surveys

A.L.F.A. Award

Marketing Turkey assesses brands from 25 sectors that best manage customer experience, based on complaints posted on sikayetvar.com. In 2016, ŞOK Marketler was recognized with the A.L.F.A Award in the discount market category.

twice a year, through an independent research company, in all of its stores. The Surveys include four main categories: products; the store's physical condition; personnel service quality; and the produce section. A store's performance is evaluated through the eyes of its customers via unreported and mystery visits. ŞOK Marketler maintained this level in 2018, as well, achieving the category of "Very Good" by exceeding 82%, the sector average.

As well, in the 2017 Brand Health Tracking Survey, ŞOK Marketler has the second highest level of TOM (Top of Mind) among retailers The Brand Health Tracking Survey is conducted among consumers to evaluate brand awareness. ŞOK Marketler maintained its standing in 2018.

Customer Relations Management

While carrying out shoppers research in order to create a better customer experience is important, ŞOK Marketler also keeps its communication channels open to its customers. It is among the Company's priorities to encourage customers to use these communication channels to share requests, opinions and expectations.

The Company receives and responds to customer feedback via a communication form available on the website (www.sokmarket.com.tr/iletişim/iletişim-formu), via Yıldız Holding Customer Relations Center (MIM) hotline at 0212 576 33 00, and through the email address, mim@yildizholding.com.tr. It takes necessary actions on customer complaints within three business days following the receipt of feedback given 40% on internet and 60% on telephone. The security and confidentiality of customers' information is guaranteed under the agreement between the Company and Holding MIM.

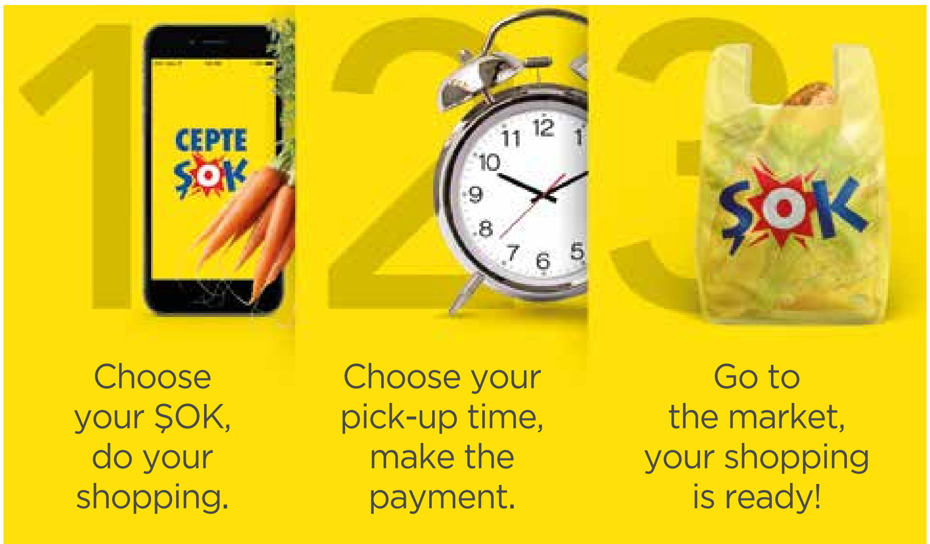
ŞOK Marketler effectively and optimally meets the expectation of its customers by creating dedicated communication channels tailored to their preferences.

Customer Focus

Developing solutions that address customers' needs, ŞOK Marketler introduced the mobile app Cepte Şok (Şok in the Pocket) to offer shopping services online.

Retail Technology Award

The IDC Retail Technology Awards recognize the best digital projects from retail, e-commerce and technology companies each year. In 2017, ŞOK Marketler won in the "Best Digital Channels Project" category with its mobile app, Cep Şok.



Cepte Şok: Mobile Shopping App

In Turkey, as elsewhere, customer shopping habits have evolved alongside technological developments, while the volume of online shopping increases daily. Staying abreast of these developments is essential in the retail industry and, thus, ŞOK Marketler initiated digital transformation across several areas of the Company. ŞOK saves time for its customers and make their lives easier, thanks to 'Cepte Şok', its online shopping app with a leading position among the Company's digitization projects. Developed through research on customer trends, the app operates on a "Click and Collect" basis. Customers select the products they want, specify a time to collect them, and then pick up their package from the nearest ŞOK Market within the same day, without having to wait. The mobile application offers customers a convenient and rapid online shopping experience, while allowing them to save money, thanks to updates on current campaigns and discount products.

ŞOK Marketler wants to be where its customers live and work. The app was available in all stores as of 2018. We are planning to roll out the app across all our stores in the future.

Retail Technology Award

The annual IDC Retail Technology Awards recognize the best digital projects of retail, technology and e-com companies every year. In 2017, ŞOK Marketler won the "Best Digital Channels Project" with its mobile app Cep Şok.

Supply Chain Management

ŞOK Marketler develop digital transformation projects to ensure product safety, enhance efficiency and mitigate risks.

As one of fastest growing companies in the retail sector, ŞOK Marketler has expanded its store network to 6,364 stores across 81 provinces. Suppliers are major contributors to this achievement, producing the quality products that match customers' expectations, while growing together with the Company and gaining inspiration from its best practices and efforts throughout the supply chain.

Supply Processes to Ensure Quality and Affordability

Managing its supply chain in the most effective manner ensures that ŞOK Marketler can offer its customers both quality and affordability. To this end, the Company treats its supply chain as an integrated process and strives to achieve operational excellence in every stage; this process requires strategic cooperation from the manufacturer to the store. Therefore, ŞOK develops digital transformation projects that contribute to the Turkish economy by buying local products, ensuring product safety, and increasing productivity while reducing risks.

The Central Supply Unit was Established

To manage its supply chain in a more productive and effective manner, the Company established the Central Supply Unit at the end of 2018. This centralized system, which replaced a warehouse-based tracking system, is designed to more efficiently oversee supply chain management, ensuring product availability and improved seasonal planning. ŞOK Marketler is developing innovative solutions enhance its performance as part of its proficient supply chain management.

Environmental Impact

Working to achieve its goal of mitigating environmental impacts, ŞOK Marketler saved 14 million kWh of energy, equivalent to the annual average electricity consumption of 1,565 households.

1,000 tons

Reduced CO_2 Emissions

Planet – Restore

ŞOK Marketler believes that protection of natural capital, comprising natural resources and ecosystems, is vital in order to continue professional and daily life. The Company protects natural resources while conducting business and restores environmental conditions for future generations via projects aimed at energy efficiency and conservation.

ŞOK Marketler regards as its duty to protect the planet's natural capital for the daily life and business of both today and future generations. The Company is aware of the great responsibility the private sector must assume in combating climate change, one of the most urgent global environmental issues today.

ŞOK Marketler strives to manage its environmental performance in the most effective way possible, by reducing its carbon footprint to create a restoring impact on the environment. The Company's primary goals include saving energy by reducing consumption and lowering carbon emissions.

The Company develops methods to utilize its resources more efficiently across its operational network to ensure continuity in its activities. The previous year saw the launch and execution of productivity projects that enabled the Company to take significant control over its environmental impact, and these efforts continue to produce results. While the number of stores grew this year by 30%, the Company oversaw a reduction in carbon emissions of 1,000 tons of CO_2, compared to the previous year. It saved 14 million kWh of energy, equivalent to the average annual electricity consumption of 1,565 households.

ŞOK Marketler develops its system by setting targets for effective environmental management. It provides necessary resources for the environmental management system, in order to ensure continuous improvement. The Company aims to reduce its environmental impact in a more systematic way by taking actions in areas such as energy management, packaging, waste management, recycling, efficient use of resources in operations, and distribution chain efficiency. To further improve environmental performance, in 2019 the Company will apply for the ISO 14001 Environmental Management System certificate.

Energy Management, Packaging and Waste Management

ŞOK Marketler uses automated control systems to save energy, generate profit, reduce the manual workload and achieve operational excellence.

Reduction in the use of plastic bags in stores is also a target for preventing environmental pollution.

Energy Management
ŞOK Marketler prioritizes energy management to reduce its carbon footprint by managing our environmental impacts and create economic value. The Company launched its efforts with a review of all store operations.

The efficiency of all electric equipment, including air conditioners, is important in terms of achieving an ideal temperature to maintain the freshness and quality of products. The Company's energy initiatives include a focus on the correct use of the 'sleep' function of certain equipment during the night; preliminary evaluations revealed that this accounts for a large part of the electricity consumed in stores. As well, taking advantage of digitization can promote energy efficiency: equipment that should be turned off at night is automatically disabled, while the operation values of air conditioners is limited, so that they run where needed. The automated control system is targeted to save energy, generate profit, reduce the manual workload and achieve operational excellence.

Packaging and Waste Management
Also significant in reducing the environmental impact of ŞOK's products and services is efficient packaging and waste management. The Company works to reduce the amount of materials used in packaging and it prefers packaging made of environmentally-friendly materials.

In addition, the Company has taken the necessary steps to reduce use of plastic bags in its stores. Pursuant to the Ministry of Environment and Urban Planning's "Packaging Waste Control Regulation," scheduled to come into force on 1 January 2019, ŞOK Marketler will charge for plastic bags. This practice, incorporated into the Company's action plans, will allow it to develop innovative solutions and contribute to preventing environmental pollution.

Human Resources Policy

ŞOK Marketler consistently contributes to employment rates in Turkey with over 27,000 employees and supports the national economy with the added value it creates.

4,000
Annual Employment Creation

Society – Growing Together
With a network extending across Turkey, contributing to social and economic development activities is critical for ŞOK Marketler. The Company both empowers and grows stronger together with society, through business models directed towards improving social equality.

Every initiative that the Company undertakes to improve employee satisfaction also helps create a stronger society.

Employees
Making a difference in a highly competitive retail industry centered on customer satisfaction is deeply connected with the satisfaction of employees – the Company's invaluable stakeholders. ŞOK Marketler strives to foster an equal, fair and healthy working environment, embracing diversity for employees' comfort and satisfaction, and offering training opportunities that allow employees to develop professionally within the sector.

The Company reviews and improves its human resources practices to manage its ever-growing team in the most effective way, continuously contributing to national employment and supporting the local economy by creating added value.

ŞOK Marketler is one large family, with more than 27,000 employees who work in over 6,100 stores across 81 provinces. This family is expanding, with 4,000 new employees every year.

The Company attaches importance to women's empowerment in business and supports those women who return to work after a break; ŞOK guarantees convenient working conditions for women to return to work after maternal leave and, as a result, of those employees who took maternity leave during the last three years, up to 99% have returned.

Employees by Category

Blue Collar **96%** White Collar **4%**

Employees by Gender

Male **%60** Female **%40**

The Performance Management System is intended to improve employees' motivation and competencies.

Employee Development

Retail companies need to adapt quickly to rapid changes in shopping habits triggered by technological developments, customers' changing expectations and demands, and fierce competition in the sector. Therefore, the Company believes that adaptation to sector developments, progress towards strategic targets and the advancement of exemplary practices is only possible through its employees' dedication and development.

The Company offers employees training, development and career planning opportunities based on the principles of equal opportunity and fair management. Employee assessments take into account each employee's performance and experience, as well as additional competencies they have acquired.

Performance and Career Management

Only an effective performance management process can enable employees to assess their performance and determine future goals and areas of improvement: the Company applies a Performance Management System designed to nurture employee motivation and skill development, and to improve their sense of community.

Determined by Yıldız Holding as an umbrella system, the Company implements the Performance Management System for all head office employees. Accordingly, employees' business results are evaluated in terms of targets and competencies.

The performance system consists of three main periods repeated annually: goal setting, mid-term assessment and assessment period. The assessments include evaluations of employees' self-determined targets, as well as the responsibilities of their particular position.

Following an employee's self-assessment at the end of the year, they are also assessed by their first and second managers, completing the process. The performance of all employees is measured against a Company achievement coefficient.

Compensation Managed by a Hierarchical Structure

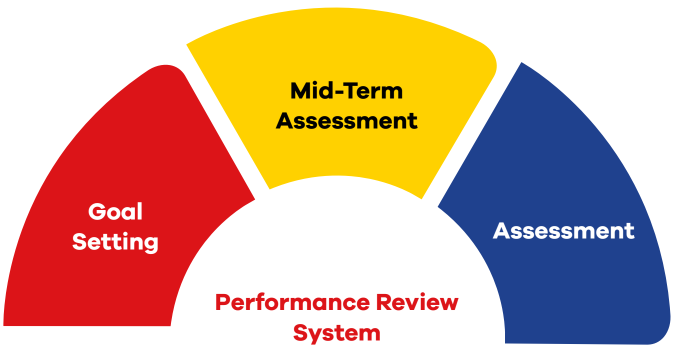
The Company's compensation system is managed by a common hierarchical structure, based on the content of the job. ŞOK Marketler pays an equal and competitive wage consistent with the market, according to annual market wage research reports, upon assessing employees' performance through this system. As well, the Company provides employees with benefits that vary in content based on their position.

Employees in managerial and other senior positions at the Head Office are awarded an annual performance bonus based on Performance Management System assessment results. The Company offers sales bonuses to sales teams as an incentive; in addition, the recently launched "Instant Reward" system extends immediate rewards to recognize employees who have made a significant contribution to the Company. Using the "Instant Reward" system, managers can nominate employees and, if the recommendation is appropriate, the employee is rewarded.

ŞOK Marketler strives to be a preferred employer and invests in its employees professional and personal development and well-being. The Company offers employees opportunities to maximize their potential within the organization, including long-term career planning; such planning is addressed holistically, through performance management and training.

Human Resources Policy

Development tools, including coaching, mentoring, class training, rotation and project ownership, are used in line with Human Resources processes, in this case, the 70-20-10 model.



Human Resources Career Planning for Employees
"Human Resources Career Planning" is conducted annually for the Head Office and branch offices. During this process, the Department analyzes employees' strengths and areas for improvement and creates a career 'road-map'; this data is recorded and referenced during the following assessment periods. Development tools, including coaching, mentoring, class training, rotation and project ownership, are used in line with Human Resources processes, in this case, the 70-20-10 model.

In the Company's stores, "In-Store Human Resources Planning" is conducted four times a year. After each session, store managers identified as 'promotable' are assessed in a separate process. Using case studies, individual presentations and Q&A sessions, The Company can identify candidates for promotion or provide them with self-development plans. Thanks to this practice, ŞOK Marketler' internal promotion rate for store managers reached almost 80% in 2017.

Leadership Development Program
In 2017, ŞOK Marketler launched the "Tactics Here" leadership development program for field executives, including regional executives, regional managers and branch managers. During this program, regional executives received four days, regional managers three days, and branch managers six days of classroom training. The program was extended to include training content for the development of eight leadership skills in the qualifications required for field executives. In addition, we offered branch managers a one-day coaching training session.

Need-Based Training Sessions

The Company offers tailored training opportunities to employees, to enhance their professional and personal skills and support their career development.

Employees in the Head Office can also participate in training sessions across a wide range of fields. These courses cover topics such as leadership, communication, presentation techniques, time management and problem solving, all of which contribute to social skills development. Employees in managerial and other senior positions can participate in the leadership courses available in the same catalog.

Academy ŞOK

Launched as a pilot practice in 2017, Academy ŞOK is another digitization project featuring an e-learning and development platform., Academy ŞOK helps to support the development process of the Company's entire staff – in the Head Office and in stores – while establishing the foundation for a company culture based on the principle of "learning from each other."

Offering clear, streamlined content, Academy ŞOK is a highly accessible and user-friendly platform operating without limitations on time and location. Employees have a wide selection of courses, including store processes and basic managerial skills, on this online platform, which can be accessed via desktop, tablet and all smart mobile devices.

Academy ŞOK aims to promote a strong company culture and update employees in the most rapid and appropriate manner, making our operational processes more effective. Following a successful pilot stage, the platform was made available to all employees.

Occupational Health and Safety Practices

ŞOK Marketler provides periodic OHS courses to employees, in addition to identifying occupational health and safety risks at headquarters and stores, and taking the relevant measures.

Providing a safe and peaceful work environment is among the most important prerequisites to ensuring employee satisfaction. The Company applies sector-specific rules for occupational health and safety in accordance with applicable laws and regulations. As the most senior executive in charge of occupational health and safety, the Group Director of Human Resources reports directly to the CEO.

OHSAS 18001 Occupational Health and Safety Management System Certification Process...
ŞOK Marketler identifies occupational health and safety risks at the Head Office and in stores, and takes necessary measures, and regularly offer OHS trainings to employees. By the end of 2019, the Company plans to complete the procedures for obtaining the OHSAS 18001 Occupational Health and Safety Management System certificate, in order to execute OHS practices at international standards.

Amendments to the Articles of Association

The Company's Articles of Association, published on the date when the Company was offered to the public for trading on May 18, 2018 on Borsa Istanbul, is disclosed to the public on the Public Disclosure Platform (https://www.kap.org.tr/tr/Bildirim/681315).

The Amendment of Article 6 "Capital" in our Articles of Association is approved by the Capital Markets Board's letter dated 23.05.2018, the registration of which was completed before Istanbul Chamber of Commerce Trade Registry Office on 26.05.2018. The former and updated versions of the aforementioned article is as follows:

Former Version of the Article

CAPITAL

Article 6– The Company adopted the registered capital system in accordance with the Capital Market Law no. 6362 and started to use this system with the Capital Markets Board authorization dated 22.02.2018 with no. 2064.

The upper limit of the registered capital of the Company is TL 1,800,000,000 and divided into 1,800,000,000 shares, with a nominal value of TL 1 each. The authorization for the upper limit of the registered capital granted by the Capital Markets Board is valid for five years between 2018 and 2022. Even if the upper limit of the registered capital is not reached by the end of 2022, for the Board of Directors to decide for a capital increase after 2022, an authorization shall be obtained from the General Assembly for a renewed period through authorization from the Capital Markets Board regarding the previous upper limit of the authorized registered capital or a new upper limit. If the said authorization cannot be obtained, capital increase may not take place with the resolution of the Board of Directors.

The issued capital of the Company is TL 360,000,000, divided into two groups and 360,000,000 shares in total in registered form, of which 144,000,000 are Preferred Shares and 216,000,000 Ordinary Shares, with a nominal value of TL 1 each and the issued capital is wholly paid free from collusion.

Shares representing capital are kept in book-entry records, as per the principles of dematerialization.

Where it is deemed necessary, the Board of Directors is authorized to decide on increasing the issued capital by issuing new shares up to the upper limit of registered capital; take decisions regarding the restriction of the share purchase rights of privileged and other shareholders, as per the provisions of capital market regulations; and take decisions regarding the issue of privileged shares or shares over or under the nominal value in accordance with the provisions of capital market regulations and other relevant regulations, between the years 2018 and 2022 (by the end of 2022). The authorization to restrict share purchase rights may not be used in a way to cause inequality between the shareholders.

Updated Version of the Article

CAPITAL

Article 6– The Company adopted the registered capital system in accordance with the Capital Market Law no. 6362 and started to use this system with the Capital Markets Board authorization dated 22.02.2018 with no. 2064.

The upper limit of the registered capital of the Company is TL 1,800,000,000 and divided into 1,800,000,000 shares, with a nominal value of TL 1 each. The authorization for the upper limit of the registered capital granted by the Capital Markets Board is valid for five years between 2018 and 2022. Even if the upper limit of the registered capital is not reached by the end of 2022, for the Board of Directors to decide for a capital increase after 2022, an authorization shall be obtained from the General Assembly for a renewed period through authorization from the Capital Markets Board regarding the previous upper limit of the authorized registered capital or a new upper limit. If the said authorization cannot be obtained, capital increase may not take place with the resolution of the Board of Directors.

The issued capital of the Company is TL 611,928,571 and divided into two groups and 611,928,571 shares in total in registered form, which are 144,000,000 of them Preferred Shares and 467,928,571 of them Ordinary Shares, with a nominal value of TL 1 each and the issued capital is paid free from collusion.

The shares representing capital are kept in book-entry records, as per the principles of dematerialization.

Where it is deemed necessary, the Board of Directors is authorized to decide on increasing the issued capital by issuing new shares up to the upper limit of registered capital; take decisions regarding the restriction of the share purchase rights of privileged and other shareholders, as per the provisions of capital market regulations; and take decisions regarding the issue of privileged shares or shares over or under the nominal value in accordance with the provisions of capital market regulations and other relevant regulations, between the years 2018 and 2022 (by the end of 2022). The authorization to restrict share purchase rights may not be used in a way to cause inequality between the shareholders.

Dividend Policy

The dividend policy is determined by considering the mid- and long-term strategies, investment and financial plans of ŞOK Marketler. The Company intends to distribute at least 30% of the Company's distributable net profit for the period as cash dividends, for each accounting year starting from the earnings in the year 2018, upon the recommendation of the Board and subject to the approval of General Assembly, any relevant amendments that might be undertaken, and the applicable law in Turkey, provided that the Company's cash flow requirements are considered.

The dividend policy will be subject to the Company's cash projections, future expectations on operations, investment plans and conditions in the capital markets. Additionally, this policy shall be reviewed annually by the Board of Directors in the event of any negative situations regarding national and global economic conditions, and according to the current projects and Company's financial resources.

If an amendment to the Dividend Policy is requested, the Board of Directors decision for such change, along with the justification thereof, is announced to the public in line with the CMB regulations regarding the disclosure of material events.

Equal payment of dividends are aimed to be completed within a maximum of 30 days, following approval by the General Assembly of the dividend decision, regardless of all of the existing dividends, the issue, and acquisition date thereof, while the distribution date is determined by the General Assembly. Dividends may be distributed as lump sums or in installments.

Unless reserves required to be reserved by law, and dividends for shareholders as determined in the Articles of Association, are reserved, further reserves may not be reserved; dividends may not transferred to the following year and may not be distributed, from profits, to the Members of the Board and partnership employees; and no profit distribution may be made to such persons unless the determined amount of dividends is paid.

The General Assembly may transfer the net profit, either partially or wholly, to the reserves, provided that the reserves required by law and dividends for shareholders as determined in the Articles of Association, are reserved. If the Board of Directors proposes to the General Assembly that dividends not be distributed, shareholders are informed of the basis for this proposal, as well as of use of non-distributed dividends, in the Ordinary General Assembly Meeting.

The Company's Articles of Association include a provision on the advance dividend distribution while it is possible to distribute advance dividends, provided the procedures and rules stipulated in the principles and procedures set forth in the provisions of applicable regulations are observed.

Remuneration Policy

Remuneration to be paid to the Members of the Board of Directors is determined monthly in gross value based on the opinion of the relevant committee, and submitted for the approval of the General Assembly. It is essential that the compensation of Independent Members of Board of Directors is at a level that enables them to maintain their independence. Dividends, share options or performance-based payment plans of the Company shall not be used for the remuneration of Independent Board Members. Remuneration of senior management consists of two components, namely, base (fixed) payment and performance-based payments.

As per fixed payment, a system with a total of 16 (sixteen) base payments (annually) is available, and side benefits may be offered in addition thereto. Fixed payments are determined according to the macroeconomic data, developments in the market related to wages, long-term goals of the Company, and the seniority and positions of individuals. In addition to fixed payments, senior executives can be remunerated in the form of side benefits, based on the flexible wage (success fee) payment, by applying certain multipliers on annual gross wages once in a year, according to the Company and personal performance results. The purpose of flexible remuneration management in the Company is to encourage employees to deliver an outstanding performance by rewarding achievements, to instill a culture of goal-driven performance across the Company, and to help senior executives realize budget targets and deliver business results that exceed their targets.

Related Party Transaction Policy

The Company and the Board of Directors aim to perform all related party transactions in accordance with the Turkish Capital Market Legislation, Tax Legislation and other relevant legislation. The Board of Directors is responsible for the implementation of this Policy, as well as the complete enforcement and monitoring of all guidelines and procedures prepared as part of it. Non-continuous related party transactions exceeding 1.0% of the gross profit of the preceding year's income statement are subject to approval by the Board of Directors. Performance of non-continuous related party transactions requires the approval of the majority of the Independent Board members. If two Independent Board Members are present in the Board of Directors, the approval thereof must be obtained in order to perform the relevant non-continuous related party transaction. If the approval of a majority of Independent Board Members cannot be obtained, the General Assembly must approve the non-continuous related party transaction.

There is no materiality threshold for continuous related party transactions and the Board of Directors adopts a framework resolution for all continuous related party transactions.

At its quarterly meeting following the announcement of the relevant quarterly financial results, the Audit Committee shall review the related party transactions conducted in the relevant quarter under annual authorization (in light of the framework Board resolution) of the relevant continuous related party transactions.

The Board of Directors' resolutions pertaining to related party transactions are treated as "insider information" and disclosed in accordance with the applicable requirements of capital market regulations.

Additionally, following the annual review of related party transactions, the Audit Committee shall submit a report to the Board of Directors that is subsequently incorporated into the Company's Annual Report.

Disclosure Policy

I- Purpose and Scope

Pursuant to this Disclosure Policy, ŞOK Marketler Ticaret A.Ş. ("Company") informs the public in a complete and timely manner, in accordance with the provisions of the Capital Markets Legislation, Corporate Governance Guidelines and provisions in the Company's Articles of Association.

The purpose of the Company's Disclosure Policy is to ensure active and transparent communication with all stakeholders, including shareholders, investors, employees and customers, in a complete, fair, accurate, timely, clear, affordable and equally-accessible manner, per the regulations to which the Disclosure Policy is subject.

However, pursuant to such regulations, the Company may refrain from disclosing to the public certain confidential information, which is treated as a business secret, per the principles stipulated in the regulations, where such disclosure may harm its legitimate interests.

The Disclosure Policy applies to all employees of the Company.

II- Authority and Responsibility

The Company's Disclosure Policy is set and implemented under the mandate of the Board of Directors. The Board of Directors reserves the right to amend this policy from time to time, as required by relevant regulations. The Disclosure Policy and amendments thereto are published on the Company's website, following approval by the Board of Directors.

The responsibility to implement, develop and follow the Disclosure Policy rests with the Board of Directors.

The responsibility to observe and monitor each and every matter related to public disclosure rests with the executives who are in charge of financial management and reporting, as well as with the Investor Relations Department. The relevant authorized persons fulfill such responsibilities in close cooperation with the Corporate Governance Committee, Audit Committee and the Board of Directors.

III- Methods and Means of Disclosure

The methods and means of disclosure used by the Company under this Disclosure Policy are explained below:

- Material event disclosures,
- Financial statements, independent audit reports and declarations announced periodically, as well as annual and interim reports,
- Notices and announcements made via the Company's website (www.sokmarket.com.tr) and the Trade Registry Gazette; communication methods taking place via communication instruments such as phone, e-mail, and facsimile; disclosures made via print and visual media; disclosures made to data distribution organizations such as Reuters, Forex, Bloomberg; and face-to-face or teleconference briefing sessions with investors and analysts.

IV- Principles Regarding the Presentations and Reports Disclosed in Briefing Sessions or Press Meetings

Inquiries submitted to the Company by shareholders, investors and analysts are responded to by the Investor Relations Department via printed or verbal means or through briefing sessions, accurately and completely, with consideration of the principle of equality, in line with the information disclosed to the public.

Media organs, press meetings and/ or press releases or other means of communication may be used for disclosure of matters subject to material events, including considerations for the future. Disclosures may be published on KAP (Public Disclosure Platform), either prior to or at the time of announcement, as well as on the Company's website.

Company officials may attend national and international conferences or meetings from time to time, in order to share information with investors and analysts. The presentations used in this regard may also be published on the Company's website.

V- Principles Regarding Follow-up of News Items and Stories Regarding the Company in the Media or on Websites, and Related Disclosures

The Company follows national and international news reports and stories featured in the media or other communication channels, both internally and via the contracted domestic data distribution channels and, in the event of news items or stories not covering the same content as information that is either disclosed for the first time or has already been disclosed to the public, the Company evaluates their impact on the value and price of its shares or on investors' investment decisions in accordance with internal regulations and, where it deems necessary, it immediately makes an announcement to the public, per the principles stipulated in the Capital Markets Regulations, on whether these are valid or sufficient, despite the presence of a postponement decision.

If it deems necessary, the Company may choose to make an announcement on the reports and stories that are featured on media organs but do not constitute any requirement for material event disclosure. Such disclosures may be in the form of either print or verbal communication or may be published on the Company's website (www.sokmarket.com.tr).

The Company is not required to make an announcement to the public on the sufficiency and validity of interpretations, analyses, assessments and forecasts based on publicly-available information, via the media and other means of communication.

VI- Measures Taken to Ensure Confidentiality of Material Events Prior to Public Disclosure

The period from the date following the accounting period during which financial tables and reports drafted by the Company and independent audit reports are prepared, to the day on which they are disclosed pursuant to regulations, is called the "quiet period." Throughout the quiet period, Company officials may not deliver any remarks on the Company's activities, financial performance or outlook — except the information disclosed to the public on behalf of ŞOK Marketler — and may not respond to any of the questions posed by capital market participants such as analysts or investors; however, this period does not prevent Company officials from taking part in conferences, panels and/or seminars.

The Company's executives and their spouses, children or individuals dwelling in the same house with them may not perform any transactions regarding the Company's shares or capital market instruments based thereon, during the period from the date following the end of the accounting period during which the semi-annual and annual financial statements and reports are drafted by the Company and audit reports are prepared, to the day on which they are disclosed pursuant to regulations. Such restrictions also apply to directors of the Company's subsidiaries and controlling shareholders, as well as persons who have access to insider or continuous information for having shares therein.

The Company may choose to postpone public disclosure of insider information to avoid any harm to its legitimate interests, provided that such an action will not mislead investors and will ensure confidentiality of such information. In such cases, the Company takes any measures to ensure confidentiality of insider information, pursuant to Capital Market Regulations.

The Company informs directors and employees on the obligations specified in the law and relevant regulations regarding insider information, as well as on sanctions imposed in the event of misuse or dissemination of such information, via on-the-job trainings. Additionally, these matters are also covered in guidelines regarding the Internal Code of Conduct. The Company obtains a commitment for keeping internal information confidential, to prevent access to such information, by employees excluded from the list of persons accessing such information and third parties providing services, and takes necessary measures through similar methods.

Persons who have access to insider information are informed regarding the sanctions imposed in the event of the misuse or dissemination of such information, in a manner that ensures such persons agree to the obligations stipulated in the law and relevant regulations regarding insider information.

VII- Principles for Determining Persons with Administrative Responsibility

"Persons with Administrative Responsibility," as per the Capital Market Regulations, are defined as persons who have direct or indirect regular access to the Company's insider information, and who are authorized to take administrative decisions that affect the Company's future development and commercial goals, although they are not Board Members.

VIII- Principles for the Disclosure of Future Considerations

Considerations involving future plans and forecasts that are in the nature of insider information, or providing investors with insights on the issuer's future activities, financial standing and performance, may be disclosed to the public upon a resolution of the Board of Directors, as per the principles specified in the Capital Market Regulations.

Future considerations are based on reasonable assumptions and forecasts, and if there is a material difference between the matters previously disclosed to the public and actual matters, in the event of any deviations caused by unexpected risks and developments, announcements may be made to the public, including a statement on the reasons for such difference. Attention should be paid to the exclusion of matters on the Company's activities and strategy that are yet to be agreed upon by the Board of Directors, in disclosures of expectations by directors authorized to disclose information to public.

In addition to material events disclosures, future considerations may be shared by using media organs, press meetings and/or press releases, national and international conferences or meetings or other means of communication, by persons to be authorized upon the Board's decision, pursuant to the principles specified in the Capital Market Regulations.

All questions on the principles and procedures governing the implementation of this Policy should be submitted to the Investor Relations Department.

Donation Policy

Donations may be performed and assistance delivered to universities, educational institutions, foundations, associations established for public benefit or other similar persons or institutions, provided the shareholders of ŞOK Marketler Ticaret A.Ş., are informed thereof during the Ordinary General Assembly, subject to the principles determined by the Law, CMB Communique on Dividends (II-19.1) and the Turkish Commercial Code, as well as other principles specified in the relevant Capital Market Regulations.

All donations are to be made in line with the Company's vision, mission, policies, its ethical principles and values, and annual budget appropriations. Donations and assistance may be in kind and in cash. Donations which were made within the relevant financial year are added to the Company's distributable profit assessment. The upper limit of donations was determined as 0.2% (two per thousand) of the net sales amount disclosed in the latest annual financial statements. The General Assembly is authorized to change this limit. Under a separate agenda item, shareholders are informed at the General Assembly of the amount of donations made in relevant period and their beneficiaries.

Risk Management

Risk Management is a systematic process which is utilized in devising strategies, implemented across the Company and impacted by the Company's Board of Directors, senior management as well as all of its employees, for the purposes of determining potential incidents that may affect ŞOK Marketler, managing risks in line with the Company's risk taking profile, and providing an acceptable level of assurance for the Company to achieve its goals.

In the past, risks were managed by individual departments; however, in line with the changes in the overall risk management concept, risks are now tackled as a whole and assessed on an institutional basis. At companies which adopt the principles of Corporate Risk Management, a risk committee ensures effective risk management as imposed by the Board of Directors, and thus risks can be properly measured.

Capital Risk Management

The Company manages its capital to ensure the continuity of its operations while maximizing its profits through the optimization of the debt and equity balance.

The capital structure of the Company consists of debt, which includes the loans 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 26, cash and cash equivalents disclosed in Note 5 and equity composed of capital and reserves as disclosed in Note 19 of the audit report which includes the financial statements and footnotes.

The senior management reviews capital based on the leverage ratio to be consistent with other companies in the industry.

Credit Risk Management
Credit risk refers to the risk that a counterparty of a financial instrument will default on its contractual obligations resulting in a financial loss to the Company.

The majority of the receivables due from sales consist of credit card slip receivables. Since the customers are final consumers, the Company has no credit risk for credit card slip receivables. The risk arising from the advances and deposits given in order to make investments by the Company is kept under control by obtaining letters of guarantee from various banks. Based on internal procedures, the Company does not pay any advance or deposit without obtaining a letter of guarantee from banks.

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

Market Risk Management
Although to a very limited extent, the Company's field of activity is subject to financial risks arising from 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 Company's exposure to market risks or the manner in which it manages and measures the risks with respect to the previous period.

Foreign Currency Risk Management
Transactions denominated in foreign currency expose the Company to foreign currency risk. The Company does not use any derivative instrument to preserve its foreign currency risk as a result of Company operations and cash flows under financial agreements.

The Company is not subject to interest rate risk, as the Group does not have any floating rate liability. The Company has no investment or liability that may expose it to share and/or bond price fluctuations.

Remarks on Post Balance Sheet Events

None.

Report on Compliance of the Annual Report

(CONVENIENCE TRANSLATION OF INDEPENDENT AUDITOR'S REPORT ON THE MANAGEMENT'S ANNUAL REPORT ORIGINALLY ISSUED IN TURKISH)

INDEPENDENT AUDITOR'S REPORT ON THE MANAGEMENT'S ANNUAL REPORT

To the General Assembly of ŞOK Marketler Ticaret A.Ş.

1) Opinion
As we have audited the full set consolidated financial statements of ŞOK Marketler Ticaret A.Ş. ("the Company") and its subsidiaries ("the Group") for the period between 01/01/2018–31/12/2018, we have also audited the annual report for the same period.

In our opinion, the consolidated financial information provided in the Management's annual report and the Management's discussions on the Group's financial performance, are fairly presented in all material respects, and are consistent with the full set audited consolidated financial statements and the information obtained from our audit.

2) Basis for Opinion
We conducted our audit in accordance with the standards on auditing issued by Capital Markets Board and the Standards on Independent Auditing ("SIA") which is a part of Turkish Auditing Standards published by the Public Oversight Accounting and Auditing Standards Authority ("POA"). Our responsibility is disclosed under Responsibilities of the Independent Auditor on the Independent Audit of the Annual Report in detail. We declare that we are independent from the Group in accordance with the Code of Ethics for Independent Auditors ("Code of Ethics") issued by POA and ethical provisions stated in the regulation of audit. We have fulfilled other responsibilities in accordance with these requirements and the Code of Ethics. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

3) Auditor's Opinion for the Full Set Consolidated Financial Statements
We have presented unqualified opinion for the Group's full set consolidated financial statements for the period between 01/01/2018–31/12/2018 in our Auditor's Report dated 6 March 2019.

4) Management's Responsibility for the Annual Report
The Group's Management is responsible for the following in accordance with Article 514 and 516 of the Turkish Commercial Code No. 6102 ("TCC") and "Communiqué on Principles of Financial Reporting in Capital Markets" with No.14.1 of the Capital Markets Board ("the Communiqué"):

a) Preparing the annual report within the three months following the reporting date and presenting it to the General Assembly,

b) Preparing the annual report with the all respects of the Group's flow of operations for that year and the Group's consolidated financial performance accurately, completely, directly and fairly. In this report, the consolidated financial position is assessed in accordance with the consolidated financial statements. The Group's development and risks that the Group may probably face are also pointed out in this report. The Board of Director's evaluation on those matters are also stated in this report.

c) The annual report also includes the matters stated below:
- The significant events occurred in the Group's activities subsequent to the financial year ends,
- The Group's research and development activities,
- The compensation paid to key management personnel and members of Board of Directors including financial benefits such as salaries, bonuses and premiums, allowances, travelling, accommodation and representation expenses, in cash and kind facilities, insurances and other similar guarantees.

The Board of Directors also considers the secondary regulations prepared by the Ministry of Trade and related institutions while preparing the annual report.

5) Responsibilities of the Independent Auditor on the Independent Audit of the Annual Report
Our aim is to express an opinion and prepare a report about whether the Management's discussions and consolidated financial information in the annual report within the scope of the provisions of the TCC and the Communiqué are fairly presented and consistent with the information obtained from our audit.

We conducted our audit in accordance with the standards on auditing issued by Capital Markets Board and the SIA. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the Management's discussions on the Group's financial performance, are fairly presented in all material respects, and are consistent with the full set audited consolidated financial statements and the information obtained from our audit.

The engagement partner on the audit resulting in this independent auditor's report is Zere Gaye Şentürk.

DRT BAĞIMSIZ DENETİM VE SERBEST MUHASEBECİ MALİ MÜŞAVİRLİK A.Ş.
Member of **DELOITTE TOUCHE TOHMATSU LIMITED**

Zere Gaye Şentürk
Partner

İstanbul, 6 March 2019

Statement of Responsibility

BOARD DECISION DATE: March 6, 2019
BOARD DECISION NUMBER: 2019/2

STATEMENT OF RESPONSIBILITY SUBMITTED AS PER ARTICLE 9 OF COMMUNIQUE NO. II-14.1. ON PRINCIPLES REGARDING FINANCIAL REPORTING IN CAPITAL MARKETS BY CAPITAL MARKETS BOARD

We hereby inform you that the consolidated financial statements together with the notes and the annual activity report of the Board of Directors for the period between January 1, 2018 and December 31, 2018, prepared in accordance with the Capital Markets Board II.14.1. "Communiqué on Principles of Financial Reporting in Capital Markets" and II-17.1 "Communiqué On Corporate Governance approved by the Board of Directors by its resolution dated March 6, 2019, in addition to, the "Corporate Governance Compliance Report" and the "Corporate Governance Information Form" prepared in accordance with the Capital Markets Board decision dated January 10, 2019 and numbered 2/49:

a) Have been reviewed by us;

b) Based on the information available to us as a result of our duty at the Company, do not contain any incorrect disclosure on material issues or any insufficiencies that may be misleading as of the date the disclosure is made;

c) Based on the information available to us as a result of our duty at the Company, the financial statements prepared in accordance with the applicable financial reporting standards and based on the principle of consolidation, reflect fairly on the Company's assets, liabilities, financial standing and profit/loss for the relevant period, and the activity report, again based on the principle of consolidation, reflect fairly on the development of the business, performance and the important risks and uncertainties faced by the Company, and we hereby declare our responsibility for this statement.

Respectfully yours,
ŞOK Marketler Tic. A.Ş.

Ziya KAYACAN
CFO

Ahmet BAL
Independent Board Member
Chair of Audit Committee

Corporate Governance Compliance Report

ŞOK MARKETLER TİCARET A.Ş. CORPORATE GOVERNANCE COMPLIANCE REPORT

SECTION 1 - STATEMENT OF COMPLIANCE WITH CORPORATE GOVERNANCE PRINCIPLES

The Company has provided in detail below the assessment and findings on the level of compliance with the Corporate Governance Principles and comments on the potential improvement areas related to compliance in terms of scope and quality:

Pursuant to Article 17 of the Capital Market Law No: 6362, dated December 6, 2012, and II-17.1 Corporate Governance Communiqué released on January 3, 2014, issuance of a "Corporate Governance Principles Compliance Report" and compliance with specified Corporate Governance Principles have become mandatory for companies traded on Borsa Istanbul (BIST).

Accordingly, the Company has resolved that the requirements imposed by the CMB be strictly followed, and necessary efforts are undertaken to guarantee compliance with other principles described in those Communiqués.

Accordingly;

- The "Investor Relations Department" was established;
- The Board of Directors was formed upon the determination and public announcement of the Independent Board Members in the number set forth in the Corporate Governance Communiqué, and upon the dissemination of their résumés;
- Corporate Governance Committee, Audit Committee, and Early Detection of Risk Committees were formed in a way to directly report to the Board of Directors;
- Committee working principles were published on the Public Disclosure Platform and website;
- Committee chairmen were elected from among the Independent Members of the Board;
- Information documents, meeting agenda, annual report, résumés of the nominees for Board Membership, and other matters to be announced were submitted to investors and shareholders three weeks prior to the General Assembly;
- The Investor Relations Manager was included in the Corporate Governance Committee to ensure compliance of committee members with the Corporate Governance Communiqué;
- Necessary arrangements were made regarding insider trading;
- Female member was elected to the Board;
- The website was modified in the manner stipulated by those principles.
- Although full compliance with non-mandatory Corporate Governance Principles is a target, it has not yet been achieved due to difficulties regarding implementation of some principles and some principles failing to align with the existing structure of the market and the Company. The principles that have not been implemented yet have not resulted in a conflict of interest among stakeholders up to day. However, they are being worked on and the plan is to adopt them upon the completion of the administrative, legal and technical infrastructure works that would contribute to the Company's effective management.

The explanations within the scope of compliance with Corporate Governance Principles accompanying the Corporate Governance Communiqué in the accounting period that ended on 31 December 2018 are presented in the annual report, Corporate Governance Compliance Report ("CRF") and Corporate Governance Information Form (CGIF) on Public Disclosure Platform, as well as other relevant sections of the annual report. Related reports can be accessed at https://www.kap.org.tr/tr/sirket-bilgileri/ozet/3913-sok-marketler-ticaret-a-s.

Further works will be carried out in the future to more effectively operate the mechanisms of corporate governance practices of the Company and to improve our corporate governance practices, including those voluntary principles not yet been implemented.

Grounds for the Corporate Governance Principles Not Yet Implemented

- No model or mechanism was created for the Stakeholders to participate in the management. However, the independent members of the Board ensure that the Company and shareholders as well as all stakeholders are represented in the management. The Company takes the advices and opinions of the employees, suppliers, various non-governmental organizations and all other stakeholders into consideration.

- Currently, there is not a written compensation policy in place for our employees that must be formulated as per the Article 3.1.2 of the "Corporate Governance Principles" and studies in this matter are still being carried out.
- Due to the number of members in the Board of Directors, a member of the Board assumes duties in a number of committees.
- As per Article 4.6.5 of the "Corporate Governance Principles," the remuneration of the members of the Board and executive senior managers as well as all other benefits granted are publicly announced via Annual Report. However, the announcement is not made on personal basis.
- There are no provisions in the Articles of Association, giving the shareholders any personal right to demand a private audit from the general assembly. The regulations of the Turkish Code of Commerce and the Capital Markets Board are deemed sufficient to appoint a private auditor. Every shareholder's right to demand a private audit is recognized within the framework of the regulations of the Turkish Code of Commerce no. 6102 that entered into force on 01.07.2012.

The Résumés of Independent Members in the Number Specified in the Corporate Governance Communiqué

The established committees of the Board of Directors actively carry out their tasks. Committee working principles are published on the website. Committee chairmen are elected from among the Independent Members of the Board of Directors. Three weeks prior to the General Assembly, meeting agenda, annual report and other matters that must be disclosed were submitted to the investors and shareholders. The Company website and annual report were reviewed and action taken to make necessary updates. Independence of the independent members of the Board of Directors was examined and new candidates were presented by the Nomination Committee to the Board of Directors. Résumés of the Members of the Board of Directors are also available in the Annual Report, in the Section "Board of Directors."

SECTION 2 - SHAREHOLDERS

2.1. Investor Relations Department

Investor Relations Department is managed by the Investor Relations Manager functioning under Mr. Ziya Kayacan, the CFO of the company.

Information regarding the executives responsible for Investor Relations is presented below. The Department processes any and all written, verbal or online inquiries submitted by current and potential stakeholders. It also attends all local and international investor conferences regularly and holds meetings with domestic and foreign institutional investors.

The Investor Relations Department is in charge of disclosures required by the BIST, The Capital Markets Board, and Central Registry Agency, to shareholders and stakeholders, and of other communications with these agencies. In addition to organizing the ordinary and extraordinary general assembly meetings, the Investor Relations Unit may organize other ad-hoc meetings held at the request of shareholders.

The Investors Relations Department attended 4 conferences and one roadshow and held over 350 meetings with existing and potential shareholders in 2018.

Contact information for Investor Relations Department is as follows:

Ziya KAYACAN (CFO),
Phone: 0850 – 221 6755
E-mail address:
yatirimciiliskileri@sokmarket.com.tr
Çağrı DEMİREL (Investor Relations Manager and Corporate Governance Committee Member)
Phone: 0850 – 221 6755
E-mail address:
yatirimciiliskileri@sokmarket.com.tr

2.2. Shareholders' Right to Information

Except for information considered either commercial secret or insider information, all written or verbal requests from our shareholders for information within the period were responded to. Our shareholders are provided with all the information as required under their rights as shareholders via quarterly reports and annual reports, material event disclosures, and replies to individual inquiries. Necessary information is also made available in electronic format for shareholders on www.sokmarket.com.tr and www. sokmarketyatirimciiliskileri.com.

Article 15 in the Articles of Association presents information regarding principles and procedures of Company audits, and no request has been forwarded to appoint a private auditor.

Corporate Governance Compliance Report

2.3. General Assembly Meetings

Pursuant to Article 1527 of the Turkish Commercial Code no. 6102 dated January 13, 2011, which stipulates that online participation in general assembly meetings, making proposals and statements online, and online voting shall have the same legal effects in all aspects as participating and voting in any general assembly meeting in person; and that all companies traded on the stock exchange are required to set up and maintain a system allowing online participation in general assembly meetings and voting; the online General Assembly convenes on the same date and with a parallel agenda as the physical general assembly. With the attendance of our shareholders representing approximately 85% of the paid in capital amounting to 611,928,571 TL, the 2017 Ordinary General Assembly Meeting was held on the July 18, 2018, at Kısıklı Mahallesi Hanımseti Sokak No:35 B/1 Üsküdar/İSTANBUL. Holders of 11 shares, corresponding to the TL 11 portion of the capital, attended in person, and shares in the amount of TL 520,153,542 were represented by proxy. No press members attended the meeting. The invitation for the General Assembly, which stated the date and agenda of the meeting, was published on the Company's official website www.sokmarket.com.tr and on the Public Disclosure Platform as specified by law and the Articles of Association within the prescribed time limit. The financial statements and reports, including the annual report, profit distribution proposal, résumés of nominees for election as members to the Board, draft amendment to the Articles of Association and other documents forming basis for agenda items were available for review by our shareholders at the headquarters and branches of the Company starting from the date of the invitation for the General Assembly. Prior to the General Assembly meeting, agenda items, a sample proxy form, résumés of nominees for election as members to the Board, draft amendment to the Articles of Association, balance sheet, profit-loss statements, independent auditor's report and footnotes, auditor's report, Board of Directors' resolution on profit distribution, report on the transactions of the related parties and the resolution on the selection of an independent audit company were made available and published on www.sokmarketyatirimciiliskileri.com prior to the meeting date.

Items on the agenda were expressed in an unbiased and detailed manner at the General Assembly clearly and intelligibly; shareholders were provided with equal opportunity to express their opinions, and raise any questions to create a healthy atmosphere for discussion.

The amount of contributions and donations made during the fiscal period was discussed at the General Assembly meeting as a separate agenda item and shareholders were informed about the same.

Shareholders did not make requests regarding the items of the agenda.

Decisions taken at the Ordinary General Assembly Meeting held in 2018 were disclosed via Public Disclosure Platform on July 18, 2018.

2.4. Voting and Minority Rights

According to the Articles of Association, each share carries the right to one vote.

The shareholders who have the right to attend the General Assembly meetings of the Company may also attend them by electronic means, pursuant to Article 1527 of the Turkish Commercial Code. The Company may install an electronic general assembly system allowing the shareholders to participate in general assembly meetings, express opinions, share suggestions and vote as per the terms of the Regulation on the General Assembly Meetings to be held on Electronic Environment in Joint Stock Companies or may purchase services from the systems designed for this purpose. In all general assembly meetings it shall be ensured that the beneficiaries and their representatives are able to exercise their rights specified in the provision of the aforementioned Regulation, through the system installed described under this provision of the Articles of Association.

The Articles of Association do not contain any provision prohibiting voting by proxy of those, who is not a shareholder of the Company. There is no company in which the Company holds reciprocal shares.

There is no privilege to share groups or other shares in the Company's capital. The Company does not implement a cumulative voting method.

2.5. Dividend Rights

The Articles of Association do not grant a privilege regarding participation in the Company's profit. The "Dividend Policy" of the Company is made publicly available via annual reports and on the website. The aforementioned policy is provided below:

"Dividend Distribution Policy is determined by taking note of the mid- and long-term strategies, investment and financial plans of the Company. The Company intends to distribute at least 30% of the Company's distributable net profit for the period as dividend in cash, for each accounting year, by starting from the earnings in the year 2018, upon Board's proposal and subject to the approval of General Assembly, amendments that might be undertaken, and the applicable laws in Turkey, provided that the Company's cash flow requirements are taken note of.

The dividend distribution policy will be subject to the Company's cash projections, future expectations on operations, investment plans and conditions in the capital market. Additionally, this policy shall be reviewed annually by the Board of Directors in the event of any negative situations regarding national and global economic conditions, and according to the current projects and Company's financial resources. Where a change is requested in the Profit Distribution Policy, the Board Resolution regarding such change and the justification for such change are disclosed to the public, according to the regulations of the CMB on material event disclosures.

Equal payment of dividends is aimed to be completed within 30 days maximum, following the General Assembly approval of the dividend decision, regardless of the entirety of existing shares, the issue, and acquisition date thereof, while the distribution date is decided by the General Assembly. Profit may be distributed in a lump sum or in installments.

Unless reserves required to be set aside by law and dividends for shareholders as determined in the Articles of Association are reserved, further reserves may not be set aside; dividends may not transferred to the following year and may not be distributed, from profits, to the Members of the Board and partnership employees, while no profit distribution may be made to such persons unless the determined amount of dividends is paid.

The General Assembly may transfer the net profit, either partially or wholly, to reserves provided that the reserves required by law and dividends for shareholders as determined in the Articles of Association, are reserved. If the Board of Directors proposes to the General Assembly that dividends be not distributed, shareholders are informed of the reasons for such situation, as well as of use of non-distributed dividends, in the Ordinary General Assembly Meeting.

The Company's Articles of Association include a provision on the advance dividend distribution, while it is possible to distribute advance dividend provided the procedures and rules stipulated in principles and procedures set forth in the provisions of applicable regulations are observed."

As a result of the discussions on the utilization of the profits of 2017, regarding the Board's resolution on 18.07.2018, it was agreed to not distribute any profits due to the losses incurred in the period according to the financial statements, which was approved by the shareholders in the Ordinary General Assembly Meeting on July 18, 2018.

2.6. Transfer of Shares

Article 8 of the Articles of Association governs the transfer of shares. According to the aforementioned Article, Ordinary Shares, and Preferred Shares, unless specified otherwise, may be freely transferred pursuant to the Turkish Commercial Code, Capital Market Law, these Articles of Association and the provisions of applicable law.

If any of the proprietors of Preferred Shares wishes to transfer his/her shares partially or wholly to third parties, he/she shall first extend a proposition to other proprietors of Preferred Shares, thereby determining a price in line with the market value of those shares and quantity and shall offer a reasonable time period. The proprietors of Preferred Shares shall be authorized to transfer the Preferred Shares to third party/parties, unless he/she consult the selling proprietor for the purchase of shares under the conditions set forth, within the designated time period.

Corporate Governance Compliance Report

If the proprietors of Preferred Shares transfer his/her shares to third party/parties, the Preferred Shares subject to such transfer will be immediately converted to Ordinary Shares. The Preferred Shares to be sold on the stock exchange are required to be converted into Ordinary Shares. If the proprietors of Preferred Shares apply to the Central Registry Agency (Merkezi Kayıt Kuruluşu Anonim Şirketi) or any another competent authority serving in a similar nature for conversion into tradable shares, the shares subject to the said application will convert automatically into Ordinary Shares.

SECTION 3 – PUBLIC DISCLOSURE AND TRANSPERANCY

3.1. Corporate Website and Its Content

Matters regulated by the Corporate Governance Principles of the Capital Markets Board are published on the corporate website of the Company, available both in Turkish and English, at www.sokmarket.com.tr. Majority of the information published on the website have an English version.

3.2. Annual Report

The annual report of the Company is prepared in conformity with the Corporate Governance Principles under Corporate Governance Communiqué (Serial No. II-17.1), as detailed as to allow the shareholders and public to access full and accurate information regarding the Company's activities.

SECTION 4 - STAKEHOLDERS

4.1. Information to Stakeholders

The "Disclosure Policy" of the Company is implemented within the framework of the rules set by statutory regulations, CMB legislation and published Communiqués. The Company prepared a written document with regard to public disclosure and information, which was announced to the public and shareholders via the website of the Company upon approval of the Board of Directors.

The Board of Directors has the mandate regarding the formulation of, and changes to, the disclosure policy of the Company. Disclosure Policy and any changes thereto are published on the website upon the Board's approval, and presented to the shareholders at the first General Assembly Meeting to take place.

Investor Relations Department is in charge of implementing the Disclosure Policy. The core principle is to transmit any and all public information to the relevant person promptly upon request. Information is provided to shareholders verbally or in writing upon request. In cases where material events take place in a given year, material event disclosures are made in time. Our annual reports are prepared in a manner to cover all details to allow the public to access all information regarding the Company's activities.

4.2. Participation of Stakeholders in Management

According to the Articles of Association, the Board of Directors is composed of six or eight members who are elected by the General Assembly upon nomination by the shareholders of different share classes in accordance with the Articles of Association. In the event that the ratio of the Preferred Shares equals to 20% (inclusive) of the Company's total shares, or exceeds this ratio, half of the members of the Board of Directors of the Company shall be elected among the candidates nominated by Preferred shareholders. The Company does not have any practices related to stakeholders' participation in management.

4.3. Human Resources Policy

In a country-wide organization that rapidly grows every day, the Human Resources processes are managed in full integration with our vision.

At the core of our Human Resources Policy lies building human resources processes by which all our employees can amplify their success stories in their career journeys, and maintaining continuity of these processes. It also has made it a principle to provide equal opportunities to all employees in this journey and adopt a fair management understanding.

Contribution to Employment

ŞOK Marketler aims to offer a pleasurable shopping experience for each customer at its stores spread across Turkey. In line with the targeted growth strategy, it contributes to regional and nation-wide employment with new stores to be opened.

Talent Management

Career Management

At ŞOK Marketler, career and performance management systems are managed in conformity with the guidelines established by Human Resources Department.

In order to guarantee furtherance of sustainable and high performance culture, individual targets are aligned with those of the Company by function, and assessed via a system based on balanced distribution model. Similarly, the skills of employees are put to 360-degree assessments, as part of our skills framework. Career management is carried out in a planned manner for each employee, by combining knowledge, skills and competencies set for each position in line with those systems in the Human Resources Planning (IKP) studies. Talents who provide added-value to the vision with their achievements are identified during Human Resources Planning activities. Learning and development process of the talents are determined, while their motivation and loyalty within the organization is encouraged.

We give priority to our employees in our talent pool, composed of existing employees, in addressing the need for talents at our Company that grows every day. Every talent in the Sales Operation Organization in particular is invited to our weekly assessment center practices for the career opportunities defined. With this practice, Store Managers who we consider talents are promoted as Regional Managers, which is the first-level manager position in on-field management. ŞOK Marketler aim to share its experience in retail sector with employees, and therefore manage the strategy and vision for field operations with its own talent pool.

Learning and Development

We have an online training platform "Akademi ŞOK" in place to support learning and development of more than 27,000 employees at our large-scale organization. The Platform has been enriched with the Company's experience in the retail sector, which is the main driver of its rising success. Accordingly, the platform's main purpose is to contribute to employees' learning and development with online learning tools. By taking especially the profile of young generation employees into consideration, the platform is managed in a manner to allow employees to learn from one another and willingly (sustainably) use next-generation training tools available on the platform.

SECTION 5 - BOARD OF DIRECTORS

5.1. Structure and Organization of the Board of Directors

The Board of Directors is composed of six members, two of whom are independent members. There are executive and non-executive members in the Board of Directors. All Board Members are non-executive. Non-executive members include independent members, who satisfy all of the criteria set out in the Capital Market Law, who have the capacity to perform their duties with impartiality, and who can devote their time to monitor the functioning of the Company and to fulfill all the responsibilities vested to them as independent members. Chair of the Board of Directors and Chief Executive Officer (CEO) are different persons with separate duties. There is one female member in the Board. Details of the Members of the Board of Directors are as follows:

Corporate Governance Compliance Report

Full Name	Role	Executive/Non-Executive	Term/End of Term
Cengiz SOLAKOĞLU	Chair	Non-Executive	3 Years/18.07.2018-18.07.2021
Ali ÜLKER	Deputy Chair	Non-Executive	3 Years/18.07.2018-18.07.2021
Mustafa Yaşar SERDENGEÇTİ	Member	Non-Executive	3 Years/18.07.2018-18.07.2021
Erman KALKANDELEN	Member	Non-Executive	3 Years/18.07.2018-18.07.2021
Ahmet BAL	Independent Member	Independent	3 Years/18.07.2018-18.07.2021
Ceyda AYDEDE	Independent Member	Independent	3 Years/18.07.2018-18.07.2021

*Résumés of the Members of the Board of Directors are also available in the Annual Report, in the Section "Board of Directors."

Independent Board Members' Statement of Independence

Ceyda Aydede – Statement of Independence
I hereby agree, represent and undertake that I read and understood the Corporate Governance Principles under Capital Market Legislation, Articles of Association, and the Capital Markets Board's Communiqué on Corporate Governance numbered II-17.1; and that I meet all the criteria for Independent Board Membership as specified in principle no. 4.3.6 attached herein:

Ceyda Aydede

4.3.6 - A member of the board of directors who meet the following criteria shall be referred to as an "independent member."

a) Not to have a relationship in terms of employment at an administrative level to take upon significant duties and responsibilities within the last five years, not to own more than 5% of the capital or voting rights or privileged shares either jointly or solely or not to have established a significant commercial relation between the corporation, companies on which the corporation holds control of management or significant effect (in determining the control and significant effect, the provisions of TFRS 10 and Turkish Accounting Standards 28 should be referred to, respectively) and shareholders who hold control of management of the corporation or have significant effect in the corporation and legal entities on which these shareholders hold control of management and himself/herself, his/her spouse and his/her relatives by blood or marriage up to second degree *(In case that the corporations within the scope of this subparagraph are non-active in the last three account periods, there shall not be a violation of the independence criteria. In case that the rate of the turnover/profit before tax obtained from the significant commercial relation is 20% or more than the total turnover/profit before tax obtained from same kind of business in respect to any of the candidates for independent member or any person from the corporation, independence shall be deemed damaged).*

b) Not to have been a shareholder (5% and more), an employee at an administrative level to take upon significant duties and responsibilities or member of board of directors within the last five years in companies that the corporation purchases from or sells to goods or services at a significant level within the framework of the contracts executed, especially on audit (including tax audit, statutory audit, internal audit), rating and consulting of the corporation, at the time period when the corporation purchases or sells services or goods).

c) To have professional education, knowledge and experience in order to duly fulfill the duties assigned for being an independent board member.

d) Not to be a full time employee at public authorities and institutions after being elected, except being an academic member at university provided that it is in compliance with the relevant legislation.

e) To be residing in Turkey in accordance with the Income Tax Law (I.T.L) dated 31 December 1960 and numbered 193.

f) To be capable to contribute positively to the operations of the corporation, to maintain his/her objectivity in conflicts of interest between the corporation and the shareholders, to have strong ethical standards, professional reputation and experience to freely take decisions by considering the rights of the stakeholders.

g) To be able to allocate time for the corporation's business in order to follow up the activities of the corporation and duly fulfill the allocated duties.

h) Not to have conducted membership of board of directors more than a term of six years in the last ten years.

i) Same person shall not be the independent member of the board of directors in more than three of the corporations as such; the corporation or the controlling shareholders of the corporation who hold the control of management and in more than five corporations in total which are admitted to trading on the stock exchange.

j) Not to be registered and announced as a board member representing a legal entity.

Ahmet Bal – Statement of Independence
I hereby agree, represent and undertake that I read and understood the Corporate Governance Principles under Capital Market Legislation, Articles of Association, and the Capital Markets Board's Communiqué on Corporate Governance numbered II-17.1,; and that I meet all the criteria for Independent Board Membership as specified in principle no. 4.3.6 attached herein:

Ahmet Bal

4.3.6- A member of the board of directors who meets the following criteria shall be referred to as an "independent member."

a) Not to have a relationship in terms of employment at an administrative level to take upon significant duties and responsibilities within the last five years, not to own more than 5% of the capital or voting rights or privileged shares either jointly or solely or not to have established a significant commercial relation between the corporation, companies on which the corporation holds control of management or significant effect (in determining the control and significant effect, the provisions of TFRS 10 and Turkish Accounting Standards should be referred to, respectively) and shareholders who hold control of management of the corporation or have significant effect in the corporation and legal entities on which these shareholders hold control of management and himself/herself, his/her spouse and his/her relatives by blood or marriage up to second degree (In case that the corporations within the scope of this subparagraph are non-active in the last three account periods, there shall not be a violation of the independence criteria. In case that the rate of the turnover/profit before tax obtained from the significant commercial relation is 20% or more than the total turnover/profit before tax obtained from same kind of business in respect to any of the candidates for independent member or any person from the corporation, independence shall be deemed damaged).

b) Not to have been a shareholder (5% and more), an employee at an administrative level to take upon significant duties and responsibilities or member of board of directors within the last five years in companies that the corporation purchases from or sells to goods or services at a significant level within the framework of the contracts executed, especially on audit (including tax audit, statutory audit, internal audit), rating and consulting of the corporation, at the time period when the corporation purchases or sells services or goods).

c) To have professional education, knowledge and experience in order to duly fulfill the duties assigned for being an independent board member.

d) Not to be a full time employee at public authorities and institutions after being elected, except being an academic member at university provided that it is in compliance with the relevant legislation.

e) To be residing in Turkey in accordance with the Income Tax Law (I.T.L) dated 31 December 1960 and numbered 193.

f) To be capable to contribute positively to the operations of the corporation, to maintain his/her objectivity in conflicts of interest between the corporation and the shareholders, to have strong ethical standards, professional reputation and experience to freely take decisions by considering the rights of the stakeholders.

Corporate Governance Compliance Report

g) To be able to allocate time for the corporation's business in order to follow up the activities of the corporation and duly fulfill the allocated duties.

h) Not to have conducted membership of board of directors more than a term of six years in the last ten years.

i) Same person shall not be the independent member of the board of directors in more than three of the corporations as such; the corporation or the controlling shareholders of the corporation who hold the control of management and in more than five corporations in total which are admitted to trading on the stock exchange.

j) Not to be registered and announced as a board member representing a legal entity.

5.2. Rules of Conduct of Board of Directors

The Board of Directors took 58 resolutions within the period of January-December in 2018.

In 2018, the Board held 5 meetings, with an attendance rate of 86%.

BOARD OF DIRECTORS' MEETINGS

The Board of Directors convenes at any time as required by the activities of the Company. The venue is the Headquarters of the Company. However, the Board of Directors may convene at any other convenient place in or outside of Turkey, subject to the Board of Directors' resolution.

Chair or Deputy Chair set the agenda for the Board of Directors.

Presence of majority of the total number of members of the Board of Directors is required for a resolution to be adopted, without prejudice to the provisions of the capital market legislation. Resolutions shall be adopted by a majority of votes of members present at the meeting.

Meetings may be conducted through teleconference, video conference or voice or video communication means and resolutions may be adopted upon signing the minutes related thereto. A resolution may be adopted without the need for a meeting in case that all of the members of the Board of Directors unanimously approve the resolutions by signing them.

Those who have the right to attend the Board of Directors' meetings may also attend them via electronic means, pursuant to Article 1527 of the Turkish Commercial Code. The Company may establish an Electronic Meeting System allowing beneficiaries to participate in Board of Directors' meetings and vote via electronic means, as per the terms of the "Communiqué regarding the Meetings other than General Assembly Meetings to be held in Electronic Environment in Joint Stock Companies" or may purchase systems designed for this purpose. It shall be ensured in those meetings that the beneficiaries exercise their rights set forth in the provisions of the relevant legislation within the framework of relevant Communiqué of the Ministry through the system installed or through the system from which support will be received under this provision of the Articles of Association.

In the event of Board of Directors' meetings held in electronic environment, the provisions related to quorum in these Articles of Association shall be applicable in the same way.

Minutes of the meetings and reports of the Audit Committee, Corporate Governance Committee and Risk Committee were followed up by the Board of Directors in 2018.

No related party transactions or other transactions of significant nature were submitted to the approval of the independent board members. Important decisions with regard to matters that must be disclosed to the public are announced to the public promptly after the meeting.

5.3. Number, Structure and Independence of the Committees Formed by the Board of Directors

The Board of Directors established three committees including Audit Committee, Corporate Governance Committee, and Early Detection of Risk Committee.

One independent member of the Board assumes tasks in more than one committee since there are two independent members.

Committees generally convene one day before, or on the same day as, Board of Directors' meetings.

Working principles of the committees formed under the umbrella of the Board of Directors were prepared and necessary arrangements were put in place regarding monitoring of such principles by relevant units.

Audit Committee

Full Name	Remarks
Ahmet BAL	Independent Board Member (Committee Chair)
Ceyda AYDEDE	Independent Board Member (Committee Member)

The Audit Committee is in charge of assisting the oversight of Board of Directors regarding accuracy and quality of the financial statements and related disclosures of the Company; implementation and effectiveness of the accounting system of the Company; qualifications and independence of independent auditors; determination of the independent audit company; approval and review of the contract between the independent auditor and the Company; effective functioning of the independent audit system; and implementation and effectiveness of the internal audit practices at the Company.

The Audit Committee is composed of at least two members elected by the Board of Directors from among independent board members. The Committee convenes four times in a year, no less than once in every three months. In 2018, it convened four times, and presented reports involving opinions and comments to the Board of Directors.

Corporate Governance Committee

Full Name	Remarks
Ceyda AYDEDE	Independent Board Member (Committee Chair)
Erman KALKANDELEN	Board Member (Committee Member)
Mustafa Yaşar SERDENGEÇTİ	Board Member (Committee Member)
Çağrı DEMİREL	Investor Relations Manager (Committee Member)

As Nomination Committee and Remuneration Committee, as stipulated by the Corporate Governance Principles, were not established due to the structure of the Board of Directors, the duties falling under the scope of these committees have been assumed by the Corporate Governance Committee.

The Corporate Governance Committee is tasked with monitoring the Company's compliance with Corporate Governance Principles, undertake improvement efforts and submit proposals to the Board of Directors on this matter, in conformity with the CMB Legislation and the Corporate Governance Principles of the Capital Markets Board.

It is composed of at least three members, including minimum two Board members and head of the Investor Relations Department.

Early Detection of Risk Committee

Full Name	Remarks
Ahmet BAL	Independent Board Member (Committee Chair)
Cengiz SOLAKOĞLU	Board Member
Mustafa Yaşar SERDENGEÇTİ	Board Member

Corporate Governance Compliance Report

The main purposes of the Risk Committee, which will function under the Board of Directors, include
- Early detection of strategic, operational, financial, legal and other risks of any nature that may jeopardize the Company's existence, growth and business continuity;
- Controlling and validating effective management of the detected risks via assessment within the scope of the corporate risk taking limits of the Company;
- Prioritizing those risks above the corporate risk taking limits by their impact and probability;
- Determining and implementing necessary measures against detected risks; and managing risks.

The Early Detection of Risk Committee is composed of at least two members. The majority of the Committee members are non-executive Board Members. The Chief Executive/CEO may not assume duties in the committees.

The committee convenes six times in a given year at maximum, no less than once in every two months. The meetings of the Committee may be held with members attending in person or via technological communication means. The timing of the meetings is aligned with the timing of the Board meetings where possible.

The committee prepares a report on the findings and suggestions in their areas of responsibility, as a result of the meetings held once in every two months, and submits such reports to the Board of Directors.

5.4. Risk Management and Internal Control Mechanism
Risk management systems are reviewed at least once in a year; an annual risk assessment report is prepared for submittal to the Board regarding the activities of the Committee which will be included in the Annual Report.

5.5. Strategic Objectives of the Company
Mission, Vision, and Strategic Objectives of the Company The Company and all subsidiaries of Yıldız Holding were founded on the philosophy that "every person has the right to a nice childhood regardless of the country s/he lives in." The vision of ŞOK Marketler is to become the most preferred retail brand and the leading modern food retailer in Turkey, while continuing to create value for our investors. The Company's vision and mission is publicly available at www.sokmarketler.com.tr.

5.6. Remuneration
Remuneration of the members of the Board of Directors is determined by the General Assembly according the financial situation of the Company. Pursuant to the resolution taken in the General Assembly Meeting on July 18, 2018, the number of Board Members was determined to be six people; and it was approved to elect Ahmet BAL and Ceyda Aydede as independent board members with an office term of 3 years, to elect Cengiz Solakoğlu, Ali Ülker, Mustafa Yaşar SERDENGEÇTİ and Erman KALKANDELEN as other Members of the Board of Directors, to appoint Cengiz Solakoğlu as Chair and Ali Ülker as Deputy Chair, and to pay a net monthly membership salary of TL 5,000 to Cengiz Solakoğlu and independent members.

Other Information Regarding the Company's Activities

- The nominal amount of TL 20,604,368 arising from the transactions made within the scope of price stability transactions is presented under "Repurchased Shares" in the financial statements according to Capital Markets Board (CMB) Communiqué Serial VII-128.1 ("CMB Communiqué on Shares") and Borsa İstanbul A.Ş. ("BİAŞ") Implementation Procedures and Principles Regarding the Operation of Share Market.
- The Company did not undergo a private or public investigation in 2018.
- No administrative or penal sanctions were imposed on the company or the members of the Board due to practices in breach of applicable laws in 2018.
- The Company reached the goals it had set to a great extent in 2018. The General Assembly Decisions taken in 2018 were implemented.
- There are no legal proceedings launched in the interest of the Company or measure taken or refrained to be taken in the interest of an affiliated company.
- There is no measure taken or refrained to be taken to the detriment of the Company in 2018.
- There is no lawsuit filed against the Company which may affect its financial situation and activities in 2018. Details are disclosed in Note 14 of the audit report which includes the financial statements and footnotes.
- There were no conflicts of interest between the Company and other institutions of investment advisory and rating agency and no measures taken by the Company in order to prevent conflicts of interest.

ŞOK MARKETLER TİCARET A.Ş.
AND ITS SUBSIDIARIES

CONSOLIDATED FINANCIAL STATEMENTS
AND INDEPENDENT AUDITOR'S REPORT
FOR THE YEAR ENDED 31 DECEMBER 2018

Deloitte.

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INDEPENDENT AUDITOR'S REPORT

To the General Assembly of
Şok Marketler Ticaret A.Ş.

Report on the Audit of the Consolidated Financial Statements

Opinion

We have audited the consolidated financial statements of Şok Marketler Ticaret A.Ş. ("the Company") and its subsidiaries ("the Group"), which comprise the consolidated statement of balance sheets as at 31 December 2018, and the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at 31 December 2018, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRSs).

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Consolidated Financial Statements* section of our report. We are independent of the Group in accordance with the International Ethics Standards Board for Accountants' *Code of Ethics for Professional Accountants (*IESBA Code), and we have fulfilled our other ethical responsibilities in accordance with the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

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

Key Audit Matter	How the matter was addressed in the audit
Purchase discounts from suppliers The Group receives purchase discounts based on supplier agreements and mutual agreements. Purchase discounts considered in cost of inventory as of 2018. Total amount of discounts received is material considering the financial statements as of 2018. Amounts of discounts are determined based on the agreed upon purchase targets. Discounts may not be recorded accurately in the correct period. Therefore, aforementioned discounts which are in line with the agreements and recorded in the correct period is a key audit matter for the aim of our audit. Please refer to notes 2.5 for summary of significant accounting policies.	We performed the following procedures in relation to the test of purchase discounts during our audit; Understanding and evaluating the design and implementation of controls in relation to purchase discounts that the Group has established to be in line with supplier agreements, Evaluating the agreements whether they were in line with selected agreements by using sampling method and checked data which is the base of discount calculation whether they were complete and accurate with the supporting documents to determine whether discount amounts recognized were accurate and recorded in the correct period, In addition to that, checking whether amounts of all sales discounts considered during the reconciliation of supplier confirmations selected by sampling method.
Impairment test of goodwill arising from intangible assets with indefinite useful lives As of 31 December 2018, goodwill recognized as indefinite useful life intangible assets in the consolidated financial statements amounting to 578.942.596 TL. In accordance with IAS 36 requirement, indefinite useful life intangible assets are subject to impairment tests annually. Goodwill amount is material for consolidated financial statements. In addition, significant estimates and assumptions were used during the impairment analysis performed by management. These assumptions on goodwill impairment analysis are earning before interest, depreciation, amortization and interest (EBITDA), the fair value and Market Multipliers Approach - Similar Companies Analysis and grouping of cash generating units. These estimates and assumptions are highly sensitive to future market conditions. By considering these	During our audit, we performed the following procedures in relation to the impairment test of goodwill: - Evaluating the appropriateness of the cash-generating units ("CGUs") identified by the Management; - Evaluating management forecasts and explanations within the framework of macroeconomic situations by inquiry with the Group Management - Evaluating the reasonableness of the key assumptions used in the calculations against the rates used in the retail sector, including involvement of our valuation experts, - Testing set-up and mathematical accuracy of the model of the impairment calculation, - Evaluating appropriateness of the managements assumptions against market conditions,

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reasons, the impairment test of the goodwill is a key audit matter for the aim of our audit. The disclosures of the accounting policies and sensitivity analysis for measuring the impairment of goodwill from intangible assets with indefinite useful life are presented in Notes 2.7-8, 13.	- Evaluating the explanations in the accompanying financial statement disclosure notes of deferred tax asset from prior year losses and assessing the adequacy of these disclosures under IFRS.
Deferred tax asset from prior year losses Deferred tax assets from prior year losses are explained in note 25 and Total amount is material considering the financial statements as at 31 December 2018. The partial or complete recoverable amounts of deferred tax assets are predicted under current circumstances. The recoverability of this deferred tax asset from prior year losses is dependent on the generation of sufficient future taxable profit. Significant judgement is required in forecasting future taxable profit of the Group. Significant accounting policies of deferred tax asset and critical judgments in applying the entity's accounting policies are explained in notes 2.7 and 2.8 respectively.	We performed the following procedures in relation to recoverability of the deferred tax asset from prior year losses during our audit; - Evaluating forecasts and future profit projections, current year's losses ad profit, unused losses and the expiration dates of other tax assets, and if necessary tax planning strategies in the light of macroeconomic situations and sector assumptions by inquiring with the management, - Checking setup and mathematical accuracy of future profit projection model, - Checking the analysis of the Management whether assumptions used in model are in line with compatibility of market conditions' sensitivity, - Evaluating the explanations in the accompanying financial statement disclosures notes of goodwill impairment tests and their results and assessing the adequacy of these disclosures under IFRS.

Other Information

Management is responsible for the other information, which is presented in Appendix 1. The other information comprises non-IFRS measures.

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

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

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

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

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

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

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

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

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

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements.

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We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

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

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

Report on Other Legal and Regulatory Requirements

In accordance with paragraph four of the Article 398 of the Turkish Commercial Code No. 6102 ("TCC"), the auditor's report on the system and the committee of early detection of risk has been submitted to the Board of Directors of the Company on 6 March 2019.

In accordance with paragraph four of the Article 402 of TCC, nothing has come to our attention that may cause us to believe that the Group's set of accounts and financial statements prepared for the period 1 January-31 December 2018 does not comply with TCC and the provisions of the Company's articles of association in relation to financial reporting.

In accordance with paragraph four of the Article 402 of TCC, the Board of Directors provided us all the required information and documentation with respect to our audit.

The engagement partner on the audit resulting in this independent auditor's report is Zere Gaye Şentürk.

DRT BAĞIMSIZ DENETİM VE SERBEST MUHASEBECİ MALİ MÜŞAVİRLİK A.Ş.
Member of **DELOITTE TOUCHE TOHMATSU LIMITED**

Zere Gaye Şentürk
Partner

İstanbul, 6 March 2019

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ŞOK MARKETLER TİCARET A.Ş. AND ITS SUBSIDIARIES

CONSOLIDATED BALANCE SHEET AS AT 31 DECEMBER 2018, 2017 AND 2016

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

ASSETS

Current Assets	**Note**	**31 December 2018**	**31 December 2017**	**31 December 2016**
Cash and cash equivalents	5	296,387,148	92,091,962	60,831,032
Trade receivables	7 - 2.9	127,240,392	267,634,215	337,738,587
Due from related parties	24	27,362,610	86,872,480	71,477,129
Other trade receivables	2.9	99,877,782	180,761,735	266,261,458
Other receivables	8	3,639,920	36,899,176	22,168,652
Due from related parties	24	-	32,148,945	18,790,466
Other receivables		3,639,920	4,750,231	3,378,186
Inventories	9	872,461,203	636,247,122	503,380,085
Prepaid expenses	10	10,467,177	8,433,138	8,967,499
Other current assets	17	5,138,881	36,714,541	10,155,617
Total Current Assets		**1,315,334,721**	**1,078,020,154**	**943,241,472**
Non Current Assets				
Other receivables	8	13,380,154	5,695,390	4,033,882
Property and equipment	11	977,595,003	849,530,114	607,626,432
Intangible assets		684,705,993	677,027,576	672,144,581
Goodwill	13	578,942,596	578,942,596	578,942,596
Other intangible assets	12	105,763,397	98,084,980	93,201,985
Other non current assets		274	8,601	64,438
Deferred tax assets	23	270,915,382	-	-
Total Non-Current Assets		**1,946,596,806**	**1,532,261,681**	**1,283,869,333**
TOTAL ASSETS		**3,261,931,527**	**2,610,281,835**	**2,227,110,805**

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

ŞOK MARKETLER TİCARET A.Ş. AND ITS SUBSIDIARIES

CONSOLIDATED BALANCE SHEET AS AT 31 DECEMBER 2018, 2017 AND 2016

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

LIABILITIES AND EQUITY

Current Liabilities	**Note**	**31 December 2018**	**31 December 2017**	**31 December 2016**
Short term borrowings	6	75,397,282	1,402,437,385	1,099,639,232
Obligations under finance leases	6	101,967,392	102,412,883	57,145,299
Trade payables	7 - 2.9	2,484,528,147	2,193,083,265	1,664,900,340
Due to related parties	24	357,587,212	457,458,758	393,330,371
Other trade payables	2.9	2,126,940,935	1,735,624,507	1,271,569,969
Other payables	8	555,874	645,718,799	600,900,136
Due to related parties	24	-	610,682,298	572,993,627
Other payables		555,874	35,036,501	27,906,509
Payables regarding employee benefits	16	88,640,962	79,106,917	48,516,643
Deferred income	10	14,365,832	8,665,160	2,579,680
Other short term provisions		52,303,456	43,049,962	36,736,311
Provision for short term employee benefits	16	15,007,661	12,193,626	9,344,963
Other provisions	14	37,295,795	30,856,336	27,391,348
Other current liabilities	17	27,359,064	19,115,088	15,776,360
Total Current Liabilities		**2,845,118,009**	**4,493,589,459**	**3,526,194,001**
Non current liabilities				
Obligations under finance leases	6	106,879,422	204,161,039	153,540,438
Provision for long term employee benefits	16	41,587,275	40,146,612	30,459,964
Deferred tax liabilities	23 - 2.9	-	47,093,901	46,333,139
Deferred income	10	4,472,693	9,531,906	-
Other payables	8	885,105	728,760	605,112
Total Non-Current Liabilities		**153,824,495**	**301,662,218**	**230,938,653**
EQUITY				
Share capital	18	611,928,571	360,000,000	360,000,000
Repurchased shares		(199,789,445)	-	-
Accumulated other comprehensive income or expense that will not be reclassified to profit or loss:				
Actuarial loss		(11,519,461)	(15,317,761)	(9,022,805)
Restricted reserves appropriated from profits	18	260,000	260,000	220,000
Effect of transactions under common control		(602,824,230)	(438,284,421)	(156,558,499)
Retained earnings / (Accumulated losses)		397,169,153	(1,538,988,319)	(1,245,254,004)
Net profit / (loss) for the year	2.9	66,598,899	(390,190,707)	(360,755,627)
Shareholder's equity	2.9	**261,823,487**	**(2,022,521,208)**	**(1,411,370,935)**
Non-controlling interest		**1,165,536**	**(162,448,634)**	**(118,650,914)**
Total Equity		**262,989,023**	**(2,184,969,842)**	**(1,530,021,849)**
TOTAL LIABILITIES AND EQUITY		**3,261,931,527**	**2,610,281,835**	**2,227,110,805**

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 YEAR ENDED 31 DECEMBER 2018

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

	Note	1 January- 31 December 2018	1 January- 31 December 2017
Revenue	19 - 2.9	12,060,771,860	8,920,324,690
Cost of sales (-)	19	(9,126,780,915)	(6,865,792,278)
Gross profit		**2,933,990,945**	**2,054,532,412**
Marketing and selling expenses (-)	20 - 2.9	(2,432,466,837)	(1,809,788,792)
General administrative expenses (-)	20 - 2.9	(71,753,605)	(63,861,971)
Other income from operating activities	21	5,648,109	2,169,618
Other expenses from operating activities (-)	21	(33,282,023)	(36,776,391)
Operating profit		**402,136,589**	**146,274,876**
Financial expense	22 - 2.9	(728,859,956)	(623,139,504)
Financial income	22 - 2.9	78,501,882	42,815,240
Loss from continuing operations before taxation		**(248,221,485)**	**(434,049,388)**
Income tax expense	23	(3,240,264)	(2,090,951)
Deferred tax income / (expense)	23 - 2.9	319,043,399	(2,338,773)
Profit / (Loss) from continuing operations for the period		**67,581,650**	**(438,479,112)**
Discontinued operations			
Profit / (Loss) for the period from discontinuing operation	28	(547,114)	4,507,771
PROFIT / (LOSS) FOR THE PERIOD		**67,034,536**	**(433,971,341)**
Attributable to:			
Equity holders of the parent		66,598,899	(390,190,707)
Non-controlling interests		435,637	(43,780,634)
Profit / (Loss) per share	**27**	**0.1288**	**(1.0839)**
Other Comprehensive Income and Loss			
Items that will not be reclassed to profit or loss		4,130,413	(6,312,042)
Define benefid plans remeasurement losses	16	5,164,529	(7,890,052)
Tax Expense / Income related to other comprehensive income items			
Deferred Tax Income / Expense	23	(1,034,116)	1,578,010
OTHER COMPREHENSIVE INCOME		**4,130,413**	**(6,312,042)**
TOTAL OTHER COMPREHENSIVE INCOME		**71,164,949**	**(440,283,383)**
Allocation of Total comprehensive Income			
Non-Controlling Interests		445,076	(43,797,720)
Equity Holders of the Parent		70,719,873	(396,485,663)
PROFIT FOR THE YEAR		**71,164,949**	**(440,283,383)**

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

ŞOK MARKETLER TİCARET A.Ş. AND ITS SUBSIDIARIES

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE YEARS ENDED 31 DECEMBER 2018 AND 2017
(Amounts are expressed in Turkish Lira ("TL") unless otherwise stated.)

			Accumulated other comprehensive income or expense that will not be reclassified to profit or loss			Retained Earnings / Accumulated Losses				
	Share capital	**Repurchase of share**	**Actuarial loss**	**Restricted reserves**	**Effect of transactions under common control**	**Profit / (Loss) for the year**	**Retained earnings / Accumulated Losses**	**Shareholder's equity**	**Non-controlling interest**	**Equity**
Balance as of 1 January 2017 (Note 2.9)	**360,000,000**	-	**(9,022,805)**	**220,000**	**(156,558,499)**	**(360,755,627)**	**(1,245,254,004)**	**(1,411,370,935)**	**(118,650,914)**	**(1,530,021,849)**
Transfer to retained earnings	-	-	-	40,000	-	360,755,627	(360,795,627)	-	-	-
Effect of transactions under common control (*)	-	-	-	-	(281,725,922)	-	67,061,312	(214,664,610)	-	(214,664,610)
Total comprehensive loss	-	-	(6,294,956)	-	-	(390,190,707)	-	(396,485,663)	(43,797,720)	(440,283,383)
Balance as of 31 December 2017	**360,000,000**		**(15,317,761)**	**260,000**	**(438,284,421)**	**(390,190,707)**	**(1,538,988,319)**	**(2,022,521,208)**	**(162,448,634)**	**(2,184,969,842)**
Balance as of 1 January 2018	**360,000,000**	-	**(15,317,761)**	**260,000**	**(438,284,421)**	**(390,190,707)**	**(1,538,988,319)**	**(2,022,521,208)**	**(162,448,634)**	**(2,184,969,842)**
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 (Note 18)	251,928,571		-	-	-	-	2,326,055,790	2,577,984,361	-	2,577,984,361
Repurchase of shares	-	(199,789,445)	-	-	-	-	-	(199,789,445)	-	(199,789,445)
Total comprehensive income / (loss)	-	-	4,120,974	-	-	66,598,899	-	70,719,873	445,076	71,164,949
Balance as of 31 December 2018	**611,928,571**	**(199,789,445)**	**(11,519,461)**	**260,000**	**(602,824,230)**	**66,598,899**	**397,169,153**	**261,823,487**	**1,165,536**	**262,989,023**

(*) 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 YEARS ENDED 31 DECEMBER 2018 AND 2017

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

	Note	1 January-31 December 2018	1 January-31 December 2017
A. Cash Generated by Operating Activities			
Profit / (loss) for the year		67,034,536	(433,971,341)
(Loss) / Profit from discontinued operations		(547,114)	4,507,771
Profit / (loss) from continued operations		67,581,650	(438,479,112)
Adjustments related to reconciliation of net profit / (loss) for the year			
-Depreciation of property and equipment	11	195,467,385	163,011,875
-Amortization of intangible assets	12	4,936,386	1,999,012
-Provision for retirement pay	16	17,160,235	3,489,425
-Provision for doubtful receivables	7	250,307	901,920
-Provision for unused vacation	16	12,986,404	12,303,139
-Lawsuit provisions	14	10,761,687	4,238,469
-Discount (income) / expenses		(19,661,785)	(35,449,954)
-Allowance for / reversal of impairment on inventories, net	9	5,088,509	(4,777,171)
-Loss on sale of property and equipment, net	21	5,821,905	3,876,315
-Loss on disposal of fixed assets	11-12	(5,261,400)	14,832,338
-Tax income / expenses	23	(315,803,135)	4,429,723
-Interest income	22	(19,180,318)	(2,480,102)
-Interest expenses	22	250,510,043	362,958,489
Cash generated by / (used in) operations before changes in working capital		**210,657,873**	**90,854,366**
Changes in working capital :			
Changes in trade receivables		139,425,258	69,171,415
Changes in inventories		(241,302,590)	(128,089,866)
Changes in other receivables and current assets		24,806,600	(28,628,257)
Changes in trade payables		312,185,396	593,421,852
Changes in other payables and expense accruals		8,670,825	(11,478,917)
Changes in employee benefits		9,534,045	30,590,276
Changes in prepaid expenses		(1,392,580)	534,361
Cash used in operations		**462,584,827**	**616,375,231**
Income taxes paid		(2,785,330)	(2,999,334)
Collections from doubtful receivables	7	16,331	155,739
Payments for lawsuits	14	(4,322,228)	(773,481)
Retirement benefits paid	16	(14,297,571)	(5,857,632)
Unused vacation provision paid	16	(6,429,841)	(5,289,673)
Net cash generated by operating activities:		**434,766,188**	**601,610,850**
B.INVESTING ACTIVITIES			
Interest received	22	19,180,318	2,480,102
Purchases of property and equipment	11	(324,207,194)	(255,082,266)
Purchases of intangible assets	12	(12,677,105)	(7,270,847)
Proceeds from the sale of property and equipment		176,717	1,080,564
VAT paid for acquisition of brands		(252,000)	(29,930,760)
Net cash used in investing activities		**(317,779,264)**	**(288,723,207)**
C.FINANCING ACTIVITIES			
Public offering and capital increase		2,577,984,361	-
Payables for finance leases	6	(98,103,910)	(73,345,485)
Interest paid		(295,262,806)	(328,891,779)
Changes in other payables to related parties		(613,284,484)	(414,059,813)
Cash paid for repurchase of company shares under price stability	18	(199,789,445)	-
Cash paid for common control transaction related to acquisitions		(1,401,000)	261,431,150
Repayments / proceeds of borrowings	6	(1,282,287,340)	268,731,443
Net cash (used in) / generated from financing activities		**87,855,376**	**(286,134,484)**
NET CHANGE IN CASH AND CASH EQUIVALENTS (A+B+C)		**204,842,300**	**26,753,159**
Cash flows of discontinued operation		**(547,114)**	**4,507,771**
D.CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE PERIOD	5	**92,091,962**	**60,831,032**
E.CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD (A+B+C+D)	5	**296,387,148**	**92,091,962**

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

ŞOK MARKETLER TİCARET A.Ş. AND ITS SUBSIDIARY

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2018

(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 27,135 as of 31 December 2018 (31 December 2017:24,255).

Şok and its subsidiaries (together the "Group"), are comprised of the parent, Şok and three 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% share of Teközel Gıda Temizlik Sağlık Marka Hizmetleri Sanayi ve Ticaret A.Ş. ("Teközel") from Yıldız Holding A.Ş.. The Group acquired the remaining 45% shares of Teközel on 2 July 2018. Teközel holds 100% share of "UCZ" Mağazacılık Ticaret 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.

As of 31 December 2018, the Group has a total of 6,364 stores 6,100 units ("Şok" sales store), 264 units ("Şok Mini" sales store) (31 December 2017: "Şok" sales store: 5,100, "UCZ" sales store: 498).

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

Dividend Payable:

Management did not propose any dividend per share related with current year. Dividend payables are subject to approval in the annual General Assembly meeting.

Approval of consolidated financial statements:

The Board of Directors has approved the consolidated financial statements and given authorization for the issuance on 6 March 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 YEAR ENDED 31 DECEMBER 2018

(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 (unaudjusted) 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 YEAR ENDED 31 DECEMBER 2018

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

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

Subsidiaries	31 December 2018	31 December 2017	31 December 2018	31 December 2017
	Direct Ownership Rate %		Group Effiency Rate %	
Mevsim Taze Sebze Meyve San. Ve Tic. A.Ş.	%80	%80	%80	%80
Teközel Gıda Tem. Sağ. Mark. Hizm. A.Ş. (*)	%100	%55	%100	%55
UCZ Mağazacılık Tic. A.Ş. (**)	-	-	%100	%60

2.3 Basis of Consolidation

The details of the Group's subsidiaries at 31 December 2018 and 2017 are as follows:

(*) The Group acquired 550,000 shares with par value of TL 1 each representing 55 percent shares of the total capital of TL 1,000,000 of Teközel on 26 December 2017. The Group has completed the purchase of the remaining shares of Teközel on 2 July 2018. The Group applied to the CMB for the merger of Teközel with Şok by the financials of 30 September 2018 and the approval of the CMB. As of the report date, CMB approval process continues.

(**) On 25 December 2017, Teközel acquired 21,000,000 shares of UCZ, each representing a nominal value of TL 1, representing 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 YEAR ENDED 31 DECEMBER 2018

(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 applied the IFRS 9 Financial Instruments and IFRS 15 Revenue From Customer Contracts for the accounting period beginning on 1 January 2018.

In the application of IFRS 9 Financial Instruments Standard, the Group has analyzed the financial assets and liabilities as of 31 December 2018 taking into consideration the circumstances and conditions. The Group has determined that IFRS 9 has no significant impact on the consolidated financial statements as of 31 December 2018.

The effect of the first application of IFRS 15 Revenue From Contracts with Customers on 1 January 2018 has been retrospectively applied by the Group. Group management has applied retrospectively for each past reporting period presented in accordance with IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors in transition to IFRS 15. The effect of the application of IFRS 15 on the consolidated balance sheet as of 31 December 2018 and consolidated statement of income for the nine month period ended at the same date is presented in Note 2.9.

Approximately 68% of total revenue was made in cash and 32% in credit card in the financial reporting period ending on 31 December 2018. 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.

2.5 Changes in Accounting Estimates and Errors

<u>Following changes in key estimates:</u>

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.

ŞOK MARKETLER TİCARET A.Ş. AND ITS SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2018

(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

a) Amendments to IFRSs that are mandatorily effective for the current year

IFRS 9	*Financial Instruments*
IFRS 15	*Revenue from Contracts with Customers*
IFRS Interpretation 22	*Foreign Currency Transactions and Advance Consideration*
Annual Improvements to IFRS Standards 2014–2016 Cycle	*IFRS 1 , IAS 28*

Impact of initial application of IFRS 9 Financial Instruments

In the current year, the Group has applied IFRS 9 Financial Instruments (as revised in July 2014) and the related consequential amendments to other IFRS Standards that are effective for an annual period that begins on or after 1 January 2018. The transition provisions of IFRS 9 allow an entity not to restate comparatives. As a result of the first-time adoption of IFRS 9, the cumulative effect due to the first time adoption of IFRS 9 by the Group is recognised in retained earnings as of 1 January 2018 and the comparatives haven’t been restated accordingly.

IFRS 9 introduced new requirements for:

1) The classification and measurement of financial assets and financial liabilities,
2) Impairment of financial assets,

Details of these new requirements as well as their impact on the Group’s consolidated financial statements are described below.

The Group has applied IFRS 9 in accordance with the transition provisions set out in IFRS 9.

(a) Classification and measurement of financial assets

The date of initial application (i.e. the date on which the Group has assessed its existing financial assets and financial liabilities in terms of the requirements of IFRS 9) is 1 January 2018. Accordingly, the Group has applied the requirements of IFRS 9 to instruments that continue to be recognised as at 1 January 2018 and has not applied the requirements to instruments that have already been derecognised as at 1 January 2018.

ŞOK MARKETLER TİCARET A.Ş. AND ITS SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2018

(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) Amendments to IFRSs that are mandatorily effective for the current year (Continued)

Impact of initial application of IFRS 9 Financial Instruments *(continued)*

(a) Classification and measurement of financial assets (continued)

All recognised financial assets that are within the scope of IFRS 9 are required to be measured subsequently at amortised cost or fair value on the basis of the entity's business model for managing the financial assets and the contractual cash flow characteristics of the financial assets.

Despite the aforegoing, the Group may make the following irrevocable election/designation at initial recognition of a financial asset:

The directors of the Company reviewed and assessed the Group's existing financial assets as at 1 January 2018 based on the facts and circumstances that existed at that date and concluded that the initial application of IFRS 9 has had the following impact on the Group's financial assets as regards their classification and measurement:

Financial assets that their fair value difference is reflected in other comprehensive income are non-derivative financial assets held for the purpose of collecting contractual cash flows and selling the financial asset. Gains or losses arising from the related financial assets are recognized in other comprehensive income, except for impairment losses or gains and losses. In case of sale of such assets, the valuation differences classified in other comprehensive income are classified as prior years' profits.

None of the other reclassifications in financial assets has any effect on the Group's financial position, profit or loss, other comprehensive income or total comprehensive income.

Changes regarding the classification of financial assets and liabilities in terms of IFRS 9 are summarised below. Related changes in classification do not result in changes in measurement of the financial assets and liabilities.

	Classification under IAS 39	**Classification under IFRS 9**
Financial assets		
Cash and cash equivalents	Loans and receivables	Amortized cost
Trade receivables	Loans and receivables	Amortized cost
Other Receivables	Loans and receivables	Amortized cost

ŞOK MARKETLER TİCARET A.Ş. AND ITS SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2018

(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) Amendments to IFRSs that are mandatorily effective for the current year (Continued)

Impact of initial application of IFRS 9 Financial Instruments *(continued)*

b) Impairment of financial assets

IFRS 9 replaces the "loss incurred" model in IAS 39 with the "expected credit losses" model. The new impairment model is applied to financial assets and contract assets measured at amortized cost, but not to investments in equity instruments.

The Group management measures the expected credit loss and expected credit loss over the life of these receivables ("ECL"), after deducting any provision for trade receivables as a result of a specific event. The calculation of expected credit losses is based on the Group's past experience and expectations based on macroeconomic indicators. Increases and decreases in expected credit losses are recognized in other operating losses and income.

The Group has made amendments to the IFRS 9 methodology for allocating impairment of financial assets in accordance with the newly expected credit loss model. The related amendments does not have significant impact on the Group's consolidated financial statements.

The Group uses the simplified approach in IFRS 9 to calculate the expected credit losses of such financial assets. This method requires the recognition of expected life-time losses for all trade receivables. The carrying value of financial assets and liabilities does not have a material impairment effect arising from the application of IFRS 9.

(c) Classification and measurement of financial liabilities

A significant change introduced by IFRS 9 in the classification and measurement of financial liabilities relates to the accounting for changes in the fair value of a financial liability designated as at FVTPL attributable to changes in the credit risk of the issuer.

Specifically, IFRS 9 requires that the changes in the fair value of the financial liability that is attributable to changes in the credit risk of that liability be presented in other comprehensive income, unless the recognition of the effects of changes in the liability's credit risk in other comprehensive income would create or enlarge an accounting mismatch in profit or loss. Changes in fair value attributable to a financial liability's credit risk are not subsequently reclassified to profit or loss, but are instead transferred to retained earnings when the financial liability is derecognised. Previously, under IAS 39, the entire amount of the change in the fair value of the financial liability designated as at FVTPL was presented in profit or loss.

The application of IFRS 9 has had no impact on the classification and measurement of the Group's financial liabilities.

	Classification under IAS 39	Classification under IFRS 9
Financial liabilities		
Borrowings	Amortized cost	Amortized cost
Trade payables	Amortized cost	Amortized cost
Other payables	Amortized cost	Amortized cost

Impact of application of IFRS 15 Revenue from Contracts with Customers

Impact on the Financial Statements

In the current year, the Group has applied IFRS 15 Revenue from Contracts with Customers (as amended in April 2016) which is effective for an annual period that begins on or after 1 January 2018. IFRS 15 introduced a 5-step approach to revenue recognition. Far more prescriptive guidance has been added in IFRS 15 to deal with specific scenarios. Details of the new requirements as well as their impact on the Group's consolidated financial statements are described below.

ŞOK MARKETLER TİCARET A.Ş. AND ITS SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2018

(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) Amendments to IFRSs that are mandatorily effective for the current year (Continued)

Impact of application of IFRS 15 Revenue from Contracts with Customers (Continued)

Impact on the Financial Statements (Continued)

IFRS 15 uses the terms 'contract asset' and 'contract liability' to describe what might more commonly be known as 'accrued revenue' and 'deferred revenue', however the Standard does not prohibit an entity from using alternative descriptions in the statement of financial position.

The accounting policies of the Group's revenue items are explained in detail in Note 2.7. The application of IFRS 15 did not have a significant impact on the financial position and / or financial performance of the Group. The corrections arising from the application of IFRS 15 are applied retrospectively in accordance with IAS 8.

The impact of the application of IFRS 15 is explained in detail in Note 2.9. The application of IFRS 15 did not have a significant impact on the financial position and / or financial performance of the Group.

Annual Improvements to IFRS Standards 2014–2016 Cycle

- **IFRS 1:** Deletes the short-term exemptions in paragraphs E3–E7 of IFRS 1, because they have now served their intended purpose.
- **IAS 28:** Clarifies that the election to measure at fair value through profit or loss an investment in an associate or a joint venture that is held by an entity that is a venture capital organization, or other qualifying entity, is available for each investment in an associate or joint venture on an investment-by-investment basis, upon initial recognition.

Annual improvements to IFRS Standards 2014-2016 cycle have no impact on the Group's consolidated financial statements.

IFRS Interpretation 22 *Foreign Currency Transactions and Advance Consideration*

The interpretation addresses foreign currency transactions or parts of transactions where:

- there is consideration that is denominated or priced in a foreign currency;
- the entity recognizes a prepayment asset or a deferred income liability in respect of that consideration, in advance of the recognition of the related asset, expense or income; and
- the prepayment asset or deferred income liability is non-monetary.

The Interpretations Committee came to the following conclusion:

- The date of the transaction, for the purpose of determining the exchange rate, is the date of initial recognition of the non-monetary prepayment asset or deferred income liability.
- If there are multiple payments or receipts in advance, a date of transaction is established for each payment or receipt.

IFRS Interpretation 22 has no impact on the Group's consolidated financial statements.

ŞOK MARKETLER TİCARET A.Ş. AND ITS SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2018

(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)

b) New and revised IFRSs in issue but not yet effective (Continued)

At the date of authorisation of these financial statements, The Group has not applied the following new and revised IFRS Standards that have been issued but are not yet effective:

IFRS 16	Leases
IFRS 17	Insurance Contracts
Amendments to IFRS 9	*Prepayment Features with Negative Compensation*
Amendments to IAS 28	*Long-term Interests in Associates and Joint Ventures*
IFRIC 23	*Uncertainty over Income Tax Treatments*
IFRS 10 *Consolidated Financial Statements* and IAS 28 (amendments)	*Sale of Contribution of Assets between an Investor and its Associate or Joint Venture*
Amendments to *IAS 19 Employee Benefits*	*Plan Amendment, Curtailment or Settlement* [1]
Annual Improvements to IFRS Standards 2015–2017 Cycle	*Amendments to IFRS 3 Business Combinations, IFRS 11 Joint Arrangements*, *IAS 12 Income Taxes and IAS 23 Borrowing Costs* [1]

[1] Effective from periods on or after 1 January 2019.

The directors do not expect that the adoption of the Standards listed above will have a material impact on the financial statements of the Group in future periods, except as noted below:

IFRS 16 *Leases*

General impact of application of IFRS 16 Leases

IFRS 16 provides a comprehensive model for the identification of lease arrangements and their treatment in the financial statements for both lessors and lessees. IFRS 16 will supersede the current lease guidance including IAS 17 Leases and the related Interpretations when it becomes effective for accounting periods beginning on or after 1 January 2019. The date of initial application of IFRS 16 for the Group will be 1 January 2019.

In contrast to lessee accounting, IFRS 16 substantially carries forward the lessor accounting requirements in IAS 17.

Impact of the new definition of a lease

The Group will make use of the practical expedient available on transition to IFRS 16 not to reassess whether a contract is or contains a lease. Accordingly, the definition of a lease in accordance with IAS 17 and IFRIC 4 will continue to apply to those leases entered or modified before 1 January 2019.

The change in definition of a lease mainly relates to the concept of control. IFRS 16 distinguishes between leases and service contracts on the basis of whether the use of an identified asset is controlled by the customer. Control is considered to exist if the customer has:

- The right to obtain substantially all of the economic benefits from the use of an identified asset; and
- The right to direct the use of that asset.

The Group will apply the definition of a lease and related guidance set out in IFRS 16 to all lease contracts entered into or modified on or after 1 January 2019 (whether it is a lessor or a lessee in the lease contract). In preparation for the first-time application of IFRS 16, the Group has carried out an implementation project. The project has shown that the new definition in IFRS 16 will not change significantly the scope of contracts that meet the definition of a lease for the Group.

ŞOK MARKETLER TİCARET A.Ş. AND ITS SUBSIDIARIES

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(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)

b) New and revised IFRSs in issue but not yet effective (Continued)

IFRS 16 ***Leases (Continued)***

<u>Impact on Lessee Accounting</u>

Operating leases

IFRS 16 will change how the Group accounts for leases previously classified as operating leases under IAS 17, which were off-balance sheet.

On initial application of IFRS 16, for all leases (except as noted below), the Group will:

a) Recognise right-of-use assets and lease liabilities in the consolidated statement of financial position, initially measured at the present value of the future lease payments;

b) Recognise depreciation of right-of-use assets and interest on lease liabilities in the consolidated statement of profit or loss;

c) Separate the total amount of cash paid into a principal portion (presented within financing activities) and interest (presented within operating activities) in the consolidated cash flow statement.

Lease incentives (e.g. rent-free period) will be recognised as part of the measurement of the right-of-use assets and lease liabilities whereas under IAS 17 they resulted in the recognition of a lease liability incentive, amortised as a reduction of rental expenses on a straight-line basis.

Under IFRS 16, right-of-use assets will be tested for impairment in accordance with IAS 36 Impairment of Assets. This will replace the previous requirement to recognise a provision for onerous lease contracts.

For short-term leases (lease term of 12 months or less) and leases of low-value assets (such as personal computers and office furniture), the Group will opt to recognise a lease expense on a straight-line basis as permitted by IFRS 16.

As at 31 December 2018, the Group has non-cancellable operating lease commitments of 46,414,652.

According to the preliminary assessments, the Group is expected to have TL 1.5 Billion of right of use and TL 1.5 billion of leasing liability related to these leases.As of the date of this report, the Group's assessment of the effects of IFRS 16 on its consolidated financial statements continues.

Finance leases

The main differences between IFRS 16 and IAS 17 with respect to assets formerly held under a finance lease is the measurement of the residual value guarantees provided by the lessee to the lessor. IFRS 16 requires that the Group recognises as part of its lease liability only the amount expected to be payable under a residual value guarantee, rather than the maximum amount guaranteed as required by IAS 17.

Based on an analysis of the Group's finance leases as at 31 December 2018 on the basis of the facts and circumstances that exist at that date, the directors of the Company have assessed that the impact of this change will not have an impact on the amounts recognised in the Group's consolidated financial statements.

ŞOK MARKETLER TİCARET A.Ş. AND ITS SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2018

(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)

b) New and revised IFRSs in issue but not yet effective (Continued)

Amendments to IAS 28 *Long-term Interests in Associates and Joint Ventures*

This amendment clarifies that an entity applies IFRS 9 Financial Instruments to long-term interests in an associate or joint venture that form part of the net investment in the associate or joint venture but to which the equity method is not applied.

IFRS Interpretation 23 *Uncertainty over Income Tax Treatments*

This interpretation addresses the determination of taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates, when there is uncertainty over income tax treatments under IAS 12.

IFRS 10 Consolidated Financial Statements and IAS 28 (amendments) *Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*

The amendments to IFRS 10 and IAS 28 deal with situations where there is a sale or contribution of assets between an investor and its associate or joint venture. Specifically, the amendments state that gains or losses resulting from the loss of control of a subsidiary that does not contain a business in a transaction with an associate or a joint venture that is accounted for using the equity method, are recognised in the parent's profit or loss only to the extent of the unrelated investors' interests in that associate or joint venture.

Annual Improvements to IFRS Standards 2015–2017 Cycle

Annual Improvements to IFRS Standards 2015–2017 Cycle include amendments to IFRS 3 Business Combinations and IFRS 11 Joint Arrangements in when a party that participates in, but does not have joint control of, IAS 12 Income Taxes; income tax consequences of dividends in profit or loss, and IAS 23 Borrowing Costs in capitalized borrowing costs.

Amendments to IAS 19 Employee Benefits Plan Amendment, Curtailment or Settlement

The amendments clarify that the past service cost (or of the gain or loss on settlement) is calculated by measuring the defined benefit liability (asset) using updated assumptions and comparing benefits offered and plan assets before and after the plan amendment (or curtailment or settlement) but ignoring the effect of the asset ceiling (that may arise when the defined benefit plan is in a surplus position).

The directors of the Group assess the possible impacts of the application of the amendments on the Group's consolidated financial statements.

ŞOK MARKETLER TİCARET A.Ş. AND ITS SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2018

(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 31 December 2018.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 recognation

Revenue Recognation 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 YEAR ENDED 31 DECEMBER 2018

(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.

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2018

(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.

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(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.

The Company as lessee

Assets held under finance leases are initially recognized as assets of the Group at their fair value at the inception of the lease or, if lower, at the present value of the minimum lease payments. The corresponding liability to the lessor is included in the balance sheet as a finance lease obligation.

Lease payments are apportioned between finance expenses and reduction of the lease obligation so as to achieve a constant rate of interest on the remaining balance of the liability. Finance expenses are recognized immediately in profit or loss, unless they are directly attributable to qualifying assets, in which case they are capitalized in accordance with the Group's general policy, stated above, on borrowing costs.

Operating lease payments (including rent incentives which are collected or will be collected from the lessor) are recognized as an expense on a straight-line basis over the lease term. Contingent rents under operating leases are recognized as an expense in the period they are incurred.

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.

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(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:

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(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.

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(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.

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(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.

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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.

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(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.

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(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 amounting TL 1,474,050,589. 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.

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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 10,297,215 is recognized for net realizable value of inventories (31 December 2017: TL 5,208,706).

Impairment of goodwill

The goodwill is tested for impairment in accordance with the accounting policy in Note 2.7 by the Group. The goodwill is not impaired in the current period.

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.

The Group performed an impairment analysis of goodwill for the year ended 31 December 2018, as described below:

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 concluede 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 31 December 2018 and 2017 the Group evaluated the current risks and booked the required provisions (Note 14). As of 31 December 2018, the provision for the related lawsuits amounted to TL 37,295,795 (2017: TL 30,856,336).

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 31 December 2018. If the life of the brands was determined as 20 years, loss before tax would increase by TL 4,270,000 (31 December 2017: TL 4,270,000, 31 December 2016: TL 4,270,000) due to the extinguishment of the brands.

ŞOK MARKETLER TİCARET A.Ş. AND ITS SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2018

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

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

2.9 Comparative Information and Restatement of Prior Period Financial Statements

The financial statements of the Group are prepared comparatively with the prior period to allow for the determination of the financial position and performance trends. The Group management has considered the inclusion of financing component of customer contracts, which are explained in detail in IFRS 15 "Revenue from Contracts with Customers", by taking into account various conditions of sales operations (due date, market conditions, cash and term cost difference) starting from 1 January 2017.

The effects of the relevant adjustments and classifications are presented below:

	Previously Reported 31 December 2017	**Restatement Effect of IFRS 15**	**Restated 31 December 2017**
Trade receivables	267,185,835	448,380	267,634,215
Other trade receivables	180,313,355	448,380	180,761,735
Deferred tax liabilities	47,004,225	89,676	47,093,901
Accumulated losses	(1,539,724,663)	736,344	(1,538,988,319)
Net loss for the year	(389,843,353)	(347,354)	(390,190,707)
Shareholder's equity	**(2,022,910,198)**	**388,990**	**(2,022,521,208)**
Non-controlling interest	**(162,418,348)**	**(30,286)**	**(162,448,634)**
Total Equity	**(2,185,328,546)**	**358,704**	**(2,184,969,842)**

	Previously Reported 31 December 2016	**Restatement Effect of IFRS 15**	**Restated 31 December 2016**
Trade receivables	336,931,035	807,552	337,738,587
Other trade receivables	265,453,906	807,552	266,261,458
Deferred tax liabilities	46,171,628	161,511	46,333,139
Accumulated losses	(1,245,254,004)	-	(1,245,254,004)
Net loss for the year	(361,491,971)	736,344	(360,755,627)
Shareholder's equity	**(1,412,107,279)**	**736,344**	**(1,411,370,935)**
Non-controlling interest	**(118,560,612)**	**(90,302)**	**(118,650,914)**
Total Equity	**(1,530,667,891)**	**646,042**	**(1,530,021,849)**

As of 31 December 2017 prepaid taxes amounting to TL 1,416,561 in the consolidated financial statements have been reclassified to other current liabilities.

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

2.9 Comparative Information and Restatement of Prior Period Financial Statements (Continued)

As of 1 January 2018 due to change in Teközel's shareholder structure the Group management decided to gradually discontinue Teközel's wholesale and export operations associated with customers other than Şok Marketler Ticaret A.Ş. ("Non-Şok Operations") and discontinued the related activities on 30 June 2018. Teközel's Non-Şok profits and losses are classified in profit / loss from discontinued operations line in accordance with IFRS 15 in the statement of profit or loss. The relevant footnote is detailed in Note 28.

	Previously Reported 1 January- 31 December 2017	Discontinued Operations	Restatement Effect of IFRS 15	Restated 1 January- 31 December 2017
Revenue	9,512,254,042	(620,044,180)	28,114,828	8,920,324,690
Cost of sales (-)	(7,478,663,120)	612,870,842	-	(6,865,792,278)
Gross profit	**2,033,590,922**	**(7,173,338)**	**28,114,828**	**2,054,532,412**
Marketing and selling expenses	(1,811,399,486)	1,610,694	-	(1,809,788,792)
General administrative expenses	(65,203,987)	1,342,016	-	(63,861,971)
Other income from operating activities	2,169,618	-	-	2,169,618
Other expenses from operating activities	(36,776,391)	-	-	(36,776,391)
Operating profit / (loss)	**122,380,676**	**(4,220,628)**	**28,114,828**	**146,274,876**
Finance expenses	(645,609,591)	23,016,810	(546,723)	(623,139,504)
Financial income	94,046,470	(23,303,953)	(27,927,277)	42,815,240
Loss from operations before taxation	**(429,182,445)**	**(4,507,771)**	**(359,172)**	**(434,049,388)**
Income tax expense	(2,090,951)	-	-	(2,090,951)
Deferred tax expense	(2,410,607)	-	71,834	(2,338,773)
Loss from continuing operations period	**(433,684,003)**	**(4,507,771)**	**(287,338)**	**(438,479,112)**
Discontinued operations				
Profit for the period from discontinuing operation	-	4,507,771	-	4,507,771
LOSS FOR THE PERIOD	**(433,684,003)**	**-**	**(287,338)**	**(433,971,341)**
Owners of the parent	(389,843,353)			(390,190,707)
Non-controlling interests	(43,840,650)			(43,780,634)
Loss per share	(1.0829)			(1.0839)

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3. TRANSACTIONS UNDER COMMON CONTROL

The Group purchased 55% shares of Teközel from Yıldız Holding A.Ş. on 26 December 2017 and bought the remaining 45% shares on 2 July 2018. Due to fact that the acquisition is considered to be a transaction under common control, consolidated financial statements have been presented as if the acquisition had occurred since 1 January 2015, which is openning date of the earliest period as presented in the shareholder's equity movement. Loss from the acquisition amounting to TL 443,559,619 is evaluated as under common control transaction, excluded from the consolidated profit / loss for the period and booked under the equity in " Effect of mergers involving undertakings or businesses subject to common control" account.

	31 December 2018
	Fair value
Consideration paid	56,800,000
Percentage of the company purchased (Note 2.3)	100%
Consideration paid	
Paid in cash and cash equivalents	56,800,000
	56,800,000
Net assets acquired	
Cash and cash equivalents	1,749,334
Trade receivables	745,811,171
Other receivables	23,286,849
Inventories	20,247,954
Prepaid expenses	1,685,390
Other current assets	10,257,070
Property, plant and equipment	7,420,910
Deferred tax assets	3,566,307
Short term borrowings	(1,585)
Trade payables	(795,684,153)
Employee benefits	(3,890,766)
Other payables	(389,840,995)
Provisions	(4,412,775)
Other short term liabilities	(2,923,017)
Long term provisions	(1,832,157)
Deferred income	(954,007)
Deferred tax liabilities	(1,245,149)
Total net assets	(386,759,619)
Consideration paid (A)	(56,800,000)
Non-controlling interest (B)	-
Fair value of net assets acquired (C)	(386,759,619)
Effect of business combinations under common control (A+B+C)	(443,559,619)

The Group has acquired brands from Yıldız Holding A.Ş. and subsidiaries for the consideration paid TL 166,282,000 and TL 1,400,000 on 29 December 2017 and 12 February 2018 respectively. The Group has been paying royalty in previous years for use of these brands. The amount paid for acquisition of such brands is considered to be a transaction between entities under common control and accounted under shareholder's equity. Additionally the Group has recharged royalty expenses amounting to TL 8,418,389 to Yıldız Holding A.Ş. in 2017 and related recharge amount has been accounted as transactions under common control under shareholder's equity. On 18 January 2018, the Group acquired the remaining 40% shares of UCZ for a consideration of TL 1,000. Non-controlling interests amounting to TL 163.169.094 at the acquisition date has been accounted as transactions under common control under shareholder's equity.

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4. SEGMENT REPORTING

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

5. DISCLOSURES RELATED TO STATEMENT OF CASH FLOWS

	31 December 2018	31 December 2017
Cash on hand	70,270,822	63,175,127
Cash at banks	226,116,326	28,916,835
Time deposits	220,374,000	-
Demand deposits	5,742,326	28,916,835
Cash and cash equivalents	296,387,148	92,091,962

As of 31 December 2018 the Group has blocked deposits amounting to TL 3,358,712 (31 December 2017: None).

As of 31 December 2018 the Group's average interest rate on overnight time deposits is 23.25%. Explanations about the nature and level of risks related to cash and cash equivalents are provided in Note 25.

6. FINANCIAL BORROWINGS

Financial Borrowings	31 December 2018	31 December 2017
a) Bank Borrowings	75,397,282	1,402,437,385
b) Leasing Payables	208,846,814	306,573,922
	284,244,096	1,709,011,307

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:

Currency Type	Weighted Average Effective Interest Rate	31 December 2018 Current	31 December 2018 Non-current
TL	% 24,02	75,397,282	-

Currency Type	Weighted Average Effective Interest Rate	31 December 2017 Current	31 December 2017 Non-current
TL	% 17,61	1,402,437,385	-

	31 December 2018	31 December 2017
To be paid within 1 year	75,397,282	1,402,437,385
	75,397,282	1,402,437,385

As of 31 December 2018 there are no Yıldız Holding A.Ş. provided guarantee on bank borrowings (31 December 2017: TL 1,182,437,385).

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6. FINANCIAL BORROWINGS (Continued)

b) Leasing Payables

	Minimum Leasing Payable		Minimum Leasing Payable Net Present Value	
Leasing Payables	31 December 2018	31 December 2017	31 December 2018	31 December 2017
Within 1 year	125,301,302	136,628,653	101,967,392	102,412,883
Between 1-5 years	119,622,007	234,006,266	106,879,422	204,161,039
Less: future financial expense	(36,076,495)	(64,060,997)	-	-
Leasing obligation net present value	208,846,814	306,573,922	208,846,814	306,573,922
Less : liabilities to paid within 12 months (presented in short term liabilities			(101,967,392)	(102,412,883)
Liabilities to paid after 12 months			106,879,422	204,161,039

As of 31 December 2018 net book value of property and equipment acquired by financial lease is TL 207,754,161 (31 December 2017: TL 274,285,574). 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) 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 2018	Financing cash flows	Non cash: Interest accrual	Non cash: Other	31 December 2018
Bank borrowings	1,402,437,385	(1,282,287,340)	(44,752,763)	-	75,397,282
Leasing payables	306,573,922	(98,103,910)	-	376,802	208,846,814
	1,709,011,307	(1,380,391,250)	(44,752,763)	376,802	284,244,096

	1 January 2017	Financing cash flows	Non cash: New financial leases	Non cash: Interest accrual	31 December 2017
Bank borrowings	1,099,639,232	268,731,443	-	34,066,710	1,402,437,385
Leasing payables	210,685,737	(73,345,485)	169,233,670	-	306,573,922
	1,310,324,969	195,385,958	169,233,670	34,066,710	1,709,011,307

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7. TRADE RECEIVABLES AND PAYABLES

Current trade receivables	31 December 2018	31 December 2017
Trade receivables	85,459,908	119,376,380
Trade receivables from related parties (Note 24)	27,362,610	86,872,480
Credit card receivables	22,677,729	69,803,732
Allowance for doubtful receivables (-) (Note 25)	(8,259,855)	(8,418,377)
	127,240,392	267,634,215

The Group makes retail sales for cash or credit card. Moreover, in 2017, the Group collected receivables from sales with credit cards by bearing the relevant financing cost in 1 day approximately. The Group's average period for collection of receivables is 4 days when wholesale revenue is taken into consideration (31 December 2017:11 days).

As of 31 December 2018 the Group provided allowance for doubtful receivables amounting to TL 8,259,855 based on reference to past default experience (31 December 2017: TL 8,418,377).

There are no guarantee letters obtained for trade receivables as of 31 December 2018 and 2017.

As of 31 December 2018 and 2017 the movements of allowance for doubtful receivables are as follows:

Movement of Allowance for Doubtful Receivables	1 January-31 December 2018	1 January-31 December 2017
Balance at beginning of the period	(8,418,377)	(7,548,223)
Charge for the year (Not 21)	(250,307)	(901,920)
Foreign exchange gain / (loss)	392,498	(123,973)
Collections	16,331	155,739
Closing balance	(8,259,855)	(8,418,377)

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.

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7. TRADE RECEIVABLES AND PAYABLES (Continued)

Short term trade payables	31 December 2018	31 December 2017
Trade payables	2,126,940,935	1,735,624,507
Due to related parties (Note 24)	357,587,212	457,458,758
	2,484,528,147	2,193,083,265

The interest rate used for discount of trade payables is 23.49% (31 December 2017: 18.80%), weighted average maturity is 99 days (2017: 117 days).

As of 31 December 2018 and 2017, 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 25.

8. OTHER RECEIVABLES AND PAYABLES

Short term other receivables	31 December 2018	31 December 2017
Other receivables from related parties (Note 24)	-	32,148,945
Insurance receivables	1,835,927	1,709,591
VAT receivables	1,236,422	64,496
Receivables from social security premium	3,605	3,605
Other receivables	563,966	2,972,539
	3,639,920	36,899,176

Other short term payables	31 December 2018	31 December 2017
Due to related parties (Note 24)	-	610,682,298
Other	555,874	35,036,501
	555,874	645,718,799

As of 31 December 2018 there is no other payables from non related parties (31 December 2017 TL 34,751,131).

Other long term receivables	31 December 2018	31 December 2017
Guarantee and deposits given	13,380,154	5,695,390
	13,380,154	5,695,390

Other long term payables	31 December 2018	31 December 2017
Deposits and guarantees received	885,105	728,760
	885,105	728,760

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9. INVENTORIES

	31 December 2018	31 December 2017
Trade goods	868,276,701	635,205,901
Allowance for diminution in value of inventories (-)	(10,297,215)	(5,208,706)
Other inventory	14,481,717	6,249,927
	872,461,203	636,247,122

Movement of allowance for net realizable value of inventories (-)	1 January 31 December 2018	1 January 31 December 2017
Balance at beginning of the year	5,208,706	9,985,877
Allowance released	(5,208,706)	(4,777,171)
Charge for the year	10,297,215	-
Closing balance	10,297,215	5,208,706

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 10,297,215 has been booked as of 31 December 2018 (31 December 2017 TL 5,208,706), net realizable value of inventories is TL 17,162,025 (31 December 2017: TL 7,882,324).

10. PREPAID EXPENSES AND DEFERRED INCOME

Short term prepaid expenses	31 December 2018	31 December 2017
Prepaid expenses	10,449,212	6,666,661
Work advances given	17,965	1,766,477
	10,467,177	8,433,138

Short term deferred income	31 December 2018	31 December 2017
Unearned revenues	5,649,718	5,544,290
Received advances	8,716,114	3,120,870
	14,365,832	8,665,160

Long term deferred income	31 December 2018	31 December 2017
Unearned revenues	4,472,693	9,531,906
	4,472,693	9,531,906

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11. PROPERTY AND EQUIPMENT

	Machinery and Equipment	Vehicles	Furniture and Fixture	Leasehold Improvements	Construction in Progress	Total
Cost						
Opening balance as of 1 January 2018	87,791,540	-	988,509,735	386,076,618	-	1,462,377,893
Additions	18,750	-	241,976,325	82,212,119	-	324,207,194
Disposals	(25,331)	-	(7,838,107)	(14,283,465)	-	(22,146,903)
Closing balance as of 31 December 2018	87,784,959	-	1,222,647,953	454,005,272	-	1,764,438,184
Accumulated Depreciation						
Opening balance as of 1 January 2018	82,010,078	-	380,627,844	150,209,857	-	612,847,779
Charge of the year	1,723,335	-	150,907,097	42,836,953	-	195,467,385
Impairment	-	-	(1,296,898)	(3,964,502)	-	(5,261,400)
Disposals	(23,068)	-	(6,528,677)	(9,658,838)	-	(16,210,583)
Closing balance as of 31 December 2018	83,710,345	-	523,709,366	179,423,470	-	786,843,181
Carrying value as of 31 December 2018	4,074,614	-	698,938,587	274,581,802	-	977,595,003

There is insurance coverage amounting to TL 906,580,360 on the furniture & fixtures and machinery. (31 December 2017: TL 748,876,662). No furniture and fixture was purchased via financial leasing for the year 2018 (31 December 2017: TL 169,233,670) Net book value of leased property and equipment is TL 207,754,161 (31 December 2017: TL 274,285,574).

Current depreciation expense related to fixed assets amounting to TL 193,446,277 (2017: TL 161,298,346) booked in marketing and selling expenses and TL 2,021,108 booked in general administrative expenses (2017: TL 1,713,529) (Note 20).

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11. PROPERTY AND EQUIPMENT (Continued)

	Machinery and Equipment	Vehicles	Furniture and Fixture	Leasehold Improvements	Construction in Progress	Total
Cost						
Opening balance as of 1 January 2017	86,936,443	640,800	644,945,120	284,968,966	29,545,776	1,047,037,105
Transfer	-	-	29,545,776	-	(29,545,776)	-
Additions	897,974	-	316,293,182	107,124,778	-	424,315,934
Disposals	(42,877)	(640,800)	(2,274,343)	(6,017,126)	-	(8,975,146)
Closing balance as of 31 December 2017	87,791,540	-	988,509,735	386,076,618	-	1,462,377,893
Accumulated Depreciation						
Opening balance as of 1 January 2017	78,572,350	138,840	237,010,178	113,134,821	10,554,484	439,410,673
Transfer	-	-	10,554,484	-	(10,554,484)	-
Charge of the year	3,480,072	32,044	125,124,297	34,375,462	-	163,011,875
Impairment	-	-	9,694,087	4,887,536	-	14,581,623
Disposals	(42,344)	(170,884)	(1,755,202)	(2,187,962)	-	(4,156,392)
Closing balance as of 31 December 2017	82,010,078	-	380,627,844	150,209,857	-	612,847,779
Carrying value as of 31 December 2017	5,781,462	-	607,881,891	235,866,761	-	849,530,114

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12. INTANGIBLE ASSETS

Cost	Rights	Trademarks	Total
Opening balance as of 1 January 2018	24,840,723	85,675,510	110,516,233
Additions	12,677,105	-	12,677,105
Disposals	(155,762)	-	(155,762)
Closing balance as of 31 December 2018	37,362,066	85,675,510	123,037,576
Accumulated Amortization			
Opening balance as of 1 January 2018	12,431,253	-	12,431,253
Charge for the year	4,936,386	-	4,936,386
Disposals	(93,460)	-	(93,460)
Closing balance as of 31 December 2018	17,274,179	-	17,274,179
Carrying value as of 31 December 2018	20,087,887	85,675,510	105,763,397

Cost	Rights	Trademarks	Total
Opening balance as of 1 January 2017	17,777,433	85,675,510	103,452,943
Additions	7,270,847	-	7,270,847
Disposals (Note 3)	(207,557)	-	(207,557)
Closing balance as of 31 December 2017	24,840,723	85,675,510	110,516,233
Accumulated Amortization			
Opening balance as of 1 January 2017	10,250,958	-	10,250,958
Charge for the year	1,999,012	-	1,999,012
Impairment	250,715	-	250,715
Disposals	(69,432)	-	(69,432)
Closing balance as of 31 December 2017	12,431,253	-	12,431,253
Carrying value as of 31 December 2017	12,409,470	85,675,510	98,084,980

The amortization expense of intangible assets amounting to TL 4,936,386 is presented in marketing and selling expenses (2017: TL 1,999,012) (Note 20).

Assumptions used for brand impairment are explained in Note 2.8.

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13. GOODWILL

The movement of the goodwill for the periods ended 31 December 2018 and 2017 is as follows:

	1 January-31 December 2018	1 January-31 December 2017
	578,942,596	578,942,596
Goodwill	578,942,596	578,942,596

Detail of goodwill for the years ended 31 December 2018 and 2017 is as follows:

Company	Acquisition Date	31 December 2018	31 December 2017
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

The Group performed an impairment analysis of goodwill for the period ended 31 December 2018, as described below;

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.

14. PROVISIONS, CONTINGENT ASSETS AND LIABILITIES

Provisions

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

	31 December 2018	31 December 2017
Lawsuits	37,295,795	30,856,336
	37,295,795	30,856,336

Provisions for lawsuits as of 31 December 2018 and 2017 are as follows:

	1 January-31 December 2018	1 January-31 December 2017
Balance at 1 January	30,856,336	27,391,348
Additional provisions recognized (Note 21)	10,761,687	4,238,469
Payments	(4,322,228)	(773,481)
Balance at 31 December	37,295,795	30,856,336

As of 31 December 2018, the provision amount related with the lawsuits is amounting to TL 37,295,795 (31 December 2017: TL 30,856,336).

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14. PROVISIONS, CONTINGENT LIABILITIES, CONTINGENT ASSETS (Continued)

As of 31 December 2018, the non-cancellable operating lease commitments of the Group is TL 46,414,652 related to agreements in case of cancellation. Non-cancellable term is up to 1 year (31 December 2017: TL 44,062,758). 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 207,754,161 (31 December 2017: TL 274,285,574).

15. COMMITMENTS

		31 December 2018	31 December 2017
A. CPM's given in the name of its own legal personality (*)			
	-Guarantees	10,524,330	120,289,838
	-Mortgages	-	-
	-Pledges	-	-
B. CPM's given on behalf of the fully consolidated companies		4,300,740	6,115,740
C. CPM's given on behalf of third parties for ordinary course of business		-	-
D. Total amount of other CPM's given			
i) Total amount of CPM's given on behalf of the majority shareholder		-	-
ii) Total amount of CPM's given on behalf of third parties which are not in scope of B and C		-	-
iii) Total amount of CPM's given on behalf of third parties which are not in scope C		-	-
		14,825,070	126,405,578

(*) TL 14,825,070 of this figure relates to non-cash risks.

The ratio of given CPM's by the Group to equity is 0% as of 31 December 2018 (2017: 0%).

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16. EMPLOYEE BENEFITS

Liabilities within the scope of employee benefits:

Short-term benefits	31 December 2018	31 December 2017
Due to personnel	65,282,654	32,440,063
Social security premiums payable	23,358,308	46,666,854
	88,640,962	79,106,917

Provisions for employee benefits	31 December 2018	31 December 2017
Provision for unused vacation short term	15,007,661	12,193,626
Provision for unused vacation long term	29,341,724	25,599,196
	44,349,385	37,792,822

The movement of provisions for unused vacation for the periods ended 31 December 2018 and 2017 is as follows:

	1 January- 31 December 2018	1 January- 31 December 2017
Opening balance at 1 January	37,792,822	30,779,356
Charge for the period	12,986,404	12,303,139
Payments	(6,429,841)	(5,289,673)
Closing balance at 31 December	44,349,385	37,792,822

Retirement Pay Provision

	31 December 2018	31 December 2017
Retirement pay provision	12,245,551	14,547,416
	12,245,551	14,547,416

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 5,434.42 for each period of service at 31 December 2018 (31 December 2017: TL 4,732.48).

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 31 December 2018, 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 2017: 4.50%). Ceiling amount of TL 6,017.60 which is in effect since 1 January 2019 is used in the calculation of Groups' provision for retirement pay liability (1 January 2018: TL 5,001.76).

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16. EMPLOYEE BENEFITS (Continued)

- If the discount rate had been 1% higher, provision for employee termination benefits would decrease by TL 1,416,133
- If the anticipated turnover rate had been 1% higher while all other variables were held constant, provision for employee termination benefits would increase by TL 527,617

Movement for retirement pay provision for the periods ended 31 December 2018 and 2017 is as follows:

	1 January- 31 December 2018	1 January- 31 December 2017
Provision at 1 January	14,547,416	9,025,571
Service cost	16,481,205	2,423,506
Interest cost	679,030	1,065,919
Termination benefits paid	(14,297,571)	(5,857,632)
Actuarial (gain) / loss	(5,164,529)	7,890,052
Provision at 31 December	12,245,551	14,547,416

17. OTHER ASSETS AND LIABILITIES

Other current assets	31 December 2018	31 December 2017
VAT deductible	2,837,277	33,693,050
Prepaid taxes and funds	2,246,561	2,968,743
Other assets	55,043	52,748
	5,138,881	36,714,541

Other short term liabilities	31 December 2018	31 December 2017
Taxes and dues payable	25,823,319	17,581,009
Other liabilities	1,535,745	1,534,079
	27,359,064	19,115,088

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18. CAPITAL, RESERVES AND OTHER EQUITY ITEMS

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

Shareholders	%	31 December 2018	%	31 December 2017
Turkish Retail Investments B.V.	23	144,000,000	50	180,000,000
Gözde Girişim Sermayesi Yat.Ort. A.Ş.	23	140,400,327	39	140,400,327
Turkish Holdings IV Cooperatief U.A.	6	36,000,000	-	-
Templeton Strategic Emerging Markets Fund IV.LDC	6	36,000,000	10	36,000,000
Yıldız Holding A.Ş. (**)	5	33,428,571	-	-
Other	1	3,599,673	1	3,599,673
Free Float (*)	36	218,500,000	-	-
Nominal Capital	100	611,928,571	100	360,000,000
Capital Commitments		-		-
Paid Capital		611,928,571		360,000,000

(*) By the approval of the Board's 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 nominal capital has been divided into 611,928,571 registered shares with a par value of TL 1 per share (31 December 2017: 360,000,000 shares).

Legal Reserves

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

As of 31 December 2018 restricted reserves is TL 260,000 (31 December 2017: TL 260,000).

Actuarial Loss / Gain

As of 31 December 2018, actuarial loss / gain is negative TL 11,519,461 (31 December 2017: negative TL 15,317,761).

Effect of transactions under common control

As of 31 December 2018 effect of mergers involving undertakings or businesses subject to common control is negative TL 602,824,230 (31 December 2017: negative TL 438,284,421).

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 accompanying 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.

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19. REVENUE AND COST OF SALES

As of 31 December 2018 and 2017 the sales of Group are as follows:

a) Revenue

	1 January - 31 December 2018	1 January - 31 December 2017
Disaggretion of revenue		
Food and non-food consumer goods - Retail store customers	11,969,264,714	8,806,809,375
Food and non-food consumer goods - Wholesale customers	91,507,146	113,515,315
Total revenue	12,060,771,860	8,920,324,690
Timing of revenue recognition		
At a point in time		
Retail store customers	11,969,264,714	8,806,809,375
Wholesale customers	91,507,146	113,515,315
Total revenue	12,060,771,860	8,920,324,690

b) Cost of Sales

	1 January- 31 December 2018	1 January- 31 December 2017
Cost of merchandises sold	(9,126,780,915)	(6,865,792,278)
	(9,126,780,915)	(6,865,792,278)

20. MARKETING, SELLING AND GENERAL ADMINISTRATIVE EXPENSES

Marketing and selling expenses	1 January- 31 December 2018	1 January- 31 December 2017
Personnel expenses	(1,115,401,459)	(838,355,295)
Rent expenses	(545,130,652)	(408,561,191)
Transportation expenses	(163,859,189)	(111,101,964)
Depreciation and amortization expenses (Note:11, 12)	(198,382,663)	(163,297,358)
Utility expenses	(178,324,036)	(110,194,562)
Advertising expenses	(53,610,714)	(50,200,928)
Packaging expenses	(65,491,514)	(39,925,605)
Tax expenses and duties	(11,445,487)	(8,660,113)
Maintenance expenses	(15,584,495)	(13,265,169)
Other marketing and sales expenses	(85,236,628)	(66,226,607)
	(2,432,466,837)	(1,809,788,792)

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

General administrative expenses	1 January- 31 December 2018	1 January- 31 December 2017
Personnel expenses	(36,743,848)	(33,012,337)
Cash collection expenses	(10,249,278)	(7,034,301)
Outsourced expenses	(6,439,134)	(7,287,522)
Information tecnology expenses	(5,118,987)	(3,980,474)
Tax expenses and duties	(4,399,100)	(2,677,945)
Amortization expenses (Note 11)	(2,021,108)	(1,713,529)
Rent expenses	(1,468,427)	(1,961,550)
Vehicle expenses	(1,089,023)	(617,005)
Other administrative expenses	(4,224,700)	(5,577,308)
	(71,753,605)	(63,861,971)

21. OTHER INCOME AND EXPENSES FROM OPERATING ACTIVITIES

Other income	1 January- 31 December 2018	1 January- 31 December 2017
Unused provision	301,236	573,239
Gain on sale of property and equipment	74,254	212,997
Other income	5,272,619	1,383,382
	5,648,109	2,169,618

Other expense	1 January- 31 December 2018	1 January- 31 December 2017
Provision expense (Note 14)	(10,761,687)	(4,238,469)
Impairment on property and equipment	-	(14,832,338)
Loss on sale of property and equipment	(634,759)	(4,089,312)
Allowance for doubtful receivables (Note 7)	(250,307)	(901,920)
Other expenses	(21,635,270)	(12,714,352)
	(33,282,023)	(36,776,391)

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22. FINANCIAL EXPENSES AND INCOME

For the periods ended 31 December 2018 and 2017 financial expenses are as follows:

Finance Expense	1 January-31 December 2018	1 January-31 December 2017
Financial expenses from credit purchases and discount on trade receivables	(455,162,320)	(251,372,488)
Interest on bank overdrafts and loans	(108,728,989)	(206,458,379)
Financing cost of cash collection for credit card receivables	(60,095,725)	(11,493,554)
Interest expense from related parties (Note 24)	(40,001,892)	(111,756,188)
Interest on finance lease obligations	(36,995,283)	(32,673,489)
Foreign exchange loss	(23,187,593)	(8,808,527)
Other	(4,688,154)	(576,879)
	(728,859,956)	(623,139,504)

For the periods ended 31 December 2018 and 2017 financial incomes are as follows:

Finance Income	1 January-31 December 2018	1 January-31 December 2017
Financial income from credit sales and discount on trade payables	57,016,265	39,420,104
Interest income	19,180,318	2,480,102
Foreign exchange gain	2,305,299	915,034
	78,501,882	42,815,240

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

	31 December 2018	31 December 2017
Current tax asset / (liability):		
Current corporate tax provision	(3,240,264)	(2,090,951)
Less prepaid tax and funds	3,663,122	2,968,743
	422,858	877,792

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 2018 is 22% (2017: 20%) for the Group.

In Turkey, advance tax returns are filed on a quarterly basis. Advance corporate income tax rate applied in 2018 is 22%. (2017: 20%) Losses can be carried forward for offset against future taxable income for up to 5 years. However, losses cannot be carried back for offset against profits from previous periods.

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23. 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 1-25 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 31 December 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	
	31 December 2018	31 December 2017	31 December 2018	31 December 2017
Deferred tax assets / (liabilities) :				
Losses to be deducted from prior year losses	1,474,050,589	-	309,301,413	-
Property and equipment and intangible assets	(292,572,083)	(298,673,042)	(58,514,417)	(59,734,609)
Inventory	115,395,770	71,387,505	23,079,154	14,277,501
Provision for retirement pay	12,245,551	14,547,416	2,449,616	2,909,483
Provision for unused vacation	44,349,385	37,792,822	8,872,014	7,558,564
Effect of amortized cost method on receivables and payables	(113,416,050)	(90,497,785)	(22,683,210)	(18,099,557)
Provision for legal claims	37,295,790	29,041,208	7,459,158	5,808,242
Provision for doubtful receivables	-	158,898	-	31,780
Accrual of interest	(40,300)	(2,754,545)	(8,060)	(550,909)
Other	4,798,570	3,528,018	959,714	705,604
	1,282,107,222	(235,469,505)	270,915,382	(47,093,901)

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.

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

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

	31 December 2018	31 December 2017
Expiring in 2018	-	428,662,893
Expiring in 2019	197,188,600	392,219,600
Expiring in 2020	27,062,051	448,128,324
Expiring in 2021	20,453,443	332,084,618
Expiring in 2022	93,494,932	410,320,467
Expiring in 2023	31,713,784	-
	369,912,810	2,011,415,902

The movement of deferred tax liability for the periods ended as of 31 December 2018 and 2017 is as follows :

Movement of deferred tax asset/ (liabilities):	1 January-31 December 2018	1 January-31 December 2017
Opening balance at 1 January	(47,093,901)	(46,333,138)
Recognised in income statement	319,043,399	(2,338,773)
Recognised in compherensive income	(1,034,116)	1,578,010
Closing balance at 31 December	270,915,382	(47,093,901)

The amounts reflected in compherensive statement of profit or loss of the periods ended at 31 December 2018 and 2017 are as follows:

	1 January-31 December 2018	1 January-31 December 2017
Current period legal tax	(3,240,264)	(2,090,951)
Deferred tax income / (expense)	319,043,399	(2,338,773)
Total tax income / (expense)	315,803,135	(4,429,724)

Tax reconciliation:	1 January-31 December 2018	1 January-31 December 2017
Loss from continuing operations before taxation	(248,221,485)	(429,541,617)
	%22	%20
Tax at the domestic income tax rate of 22% (2017: 20%)	54,608,727	85,908,323
Tax effects of:		
- Carryforward tax losses not recognized as deferred tax assets	(6,977,032)	(82,064,093)
- Expenses that are not deductible	8,688,558	(9,075,370)
- Unused tax losses that are previously not recognised as deferred	263,402,092	-
- Other	(3,919,210)	801,416
Income tax income / (expense) recognised in profit or loss	315,803,135	(4,429,724)

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24. RELATED PARTY BALANCES AND TRANSACTIONS

	31 December 2018			
	Receivables		Payables	
	Current		Current	
Balances with related parties	Trading	Non-trading	Trading	Non-trading
Shareholders				
Yıldız Holding A.Ş.	-	-	4,627,109	-
Gözde Girişim Sermayesi Yatırım Ortaklığı A.Ş.	-	-	537	-
Related parties - Controlled by shareholders				
Yeni Teközel Markalı Ürünler Dağıtım Hizmetleri A.Ş.	1,129,900	-	131,039,707	-
Pasifik Tüketim Ürünleri Satış ve Tic. A.Ş.	-	-	128,503,875	-
Unmaş Unlu Mamuller San. ve Tic. A.Ş.	-	-	25,696,760	-
Aytaç Gıda Yatırım San. Tic. A.Ş.	-	-	21,744,821	-
Bizim Toptan Satış Magazaları A.Ş.	21,032,114	-	11,902	-
Kerevitaş Gıda San. ve Tic. A.Ş.	2,367,762	-	-	-
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	-
Azmüsebat Çelik San. Tic. A.Ş.	-	-	3,353,770	-
Önem Gıda San. ve Tic. A.Ş.	-	-	4,382,815	-
Enfesler Gıda Pazarlama A.Ş.	-	-	3,342,340	-
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	-
G2m Dağıtım Pazarlama veTic A.Ş.	140,438	-	-	-
Penta Teknoloji Ürünleri Dağıtım Tic.A.Ş.	45,816	-	245	-
Other	580,371	-	958,071	-
Jointly Controlled Companies by Shareholders				
SCA Yıldız Kağıt ve Kişisel Bakım Üretim A.Ş.	-	-	8,741,211	-
Milhans Gıda Ürün. San. Tic. A.Ş.	-	-	9,425,083	-
Sun Doğal Gıda ve Ambalaj Sanayi A.Ş.	393,660	-	536,180	-
Kellogg Med Gıda Tic. Ltd. Şti.	-	-	50,614	-
Nissin Yildiz Gida San. ve Tic. A.S.	-	-	38,065	-
Dank Gıda San. ve Tic. A.Ş.	-	-	11,831	-
PNS Pendik Nişasta San. A.Ş.	1,562	-	-	-
	27,362,610	-	357,587,212	-

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

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2018

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24. RELATED PARTY BALANCES AND TRANSACTIONS (Continued)

	31 December 2017			
	Receivables		Payables	
Balances with related parties	Trading	Non-trading	Trading	Non-trading
Shareholders				
Yıldız Holding A.Ş.	-	27,674,985	14,328,731	561,260,023
Related parties - Controlled by shareholders				
Kerevitaş Gıda San. ve Tic. A.Ş.	18,399	-	39,823,913	2,478,000
Pasifik Tüketim Ürünleri Satış ve Tic. A.Ş.	-	-	114,236,927	36,170,875
Besler Gıda ve Kimya San. ve Tic. A.Ş.	-	-	26,388,423	10,773,400
Bizim Toptan Satış Magazaları A.Ş.	65,623,997	-	53,781	-
Unmaş Unlu Mamuller San. ve Tic. A.Ş.	-	-	38,542,036	-
Aytaç Gıda Yatırım San. Tic. A.Ş.	-	-	35,314,725	-
Biskot Bisküvi Gıda San. ve Tic. A.Ş.	-	-	38,253,490	-
Aktül Kağıt Üretim Pazarlama A.Ş.	-	-	29,335,025	-
Enfesler Gıda Pazarlama A.Ş.	-	-	29,144,701	-
Poleks Gıda San. ve Dış Tic. A.Ş.	7,712,762	4,471,939	-	-
Marsa Yağ San. ve Tic. A.Ş.	4,638	-	11,959,017	-
Önem Gıda San. ve Tic. A.Ş.	-	-	9,444,474	-
Atademir Gıda San. ve Tic. A.Ş.	54,693	-	8,018,801	-
G2m Dağıtım Pazarlama veTic A.Ş.	7,152,117	-	-	-
Polinas Plastik San. Tic. A.Ş.	-	-	5,628,598	-
Eksper Tüketim Mad. Sat. ve Paz. A.Ş.	4,844,388	-	19,427	-
Azmüsebat Çelik San. Tic. A.Ş.	-	-	3,740,141	-
Asil Hamur Undan Mam.Gıda San.Ve Tic.A.Ş.	-	-	3,872,184	-
Penta Teknoloji Ürünleri Dağıtım Tic.A.Ş.	-	-	1,904,451	-
Duru G2M Gıda Tarım ve Tem. Ürün. Dağ. Paz. San. A.Ş.	1,282,355	-	-	-
Donuk Fırın. Ür. San. ve Tic. A.Ş.	-	-	498,395	-
Other	178,031	2,021	264,582	-
Jointly Controlled Companies by Shareholders				
SCA Yıldız Kağıt ve Kişisel Bakım Üretim A.Ş.	-	-	30,347,095	-
Milhans Gıda Ürün. San. Tic. A.Ş.	-	-	12,770,382	-
CCC Gıda San. ve Tic. A.Ş.	1,100	-	3,029,793	-
Kellogg Med Gıda Tic. Ltd. Şti.	-	-	539,666	-
	86,872,480	32,148,945	457,458,758	610,682,298

Non-trade payables to and receivables from related parties compose of Group's borrowings obtained from or repayable to Yıldız Holding A.Ş.. Interest is obtained on an effective market interest rate monthly.

Detail of Group's non-trade payables to related parties are disclosed below:

Non-Trade payables to related parties	Original Currency	Interest Rate %	Short Term Liabilities (TL Equivalent)
Yıldız Holding A.Ş.	TL	% 17.29	510,861,218
Yıldız Holding A.Ş.	EUR	% 3.6	50,398,805
Pasifik Tüketim Ürünleri Satış ve Tic. A.Ş.	EUR	% 3.6	36,170,875
Besler Gıda ve Kimya San. ve Tic. A.Ş.	TL	-	10,773,400
Kerevitaş Gıda San. ve Tic. A.Ş.	TL	-	2,478,000
			610,682,298

ŞOK MARKETLER TİCARET A.Ş. AND ITS SUBSIDIARIES

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

24. RELATED PARTY BALANCES AND TRANSACTIONS (Continued)

	1 January - 31 December 2018				
Transactions with related parties	Purchases	Interest received	Interest paid	Sales / Other income	Other expense
Shareholders					
Yıldız Holding A.Ş.	-	9,537,711	(35,269,179)	38,795	(1,955,830)
Related parties - Controlled by shareholders					
Pasifik Tüketim Ürünleri Satış ve Tic. A.Ş.	410,229,755	-	(4,220,525)	32,068	(341,439)
Unmaş Unlu Mamuller San. ve Tic. A.Ş.	286,968,947	-	-	26,796	-
Yeni Teközel Markalı Ürünler Dağ. Hiz. A.Ş.	253,795,687	-	-	-	-
Aytaç Gıda Yatırım San. Tic. A.Ş.	86,352,836	-	-	26,604	(114)
Bizim Toptan Satış Magazaları A.Ş.	1,914,503	-	-	81,141,596	-
Asil Hamur Undan Mamüller Gıda San. ve Tic. A.Ş.	48,090,539	-	-	-	(515)
Enfesler Gıda Pazarlama A.Ş.	47,996,485	-	-	15,685	(684)
Kerevitaş Gıda San. ve Tic. A.Ş.	31,032,859	-	-	5,153,420	-
Biskot Bisküvi Gıda San. ve Tic. A.Ş.	36,614,362	-	-	35,654	-
Aktül Kağıt Üretim Pazarlama A.Ş.	26,843,480	-	-	94,476	-
Poleks Gıda San. ve Dış Tic. A.Ş.	590,707	-	-	13,371,428	(4,111)
Besler Gıda ve Kimya San. ve Tic. A.Ş.	13,921,703	-	-	28,110	-
Azmüsebat Çelik San. Tic. A.Ş.	10,712,574	-	-	74,776	(12,032)
Atademir Gıda San. ve Tic. A.Ş.	8,100,097	-	-	4,554	-
Marsa Yağ San. ve Tic. A.Ş.	7,966,854	-	-	27,552	-
Önem Gıda San. ve Tic. A.Ş.	-	-	-	61,258	(5,661,698)
Polinas Plastik San. Tic. A.Ş.	3,731,888	-	-	209,867	-
Sun Doğal Gıda ve Ambalaj Sanayi A.Ş.	42,122	1,961,343	(512,188)	414	(1,364,400)
Donuk Fırın. Ür. San. ve Tic. A.Ş.	1,514,225	-	-	-	-
İzsal Gayrimenkul Geliştirme A.Ş.	-	-	-	34,587	(592,888)
Örgen Gıda San. ve Tic. A.Ş.	254,852	-	-	-	-
Penta Teknoloji Ürünleri Dağıtım Tic.A.Ş.	15,197	-	-	92,867	(347,073)
Other	233,315	-	-	686,059	(987,375)
Jointly Controlled Companies by Shareholders					
Natura Gıda San. ve Tic. A.Ş.	64,677,119	-	-	108,306	-
Milhans Gıda Ürün. San. Tic. A.Ş.	28,009,258	-	-	55	-
SCA Yıldız Kağıt ve Kişisel Bakım Üretim A.Ş.	42,939,336	-	-	23,587	-
CCC Gıda San. ve Tic. A.Ş.	2,913,460	-	-	25,447	-
Nissin Yildiz Gida San. ve Tic. A.S.	52,128	-	-	2,687	(24,803)
Kellogg Med Gıda Tic. Ltd. Şti.	916,693	-	-	3,720	(1,069)
PNS Pendik Nişasta San. A.Ş.	-	-	-	18,322	-
	1,416,430,980	11,499,054	(40,001,892)	101,338,690	(11,294,031)

ŞOK MARKETLER TİCARET A.Ş. AND ITS SUBSIDIARIES

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

24. RELATED PARTY BALANCES AND TRANSACTIONS (Continued)

	1 January - 31 December 2017				
Transactions with related parties	Purchases	Interest received	Interest paid	Sales / Other income	Other expense
Shareholders					
Yıldız Holding A.Ş.	-	2,734,702	(104,140,200)	3,006,564	-
Related parties - Controlled by shareholders					
Pasifik Tüketim Ürünleri Satış ve Tic. A.Ş.	379,005,514	-	(7,171,124)	9,138,488	-
Bagetürk Gıda San. ve Tic. A.Ş.	163,381,885	-	-	132,001	-
Kerevitaş Gıda San. ve Tic. A.Ş.	117,175,236	-	(366,648)	55,126	-
Biskot Bisküvi Gıda San. ve Tic. A.Ş.	119,228,267	-	-	157,384	-
Aktül Kağıt Üretim Pazarlama A.Ş.	88,365,178	-	-	2,572,945	-
Aytaç Gıda Yatırım San. Tic. A.Ş.	84,789,674	-	-	-	(14,702)
Bizim Toptan Satış Magazaları A.Ş.	11,805,670	-	-	318,826,185	-
Besler Gıda ve Kimya San. ve Tic. A.Ş.	69,044,383	-	-	52,932	(5,836)
Enfesler Gıda Pazarlama A.Ş.	66,243,947	-	-	187,831	-
Unmaş Unlu Mamuller San. ve Tic. A.Ş.	49,916,871	-	-	-	(50,821)
Marsa Yağ San. ve Tic. A.Ş.	37,484,298	-	-	11,818	-
Poleks Gıda San. ve Dış Tic. A.Ş.	1,531,219	79,685	-	29,033,286	(63,531)
Biskot Gıda Silivri Şubesi	-	-	-	-	-
Atademir Gıda San. ve Tic. A.Ş.	18,060,182	-	-	20,394	-
Azmüsebat Çelik San. Tic. A.Ş.	16,143,427	71,955	-	6,231	-
Önem Gıda San. ve Tic. A.Ş.	9,010,841	65,711	(73,055)	-	(6,641,667)
Polinas Plastik San. Tic. A.Ş.	15,763,434	-	-	525	-
Asil Hamur Undan Mam.Gıda San.Ve Tic.A.Ş.	15,133,616	-	-	-	-
Örgen Gıda San. ve Tic. A.Ş.	11,649,256	-	-	-	-
Donuk Fırın. Ür. San. ve Tic. A.Ş.	1,913,902	-	-	13,044	-
Sun Doğal Gıda ve Ambalaj Sanayi A.Ş.	-	-	-	-	(1,000,831)
İzsal Gayrimenkul Geliştirme A.Ş.	-	-	-	-	(763,881)
G2m Dağıtım Pazarlama veTic A.Ş.	-	-	-	-	(443,602)
Other	12,768	135	-	319,381	(494,128)
Jointly Controlled Companies by Shareholders					
SCA Yıldız Kağıt ve Kişisel Bakım Üretim A.Ş.	56,223,925	-	-	55,560	-
Milhans Gıda Ürün. San. Tic. A.Ş.	40,838,491	-	-	-	-
CCC Gıda San. ve Tic. A.Ş.	10,910,936	-	-	18,435	-
Kellogg Med Gıda Tic. Ltd. Şti.	1,024,430	-	-	8,561	-
Nissin Yildiz Gida San. ve Tic. A.S.	1,243,945	8,722	(5,161)	32,608	-
	1,385,901,295	2,960,910	(111,756,188)	363,649,299	(9,478,999)

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

	1 January 31 December 2018	1 January 31 December 2017
Salaries and short term benefits	7,179,756	7,795,352
	7,179,756	7,795,352

ŞOK MARKETLER TİCARET A.Ş. AND ITS SUBSIDIARIES

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

25. 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 24, 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 18.

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

As of 31 December 2018 and 2017 net debt / total capital ratio is as follows:

	31 December 2018	31 December 2017
Total liabilities	284,244,096	2,322,295,791
Less: Cash and cash equivalents (Note 5)	(296,387,148)	(92,091,962)
Net debt	(12,143,052)	2,230,203,829
Total equity	262,989,023	(2,184,969,842)
Total capital	250,845,971	45,233,987
Gearing ratio	0%	4930%

(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

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

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

(c) Credit Risk Management (Continued)

The credit risks exposured because of financial instrument types	**Receivables**				
	Trade receivables		**Other Receivables**		
31 December 2018	**Related Party**	**Other**	**Related Party**	**Other**	**Deposits in banks**
Maximum net credit risk as of balance sheet date (i)	27,362,610	99,877,782	-	17,020,074	226,116,326
The part of maximum risk under guarantee with colleteral	-	-	-	-	-
A. Net book value of neither past due nor impaired financial assets (ii)	27,362,610	60,372,706	-	17,020,074	226,116,326
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	-	39,505,076	-	-	-
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.

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

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

(c) Credit Risk Management (Continued)

The credit risks exposured because of financial instrument types	Receivables				
	Trade receivables		Other Receivables		
31 December 2017	Related Party	Other	Related Party	Other	Deposits in banks
Maximum net credit risk as of balance sheet date (i)	86,872,480	180,761,735	32,148,945	10,445,621	28,916,835
The part of maximum risk under guarantee with colleteral	-	-	-	-	-
A. Net book value of neither past due nor impaired financial assets (ii)	86,872,480	167,080,209	32,148,945	10,445,621	28,916,835
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	-	13,681,526	-	-	-
D. Impaired asset net book value					
- Past due (gross amount)	-	8,418,377	-	-	-
- Impairment (-)	-	(8,418,377)	-	-	-
- 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 20,363,809 which holds no credit risk..

ŞOK MARKETLER TİCARET A.Ş. AND ITS SUBSIDIARIES

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

(c) Credit Risk Management (Continued)

Aging of overdue receivables as of 31 December 2018 and 2017 is as follows:

	Trade Receivables	
	31 December 2018	**31 December 2017**
Overdue between 1-30 days	38,966,874	12,971,592
Overdue between 1-3 Months	404,569	0
Overdue between 3-12 Months	133,653	709,934
Total overdue receivables	**39,505,096**	**13,681,526**
The portion of under guarantee with collateral etc	-	-

(d) Liquidity risk management:

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

Liquidity Risk Tables

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

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

31 December 2018	**Book value**	**Contractual undiscounted cash flow (I+II+III+IV)**	**Up to 3 months (I)**	**3-12 months (II)**	**1-5 years (III)**
Non derivative financial liabilities					
Bank borrowings	75,397,282	84,287,288	84,287,288	-	-
Leasing payables	208,846,814	244,923,309	31,325,325	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
Total liability	2,770,213,222	2,925,602,663	2,710,563,700	94,531,851	120,507,112

31 December 2017	**Book value**	**Contractual undiscounted cash flow (I+II+III+IV)**	**Up to 3 months (I)**	**3-12 months (II)**	**1-5 years (III)**
Non derivative financial liabilities					
Bank borrowings	1,402,437,385	1,584,489,939	670,812,873	913,677,066	-
Leasing payables	306,573,922	370,634,919	34,157,163	102,471,490	234,006,266
Trade payables	2,193,083,265	2,281,167,608	2,281,167,608	-	-
Other payables	646,447,559	646,447,559	-	645,718,799	728,760
Total liability	4,548,542,131	4,882,740,025	2,986,137,644	1,661,867,355	234,735,026

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

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

(e) Market Risk Management

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

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

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

Foreign currency risk management

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

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

31 December 2018

	TL Equivalent (Functional Currency)	US Dollar	Euro	Other
Trade receivables	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
Financial liabilities	-	-	-	-
CURRENT LIABILITIES	4,180,465	548,501	214,068	670
Monetary other liabilities	-	-	-	-
NON CURRENT LIABILITIES	-	-	-	-
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)

ŞOK MARKETLER TİCARET A.Ş. AND ITS SUBSIDIARIES

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

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

Foreign currency risk management (Continued)

31 December 2017	TL Equivalent (Functional Currency)	US Dollar	Euro	Other
Trade receivables	8,576,940	151,830	1,772,617	-
Monetary financial assets	48,988	4,993	6,682	-
CURRENT ASSETS	8,625,928	156,823	1,779,299	-
Monetary financial assets	558,241	148,000	-	-
NON CURRENT ASSETS	558,241	148,000	-	-
TOTAL ASSETS	9,184,169	304,823	1,779,299	-
Trade payables	1,925,100	301,794	174,236	-
Financial liabilities	120,261,975	-	26,633,147	-
CURRENT LIABILITIES	122,187,075	301,794	26,807,383	-
Monetary other liabilities	951,664	68,562	153,483	-
NON CURRENT LIABILITIES	951,664	68,562	153,483	-
TOTAL LIABILITIES	123,138,739	370,356	26,960,866	-
Net foreign currency position	(113,954,572)	(65,533)	(25,181,567)	-
Monetary items net foreign currency asset / liability position	(113,954,572)	(65,533)	(25,181,567)	-

Foreign currency sensitivity

The Company undertakes certain transactions denominated in US Dollar hence exposures to certain exchange rate fluctuations arise. As of 31 December 2018, 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 532,375 (31 December 2017: TL 24,717).

The Company undertakes certain transactions denominated in Euro hence exposures to certain exchange rate fluctuations arise. As of 31 December 2018, a 20% strengthening of Euro against the TL, on the basis that all other variables remain constant, would have decreased loss before taxation by TL 105,290 (31 December 2017: TL 11,370,733 increase).

Interest rate sensitivity

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

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25. 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.

26. FINANCIAL INSTRUMENTS

Categories of financial instruments:

Categories of financial instruments and fair values

31 December 2018	Amortized cost	Financial assets fair value through other comprehensive income	Carrying value	Note
Financial assets				
Cash and cash equivalents	296,387,148	-	296,387,148	5
Trade receivables (including related parties)	127,240,392	-	127,240,392	7
Other receivables (including related parties)	17,020,074	-	17,020,074	8
Financial liabilities				
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

31 December 2017	Amortized cost	Financial assets fair value through other comprehensive income	Carrying value	Note
Financial assets				
Cash and cash equivalents	92,091,962	-	92,091,962	5
Trade receivables (including related parties)	267,634,215	-	267,634,215	7
Other receivables (including related parties)	42,594,566	-	42,594,566	8
Financial liabilities				
Borrowings and finance leases	-	1,709,011,307	1,709,011,307	6
Trade payables (including related parties)	-	2,193,083,265	2,193,083,265	7
Other liabilities (including related parties)	-	645,718,799	645,718,799	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 YEAR ENDED 31 DECEMBER 2018

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

27. EARNINGS PER SHARE

As of 31 December 2018 and 2017 loss per share calculation is as follows:

Earnings / (Loss) per share	1 January-31 December 2018	1 January-31 December 2017
Average number of shares during the period (full value)	517,109,301	360,000,000
Net profit for the period attributable to equity holder of the parents	66,598,899	(390,190,707)
Earnings per share from continuing and discontinued operations	0.1288	(1.0839)
Net profit for the period attributable to equity holder of the parents	**66,598,899**	**(390,190,707)**
Less: Profit from discontinued operations during the year	(547,114)	4,507,771
Net profit for the calculation of share income from continuing operations	67,146,013	(394,698,478)
Earnings per share from continuing operations	0.1298	(1.0964)
Profit from discontinued operations during the period	(547,114)	4,507,771
Earnings per share from discontinued operations	(0.0011)	0.0125

28. 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 1 March 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.

Profit for the year from discontinued operations	1 January 31 December 2018	1 January 31 December 2017
Revenue	106,189,409	620,044,180
Cost of sales (-)	(104,456,449)	(612,870,842)
Gross profit	**1,732,960**	**7,173,338**
Administrative expenses (-)	(1,047,433)	(1,342,016)
Marketing and sales expenses (-)	(860,161)	(1,610,694)
Finance income and expenses	(372,480)	287,143
(Loss) / profit from operations before taxation	**(547,114)**	**4,507,771**

29. EVENTS AFTER THE REPORTING PERIOD

None.

ŞOK MARKETLER TİCARET A.Ş. AND ITS SUBSIDIARIES

SUPPLEMENTARY UNAUDITED INFORMATION

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

APPENDIX 1 - SUPPLEMENTARY UNAUDITED 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) and (earnings before interest, tax, depreciation and amortization and warehouse and rent expenses) EBITDAR are 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. The Group calculated the adjusted EBITDAR by excluding rent expenses on adjusted EBITDA.

	1 January - 31 December 2018	1 January - 31 December 2017
Profit / (Loss) from continuing operations for the year	**67,581,650**	**(438,479,112)**
Tax income / (expense)	315,803,135	(4,429,724)
Loss from continuing operations before taxation	**(248,221,485)**	**(434,049,388)**
Financial income and expense net	(650,358,074)	(580,324,264)
Amortization and depreciation	(200,403,771)	(165,010,887)
EBITDA	**602,540,360**	**311,285,763**
Other income and expense net	(27,633,914)	(34,606,773)
Royalty expense effect (*)	-	(8,418,390)
Adjusted EBITDA	**630,174,274**	**354,310,926**
Warehouse and Store Rent Expenses (**)	546,504,074	410,489,738
Adjusted EBITDAR	**1,176,678,348**	**764,800,664**

(*) By the end of 2017 the Group has acquired the brands for which royalty has been paid in the current and prior years. These royalty expenses have been recharged to Yıldız Holding in 2017 and the recharged amount has been accounted under shareholder's equity. Royalty expenses have been adjusted in the table above for the year 2017 as the related brands are now owned by Şok as Şok will no longer bear royalty expenses (2017:TL 8,418,390).

(**) Rent expenses consist of rent expenses of stores, warehouses and administrative buildings.

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

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