

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

**CONSOLIDATED FINANCIAL STATEMENTS  
AND FOR THE INTERIM PERIOD  
1 JANUARY 2019 – 31 MARCH 2019**

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**ŞOK MARKETLER TİCARET A.Ş. AND ITS SUBSIDIARIES****CONSOLIDATED BALANCE SHEET AS AT 31 MARCH 2019**

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

**ASSETS**

		<b>31 March</b>	<b>31 December</b>
	<b>Note</b>	<b>2019</b>	<b>2018</b>
<b>Current Assets</b>			
Cash and cash equivalents	5	326,415,163	354,087,758
Trade receivables	7	61,780,412	69,539,782
Due from related parties	25	22,746,158	27,362,610
Other trade receivables		39,034,254	42,177,172
Other receivables	8	7,634,286	3,639,920
Inventories	9	991,046,588	872,461,203
Prepaid expenses	10	27,459,992	10,467,177
Other current assets	18	3,114,525	5,138,881
<b>Total Current Assets</b>		<b>1,417,450,966</b>	<b>1,315,334,721</b>
<b>Non Current Assets</b>			
Other receivables	8	14,412,029	13,380,154
Property and equipment	12	1,029,195,564	977,595,003
Right of use assets	11	1,579,131,791	-
Intangible assets		681,735,072	684,705,993
Goodwill	14	578,942,596	578,942,596
Other intangible assets	13	102,792,476	105,763,397
Other non current assets		-	274
Deferred tax assets	24	295,289,162	270,915,382
<b>Total Non-Current Assets</b>		<b>3,599,763,618</b>	<b>1,946,596,806</b>
<b>TOTAL ASSETS</b>		<b>5,017,214,584</b>	<b>3,261,931,527</b>

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

**ŞOK MARKETLER TİCARET A.Ş. AND ITS SUBSIDIARIES****CONSOLIDATED BALANCE SHEET AS AT 31 MARCH 2019**

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

**LIABILITIES AND EQUITY**

		<b>31 March</b>	<b>31 December</b>
	<b>Note</b>	<b>2019</b>	<b>2018</b>
<b>Current Liabilities</b>			
Short term borrowings	6	75,359,194	75,397,282
Lease liabilities	6	480,110,749	-
Obligations under finance leases	6	76,875,057	101,967,392
Trade payables	7	2,679,027,838	2,484,528,147
Due to related parties	25	350,743,064	357,587,212
Other trade payables		2,328,284,774	2,126,940,935
Other payables	8	778,522	555,874
Payables regarding employee benefits	17	148,120,548	88,640,962
Deferred income	10	6,452,317	14,365,832
Other short term provisions		56,368,913	52,303,456
Provision for short term employee benefits	17	19,401,982	15,007,661
Other provisions	15	36,966,931	37,295,795
Other current liabilities	18	42,233,796	27,359,064
<b>Total Current Liabilities</b>		<b>3,565,326,934</b>	<b>2,845,118,009</b>
<b>Non current liabilities</b>			
Obligations under finance leases	6	106,879,422	106,879,422
Lease liabilities	6	1,126,515,024	-
Provision for long term employee benefits	17	45,699,779	41,587,275
Deferred income	10	4,264,843	4,472,693
Other payables	8	885,108	885,105
<b>Total Non-Current Liabilities</b>		<b>1,284,244,176</b>	<b>153,824,495</b>
<b>EQUITY</b>			
Share capital	19	611,928,571	611,928,571
Repurchased shares	19	( 199,789,445)	( 199,789,445)
Accumulated other comprehensive income or expense that will not be reclassified to profit or loss:			
Actuarial loss		( 9,387,570)	( 11,519,461)
Restricted reserves appropriated from profits	19	260,000	260,000
Effect of transactions under common control		( 602,824,230)	( 602,824,230)
Retained earnings / (Accumulated losses)		463,768,052	397,169,153
Net (loss) / profit for the period		( 97,353,402)	66,598,899
<b>Shareholder's equity</b>		<b>166,601,976</b>	<b>261,823,487</b>
<b>Non-controlling interest</b>		<b>1,041,498</b>	<b>1,165,536</b>
<b>Total Equity</b>		<b>167,643,474</b>	<b>262,989,023</b>
<b>TOTAL LIABILITIES AND EQUITY</b>		<b>5,017,214,584</b>	<b>3,261,931,527</b>

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

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

**CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME  
FOR THE INTERIM PERIOD ENDED 31 MARCH 2019**

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

	Note	1 January- 31 March 2019	1 January- 31 March 2018
Revenue	20	3,523,401,544	2,569,511,603
Cost of sales (-)	20	( 2,742,675,505)	( 1,972,445,112)
<b>Gross profit</b>		<b>780,726,039</b>	<b>597,066,491</b>
Marketing and selling expenses (-)	21	( 629,103,262)	( 536,321,108)
General administrative expenses (-)	21	( 26,039,182)	( 17,309,128)
Other income from operating activities	22	353,386	727,691
Other expenses from operating activities (-)	22	( 1,202,086)	( 5,092,922)
<b>Operating profit</b>		<b>124,734,895</b>	<b>39,071,024</b>
Financial expense	23	( 265,721,186)	( 192,530,349)
Financial income	23	19,675,703	35,511,070
<b>Loss from continuing operations before taxation</b>		<b>(121,310,588)</b>	<b>(117,948,255)</b>
Income tax expense	24	( 1,073,604)	( 1,834,263)
Deferred tax income / (expense)	24	24,906,752	( 306,456)
<b>Profit / (Loss) from continuing operations for the period</b>		<b>( 97,477,440)</b>	<b>( 120,088,974)</b>
<b>Discontinued operations</b>			
Profit / (Loss) for the period from discontinuing operation	29	-	835,822
<b>PROFIT / (LOSS) FOR THE PERIOD</b>		<b>( 97,477,440)</b>	<b>( 119,253,152)</b>
Attributable to:			
Equity holders of the parent		( 97,353,402)	( 119,497,281)
Non-controlling interests		( 124,038)	244,129
<b>Profit / (Loss) per share</b>	<b>28</b>	<b>( 0.1591)</b>	<b>( 0.3319)</b>
<b>Other Comprehensive Income And Loss</b>			
<b>Items that will not be reclassified to profit or loss</b>		2,131,891	(1,800,655)
Defined benefit plans remeasurement losses	17	2,664,864	(2,250,817)
Tax related to other comprehensive income that will not be reclassified to profit or loss			
Deferred tax (expense) / income	24	(532,973)	450,162
<b>OTHER COMPREHENSIVE INCOME AND LOSS</b>		<b>2,131,891</b>	<b>(1,800,655)</b>
<b>TOTAL OTHER COMPREHENSIVE LOSS</b>		<b>(95,345,549)</b>	<b>(121,053,807)</b>
<b>Allocation of Total Comprehensive Loss</b>			
Non-Controlling Interests		(124,038)	252,411
Equity Holders of the Parent		(95,221,511)	(121,306,218)
<b>PROFIT / (LOSS) FOR THE PERIOD</b>		<b>(95,345,549)</b>	<b>(121,053,807)</b>

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

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

**CONSOLIDATED STATEMENT OF CHANGES IN EQUITY**

FOR THE INTERIM PERIOD ENDED 31 MARCH 2019

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

	<u>Accumulated other comprehensive income or expense that will not be reclassified to profit or loss</u>				<u>Retained Earnings / Accumulated Losses</u>					
	<u>Share capital</u>	<u>Repurchase of shares</u>	<u>Actuarial loss</u>	<u>Restricted reserves</u>	<u>Effect of transactions under common control</u>	<u>Profit / (Loss) for the year</u>	<u>Retained earnings / Accumulated Losses</u>	<u>Shareholder's equity</u>	<u>Non-controlling interests</u>	<u>Equity</u>
<b>Balance as of 1 January 2018</b>	<b>360,000,000</b>	-	<b>(15,317,761)</b>	<b>260,000</b>	<b>(438,284,421)</b>	<b>(390,190,707)</b>	<b>(1,538,988,319)</b>	<b>(2,022,521,208)</b>	<b>(162,448,634)</b>	<b>(2,184,969,842)</b>
Transfer to retained earnings	-	-	-	-	-	390,190,707	(390,190,707)	-	-	-
Effect of transactions under common control (*)	-	-	(322,674)	-	(164,539,808)	-	292,388	(164,570,094)	163,169,094	(1,401,000)
Total comprehensive loss	-	-	(1,808,937)	-	-	(119,497,281)	-	(121,306,218)	252,411	(121,053,807)
<b>Balance as of 31 March 2018</b>	<b>360,000,000</b>	-	<b>(17,449,372)</b>	<b>260,000</b>	<b>(602,824,229)</b>	<b>(119,497,281)</b>	<b>(1,928,886,638)</b>	<b>(2,308,397,520)</b>	<b>972,871</b>	<b>(2,307,424,649)</b>
<b>Balance as of 1 January 2019</b>	<b>611,928,571</b>	<b>(199,789,445)</b>	<b>(11,519,461)</b>	<b>260,000</b>	<b>(602,824,230)</b>	<b>66,598,899</b>	<b>397,169,153</b>	<b>261,823,487</b>	<b>1,165,536</b>	<b>262,989,023</b>
Transfer to retained earnings	-	-	-	-	-	(66,598,899)	66,598,899	-	-	-
Total comprehensive loss	-	-	<b>2,131,891</b>	-	-	(97,353,402)	-	(95,221,511)	(124,038)	<b>(95,345,549)</b>
<b>Balance as of 31 March 2019</b>	<b>611,928,571</b>	<b>(199,789,445)</b>	<b>(9,387,570)</b>	<b>260,000</b>	<b>(602,824,230)</b>	<b>(97,353,402)</b>	<b>463,768,052</b>	<b>166,601,976</b>	<b>1,041,498</b>	<b>167,643,474</b>

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

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

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

**CONSOLIDATED STATEMENT OF CASH FLOWS  
FOR THE INTERIM PERIOD ENDED 31 MARCH 2019**

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

	<b>Note</b>	<b>1 January- 31 March 2019</b>	<b>1 January- 31 March 2018</b>
<b>A. Cash Generated by Operating Activities</b>			
Profit / (loss) for the period		( 97,477,440)	( 119,253,152)
Profit / (loss) from discontinued operations		-	835,822
Profit / (loss) from continued operations		( 97,477,440)	( 120,088,974)
<b>Adjustments related to reconciliation of net profit / (loss) for the period</b>			
-Depreciation and amortization	11-12-13	140,165,378	46,265,846
-Provision for retirement and vacation payments	17	15,315,516	8,879,392
-Provision for doubtful receivables	7	-	30,791
-Lawsuit provisions	15	-	2,121,963
-Discount (income) / expenses		( 18,356,472)	( 49,608,054)
-Allowance for / (reversal) of impairment on inventories, net	9	( 500,000)	1,920,206
-Gain / (loss) on sale of property and equipment, net	22	( 8)	328,855
-Impairment / (reversal) of impairment on property and equipment, net	12	-	( 15,564)
-Tax income / expenses	24	( 23,833,148)	2,140,719
-Interest income	23	( 4,509,200)	( 4,538,208)
-Interest expenses		130,879,096	102,468,768
<b>Cash generated by / (used in) operations before changes in working capital</b>		<b>141,683,722</b>	<b>( 10,094,260)</b>
Changes in working capital :			
Changes in trade receivables		8,047,955	38,811,578
Changes in inventories		( 118,085,385)	( 31,267,784)
Changes in other receivables and current assets		( 3,456,545)	19,690,675
Changes in trade payables		212,487,669	268,755,713
Changes in other payables and expense accruals		15,097,383	225,889,546
Changes in employee benefits		59,479,586	10,315,492
Changes in prepaid expenses		( 25,114,180)	( 2,320,250)
<b>Cash used in operations</b>		<b>290,140,205</b>	<b>519,780,710</b>
Income taxes paid		( 618,670)	( 1,834,263)
Collections from doubtful receivables	7	79,907	120,825
Payments for lawsuits	15	( 328,864)	-
Retirement benefits and unused vacation provision paid	17	( 4,143,827)	( 4,017,707)
<b>Net cash generated by operating activities:</b>		<b>285,128,751</b>	<b>514,049,565</b>
<b>B. INVESTING ACTIVITIES</b>			
Interest received	23	4,509,200	4,538,208
Purchases of property and equipment	12	( 101,277,001)	( 91,610,157)
Purchases of intangible assets	13	( 1,252,788)	( 2,198,674)
Proceeds from the sale of property and equipment		828,836	218,494
<b>Net cash used in investing activities</b>		<b>( 97,191,753)</b>	<b>( 89,052,129)</b>
<b>C. FINANCING ACTIVITIES</b>			
Payments for finance leases	6	( 25,092,335)	( 23,386,951)
Interest paid		( 37,618,364)	( 95,660,764)
Changes in other payables		-	( 269,043,243)
Interest payments of lease liabilities	23	( 93,472,507)	-
Payments of lease liabilities	6	( 59,600,073)	-
Repayments / proceeds of borrowings	6	173,686	( 118,555,585)
<b>Net cash (used in) / generated from financing activities</b>		<b>( 215,609,593)</b>	<b>( 506,646,543)</b>
<b>NET CHANGE IN CASH AND CASH EQUIVALENTS (A+B+C)</b>		<b>( 27,672,595)</b>	<b>( 81,649,107)</b>
<b>Cash flows of discontinued operation</b>		-	835,822
<b>D. CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE PERIOD</b>	5	<b>354,087,758</b>	<b>199,170,599</b>
<b>E. CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD (A+B+C+D)</b>	5	<b>326,415,163</b>	<b>118,357,314</b>

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

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

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE INTERIM PERIOD 1 JANUARY - 31 MARCH 2019

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

#### 1. GROUP'S ORGANISATION AND NATURE OF OPERATIONS

Şok Marketler Ticaret Anonim Şirketi ("Şok" or the "Company") was established in 1995 to operate in the retail sector, selling fast moving consuming products in Turkey. The registered address of the Company is Kısıklı mah. Hanımseti sok No:35 B/1 Üsküdar and continues its activities in 81 provinces of Turkey. The number of personnel is 28,573 as of 31 March 2019 (31 December 2018:27,823).

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 March 2019, the Group has a total of 6,642 stores 6,371 units ("Şok" sales store), 271 units ("Şok Mini" sales store) (31 December 2018: "Şok" sales store: 6,100, "Şok Mini" sales store: 264).

The Group's internet address is [www.sokmarket.com.tr](http://www.sokmarket.com.tr).

#### 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 9 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 INTERIM PERIOD 1 JANUARY - 31 MARCH 2019

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

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

### **2.1 Basis of the presentation (Continued)**

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

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

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

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

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

### **2.2 Functional Currency**

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

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

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE INTERIM PERIOD 1 JANUARY - 31 MARCH 2019

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

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

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

#### 2.3 Basis of Consolidation

The details of the Group's subsidiaries at 31 March 2019 and 31 December 2018 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 28 March 2019 the merger was approved by CMB. After the trade registry approval, the merger will be completed.

(\*\*) 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 INTERIM PERIOD 1 JANUARY - 31 MARCH 2019

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

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

##### **2.4 Changes in Accounting Policies**

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

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

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

Following changes in key estimates:

The effect of a change in an accounting estimate is recognized prospectively by including it in profit or loss in the period of the change, if the change affects that period only, or in the period of the change and future periods, if the change affects both.

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

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE INTERIM PERIOD 1 JANUARY - 31 MARCH 2019

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

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

### 2.6 Application of new and revised IFRSs

#### a) *Standards, amendments and interpretations applicable as at 31 March 2019:*

- **IFRS 9, ‘Financial instruments’;** effective from annual periods beginning on or after 1 January 2018. This standard replaces the guidance in IAS 39. It includes requirements on the classification and measurement of financial assets and liabilities; it also includes an expected credit losses model that replaces the current incurred loss impairment model.
- **IFRS 15, ‘Revenue from contracts with customers’;** effective from annual periods beginning on or after 1 January 2018. IFRS 15, ‘Revenue from contracts with customers’ is a converged standard from the IASB and FASB on revenue recognition. The standard will improve the financial reporting of revenue and improve comparability of the top line in financial statements globally.
- **Amendments to IFRS 4, ‘Insurance contracts’** regarding the implementation of IFRS 9, ‘Financial Instruments’; effective from annual periods beginning on or after 1 January 2018. These amendments introduce two approaches: an overlay approach and a deferral approach. The amended standard will:
  - give all companies that issue insurance contracts the option to recognise in other comprehensive income, rather than profit or loss, the volatility that could arise when IFRS 9 is applied before the new insurance contracts standard is issued; and
  - give companies whose activities are predominantly connected with insurance an optional temporary exemption from applying IFRS 9 until 2021. The entities that defer the application of IFRS 9 will continue to apply the existing financial instruments standard IAS 39.
- **Amendment to IAS 40, ‘Investment property’** relating to transfers of investment property; effective from annual periods beginning on or after 1 January 2018. These amendments clarify that to transfer to, or from, investment properties there must be a change in use. To conclude if a property has changed use there should be an assessment of whether the property meets the definition. This change must be supported by evidence.
- **Amendments to IFRS 2, ‘Share based payments’** on clarifying how to account for certain types of share-based payment transactions; effective from annual periods beginning on or after 1 January 2018. This amendment clarifies the measurement basis for cash-settled, share-based payments and the accounting for modifications that change an award from cash-settled to equity-settled. It also introduces an exception to the principles in IFRS 2 that will require an award to be treated as if it was wholly equity-settled, where an employer is obliged to withhold an amount for the employee’s tax obligation associated with a share-based payment and pay that amount to the tax authority.
- **Annual improvements 2014-2016;** effective from annual periods beginning on or after 1 January 2018. These amendments impact 2 standards:
  - IFRS 1, ‘First time adoption of IFRS’, regarding the deletion of short-term exemptions for first-time adopters regarding IFRS 7, IAS 19 and IFRS 10,
  - IAS 28, ‘Investments in associates and joint venture’ regarding measuring an associate or joint venture at fair value.

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

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE INTERIM PERIOD 1 JANUARY - 31 MARCH 2019

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

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

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

#### a) *Standards, amendments and interpretations applicable as at 31 March 2019 (continued):*

- **IFRIC 22, ‘Foreign currency transactions and advance consideration’;** effective from annual periods beginning on or after 1 January 2018. This IFRIC addresses foreign currency transactions or parts of transactions where there is consideration that is denominated or priced in a foreign currency. The interpretation provides guidance for when a single payment/receipt is made as well as for situations where multiple payments/receipts are made. The guidance aims to reduce diversity in practice.
- **Amendment to IFRS 9, ‘Financial instruments’;** effective from annual periods beginning on or after 1 January 2019. This amendment confirm that when a financial liability measured at amortised cost is modified without this resulting in de-recognition, a gain or loss should be recognised immediately in profit or loss. The gain or loss is calculated as the difference between the original contractual cash flows and the modified cash flows discounted at the original effective interest rate. This means that the difference cannot be spread over the remaining life of the instrument which may be a change in practice from IAS 39.
- **Amendment to IAS 28, ‘Investments in associates and joint venture’;** effective from annual periods beginning on or after 1 January 2019. These amendments clarify that companies account for long-term interests in associate or joint venture to which the equity method is not applied using IFRS 9.
- **IFRIC 23, ‘Uncertainty over income tax treatments’;** effective from annual periods beginning on or after 1 January 2019. This IFRIC clarifies how the recognition and measurement requirements of IAS 12 ‘Income taxes’, are applied where there is uncertainty over income tax treatments. The IFRS IC had clarified previously that IAS 12, not IAS 37 ‘Provisions, contingent liabilities and contingent assets’, applies to accounting for uncertain income tax treatments. IFRIC 23 explains how to recognise and measure deferred and current income tax assets and liabilities where there is uncertainty over a tax treatment. An uncertain tax treatment is any tax treatment applied by an entity where there is uncertainty over whether that treatment will be accepted by the tax authority. For example, a decision to claim a deduction for a specific expense or not to include a specific item of income in a tax return is an uncertain tax treatment if its acceptability is uncertain under tax law. IFRIC 23 applies to all aspects of income tax accounting where there is an uncertainty regarding the treatment of an item, including taxable profit or loss, the tax bases of assets and liabilities, tax losses and credits and tax rates.
- **IFRS 16, ‘Leases’;**
- 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 Standard for the Group is effective for accounting periods beginning on or after 1 January 2019. This standard replaces the current guidance in IAS 17 and is a farreaching change in accounting by lessees in particular. Under IAS 17, lessees were required to make a distinction between a finance lease (on balance sheet) and an operating lease (off balance sheet). IFRS 16 now requires lessees to recognise a lease liability reflecting future lease payments and a ‘right of use asset’ for virtually all lease contracts. The IASB has included an optional exemption for certain short-term leases and leases of low-value assets; however, this exemption can only be applied by lessees. For lessors, the accounting stays almost the same. However, as the IASB has updated the guidance on the definition of a lease (as well as the guidance on the combination and separation of contracts), lessors will also be affected by the new standard. At the very least, the new accounting model for lessees is expected to impact negotiations between lessors and lessees. Under IFRS 16, a contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
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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)**

*a) Standards, amendments and interpretations applicable as at 31 March 2019 (continued):*

- IFRS 16, ‘Leases’;

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

**ASSETS**

	<b>31 March</b>		<b>Before</b>
	<b>2019</b>	<b>IFRS 16 Effect</b>	<b>IFRS 16 Effect</b>
<b>Current Assets</b>			
Prepaid expenses	27,459,992	( 3,662,096)	31,122,088
<b>Non Current Assets</b>	<b>1,417,450,966</b>	<b>( 3,662,096)</b>	<b>1,421,113,062</b>
Right of use assets	1,579,131,791	1,579,131,791	-
Deferred tax assets	295,289,162	6,231,216	289,057,946
<b>Total Non Current Assets</b>	<b>3,599,763,618</b>	<b>1,585,363,007</b>	<b>2,014,400,611</b>
<b>TOTAL ASSETS</b>	<b>5,017,214,584</b>	<b>1,581,700,911</b>	<b>3,435,513,673</b>

**LIABILITIES AND EQUITY**

	<b>31 March</b>		<b>Before</b>
	<b>2019</b>	<b>IFRS 16 Effect</b>	<b>IFRS 16 Effect</b>
<b>Current Liabilities</b>			
Lease liabilities	480,110,749	480,110,749	-
<b>Total Current Liabilities</b>	<b>3,565,326,934</b>	<b>480,110,749</b>	<b>3,085,216,185</b>
<b>Non Current Liabilities</b>			
Lease liabilities	1,126,515,024	1,126,515,024	-
<b>Total Non Current Liabilities</b>	<b>1,284,244,176</b>	<b>1,126,515,024</b>	<b>157,729,152</b>
<b>EQUITY</b>			
Net profit / (loss) for the period	( 97,353,402)	( 24,924,862)	( 72,428,540)
<b>Shareholder's equity</b>	<b>166,601,976</b>	<b>( 24,924,862)</b>	<b>191,526,838</b>
<b>Total Equity</b>	<b>167,643,474</b>	<b>( 24,924,862)</b>	<b>192,568,336</b>
<b>TOTAL LIABILITIES AND EQUITY</b>	<b>5,017,214,584</b>	<b>1,581,700,911</b>	<b>3,435,513,673</b>

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

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE INTERIM PERIOD 1 JANUARY - 31 MARCH 2019

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

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

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

###### *b) Standards, amendments and interpretations applicable as at 31 March 2019 (continued):*

- IFRS 16, 'Leases';

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

	<b>1 January- 31 March 2019</b>	<b>IFRS 16 Effect</b>	<b>Before IFRS 16 Effect</b>
Revenue	3,523,401,544	-	3,523,401,544
Cost of sales (-)	( 2,742,675,505)	-	( 2,742,675,505)
<b>Gross profit</b>	<b>780,726,039</b>		
Marketing and selling expenses (-)	( 629,103,262)	62,316,429	( 691,419,691)
General administrative expenses (-)	( 26,039,182)	-	( 26,039,182)
Other income from operating activities	353,386	-	353,386
Other expenses from operating activities (-)	( 1,202,086)	-	( 1,202,086)
<b>Operating profit</b>	<b>124,734,895</b>	<b>62,316,429</b>	<b>62,418,466</b>
Financial expense	( 265,721,186)	( 93,472,507)	( 172,248,679)
Financial income	19,675,703	-	19,675,703
<b>Loss from continuing operations before taxation</b>	<b>( 121,310,588)</b>	<b>( 31,156,078)</b>	<b>( 90,154,510)</b>
Deferred tax income / (expense)	24,906,752	6,231,216	18,675,536
<b>PROFIT / (LOSS) FOR THE PERIOD</b>	<b>( 97,477,440)</b>	<b>( 24,924,862)</b>	<b>( 72,552,578)</b>

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

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
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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)**

*c) Standards, amendments and interpretations applicable as at 31 March 2019 (continued):*

• **IFRS 16, ‘Leases’;**

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

	<b>1 January- 31 March 2019</b>	<b>IFRS 16 Effect</b>	<b>Before IFRS 16 Effect</b>
<b>A. Cash Generated by Operating Activities</b>			
Profit / (loss) for the period	( 97,477,440)	( 24,924,862)	( 72,552,578)
Profit / (loss) from discontinued operations	-	-	-
<b>Profit / (loss) from continued operations</b>	<b>( 97,477,440)</b>	<b>( 24,924,862)</b>	<b>( 72,552,578)</b>
<b>Adjustments related to reconciliation of net profit / (loss) for the period</b>	<b>-</b>		
-Depreciation and amortization	140,165,378	87,094,055	53,071,323
-Tax income / expenses	( 23,833,148)	( 6,231,216)	( 17,601,932)
-Interest expenses	130,879,096	93,472,507	37,406,589
<b>Cash generated by / (used in) operations before changes in working capital</b>	<b>141,683,722</b>	<b>149,410,484</b>	<b>( 7,726,762)</b>
Changes in working capital :	-		
Changes in prepaid expenses	( 25,114,180)	3,662,096	( 28,776,276)
<b>Cash used in operations</b>	<b>290,140,205</b>	<b>153,072,580</b>	<b>137,067,625</b>
<b>Net cash generated by operating activities:</b>	<b>285,128,751</b>	<b>153,072,580</b>	<b>132,056,171</b>
<b>B.INVESTING ACTIVITIES</b>			
<b>Net cash used in investing activities</b>	<b>( 97,191,753)</b>	<b>-</b>	<b>( 97,191,753)</b>
<b>C.FINANCING ACTIVITIES</b>			
Interest payments of lease liabilities	( 93,472,507)	( 93,472,507)	-
Payments of lease liabilities	( 59,600,073)	( 59,600,073)	-
<b>Net cash (used in) / generated from financing activities</b>	<b>( 215,609,593)</b>	<b>( 153,072,580)</b>	<b>( 62,537,013)</b>
<b>NET CHANGE IN CASH AND CASH EQUIVALENTS (A+B+C)</b>	<b>( 27,672,595)</b>	<b>-</b>	<b>( 27,672,595)</b>
<b>D.CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE PERIOD</b>	<b>354,087,758</b>	<b>-</b>	<b>354,087,758</b>
<b>E.CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD (A+B+C+D)</b>	<b>326,415,163</b>	<b>-</b>	<b>326,415,163</b>



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

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE INTERIM PERIOD 1 JANUARY - 31 MARCH 2019

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

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

#### a) *Standards, amendments and interpretations applicable as at 31 March 2019 (continued):*

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

#### b) *Standards, amendments and interpretations that are issued but not effective as at 31 March 2019:*

- **Amendments to IAS 1 and IAS 8 on the definition of material;** effective from Annual periods beginning on or after 1 January 2020. These amendments to IAS 1, ‘Presentation of financial statements’, and IAS 8, ‘Accounting policies, changes in accounting estimates and errors’, and consequential amendments to other IFRSs:
  - i) use a consistent definition of materiality throughout IFRSs and the Conceptual Framework for Financial Reporting;
  - ii) clarify the explanation of the definition of material; and
  - iii) incorporate some of the guidance in IAS 1 about immaterial information.
- **Amendments to IFRS 3 - definition of a business;** effective from Annual periods beginning on or after 1 January 2020. This amendment revises the definition of a business. According to feedback received by the IASB, application of the current guidance is commonly thought to be too complex, and it results in too many transactions qualifying as business combinations.
- **IFRS 17, ‘Insurance contracts’;** effective from annual periods beginning on or after 1 January 2021. This standard replaces IFRS 4, which currently permits a wide variety of practices in accounting for insurance contracts. IFRS 17 will fundamentally change the accounting by all entities that issue insurance contracts and investment contracts with discretionary participation features.

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### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE INTERIM PERIOD 1 JANUARY - 31 MARCH 2019

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## 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 recognition

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

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

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

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

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

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE INTERIM PERIOD 1 JANUARY - 31 MARCH 2019

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

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

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

#### Inventories

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

#### Property and Equipment

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

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

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

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

#### Intangible assets

##### *Intangible assets acquired separately*

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

##### *Intangible assets acquired in a business combination*

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

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

#### Business combinations

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

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## 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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## 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.

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

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE INTERIM PERIOD 1 JANUARY - 31 MARCH 2019

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

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

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

#### Borrowing Costs

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

#### **Financial Instruments**

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

#### Financial assets

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

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

#### Classification of financial assets

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

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

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

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

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

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

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

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

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### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE INTERIM PERIOD 1 JANUARY - 31 MARCH 2019

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

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

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

#### Financial assets (Continued)

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

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

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

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

Interest income is recognised in profit or loss and is included in the “finance income – interest income” line item (Note 22).

##### (ii) Financial assets at FVTPL

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

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

#### Foreign exchange gains and losses

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

#### Impairment of financial assets

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

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

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

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### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE INTERIM PERIOD 1 JANUARY - 31 MARCH 2019

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

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

#### Financial assets (Continued)

##### Measurement and recognition of expected credit losses

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

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

##### Derecognition of financial assets

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

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

##### Financial liabilities

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

A financial liability is subsequently classified at amortized cost except:

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

The Company does not reclassify any financial liability.

##### Derecognition of financial liabilities

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



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

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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.

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

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE INTERIM PERIOD 1 JANUARY - 31 MARCH 2019

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

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

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

#### Business combinations under common control

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

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

#### Taxation

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

#### Current tax

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

#### Deferred tax

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

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

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

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

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE INTERIM PERIOD 1 JANUARY - 31 MARCH 2019

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

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

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

###### Deferred tax (Continued)

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

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

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

###### Current and deferred tax for the period

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

###### Employee Benefits

###### *Termination and retirement benefits*

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

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

###### Statement of Cash Flows

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

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

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

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE INTERIM PERIOD 1 JANUARY - 31 MARCH 2019

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

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

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

###### Share capital and dividends

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

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

In the process of applying the Group’s accounting policies, which are described in Note 2.7, management has made the following judgments that have significant effect on the amounts recognized in the financial statements (apart from those involving estimations), which are dealt with below:

###### **Critical judgments in applying the entity’s accounting policies**

###### Deferred tax asset

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

The Group’s expects net profit in 2019 and following years after its public offering in 2018 with the improvement in equity structure. Accordingly, the Group recorded deferred tax assets due to its losses in previous years 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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(Amounts are expressed as Turkish Lira (“TL”) unless otherwise stated.)

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

### 2.8 Critical Accounting Judgments and Key Sources of Estimation Uncertainty (Continued)

#### Key sources of estimation uncertainty

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

#### Allowance of inventory

The Group has recognized an allowance for net realizable value of non-food inventory that is not expected to be used and/or slow moving over 90 days. The Group has identified inventories for which the net realizable value is less than carrying value. Based on the management analysis, an allowance amounting to TL 9,797,215 is recognized for net realizable value of inventories (31 December 2018: TL 10,297,215).

#### Impairment of goodwill

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

Recoverable amount of each cash generating unit is determined based on fair value (“FV”) less cost to sell of each cash generating unit that is determined according to relative valuation techniques by applying combination of multiples FV/EBITDA and FV/Sales by 40% and 60% respectively. Group management has applied 14.0X multiple for FV/EBITDA and 0.75X multiple for FV/Sales in the impairment model which is consistent with benchmarks and market conditions. Based on calculations above the management conclude 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 March 2019 and 31 December 2018 the Group evaluated the current risks and booked the required provisions (Note 15). As of 31 March 2019, the provision for the related lawsuits amounted to TL 36,966,931 (2018: TL 37,295,795).

#### Useful life of property and equipment and intangible assets

The Group calculates depreciation for its tangible and intangible fixed assets over their expected useful lives as disclosed in Note 2.7.

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

The brand value is determined by the calculation amount generated from the operations. These calculations are based on estimates of cash flows after tax based on the financial budget covering five-year period. Estimates of EBITDA (earnings before interest, tax, depreciation and amortization) are an important part of these calculations. As a result of estimations and calculations made by the Group management, Group management concluded that there is no impairment on brand value as of 31 March 2019. If the life of the brands was determined as 20 years, loss before tax would increase by TL 1,067,500 (31 December 2018: 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 INTERIM PERIOD 1 JANUARY - 31 MARCH 2019

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

#### 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 opening 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.

	<b>31 December 2018</b>
	<b>Fair value</b>
Consideration paid	56,800,000
Percentage of the company purchased (Note 2.3)	100%
<u>Consideration paid</u>	
Paid in cash and cash equivalents	56,800,000
	<u>56,800,000</u>
<b>Net assets acquired</b>	
Cash and cash equivalents	1,749,334
Trade receivables	745,811,171
Other revivables	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)
<b>Total net assets</b>	<b>(386,759,619)</b>
Consideration paid (A)	(56,800,000)
Non-controlling interest (B)	-
Fair value of net assets acquired (C)	(386,759,619)
<b>Effect of business combinations under common control (A+B+C)</b>	<b>(443,559,619)</b>

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.

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

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE INTERIM PERIOD 1 JANUARY - 31 MARCH 2019

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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 March 2019	31 December 2018
Cash on hand	115,973,731	105,293,703
Cash at banks	210,441,432	248,794,055
Time deposits	69,831,000	220,374,000
Demand deposits	140,610,432	28,420,055
Cash and cash equivalents	<u>326,415,163</u>	<u>354,087,758</u>

As of 31 March 2019 the Group has blocked deposits amounting to TL 81,304,064 (31 December 2018: TL 26,036,441). As of 31 March 2019 the Group has decided to classify the cash in transit and credit card receivables in the cash and cash equivalents line. Accordingly as of 31 December 2018, cash in transit balances amounting to TL 35,022,881 has been reclassified to cash on hand and credit card receivables amounting to TL 22,677,729 were reclassified to demand deposits. As of 31 March 2019 the Group's average interest rate on overnight time deposits is 18.34% (31 December 2018: 23.25%). Explanations about the nature and level of risks related to cash and cash equivalents are provided in Note 26.

#### 6. FINANCIAL BORROWINGS

	31 March 2019	31 December 2018
<u>Financial Borrowings</u>		
a) Bank Borrowings	75,359,194	75,397,282
b) Financial Leasing Payables	183,754,479	208,846,814
c) Lease Liabilities	<u>1,606,625,773</u>	-
	<u>1,865,739,446</u>	<u>284,244,096</u>

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

##### a) Bank Borrowings:

Details of bank borrowings are as follows:

<u>Currency Type</u>	<u>Weighted Average Effective Interest Rate</u>	<u>31 March 2019</u>	
		<u>Current</u>	<u>Non-current</u>
TL	24.85%	75,359,194	-
<u>Currency Type</u>	<u>Weighted Average Effective Interest Rate</u>	<u>31 December 2018</u>	
		<u>Current</u>	<u>Non-current</u>
TL	24.02%	75,397,282	-
		31 March 2019	31 December 2018
To be paid within 1 year		<u>75,359,194</u>	<u>75,397,282</u>
		<u>75,359,194</u>	<u>75,397,282</u>

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**6. FINANCIAL BORROWINGS (Continued)**

b) Financial Leasing Payables

	Minimum Leasing Payable		Minimum Leasing Payable	
			Net Present Value	
	31 March 2019	31 December 2018	31 March 2019	31 December 2018
Leasing Payables				
Within 1 year	93,177,185	125,301,302	76,875,057	101,967,392
Between 1-5 years	119,622,007	119,622,007	106,879,422	106,879,422
Less: future financial expense	(29,044,713)	(36,076,495)	-	-
Leasing obligation net present value	<u>183,754,479</u>	<u>208,846,814</u>	<u>183,754,479</u>	<u>208,846,814</u>
Less : liabilities to paid within 12 months (presented in short term liabilities)			(76,875,057)	(101,967,392)
Liabilities to paid after 12 months			<u>106,879,422</u>	<u>106,879,422</u>

As of 31 March 2019 net book value of property and equipment acquired by financial lease is TL 190,444,008 (31 December 2018: TL 207,754,161). The interest rate is between 13% and 14%. Ownership of such property and equipment will be transferred to Şok if payments are made regularly throughout the remaining 4 years. The Group’s obligations under finance leases are secured by the lessors’ title to the leased assets.

c) Lease Liabilities

	31 March 2019	31 December 2018
Lease Liabilities		
Short term lease liabilities	480,110,749	-
Long term lease liabilities	1,126,515,024	-
	<u>1,606,625,773</u>	<u>-</u>

As of 31 March 2019, the net book value of the right of use assets arising from lease liabilities is TL 1,550,931,280. The discount rate used is between 24% and 28%.

d) Reconciliation of obligations arising from financing activities:

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

	1 January 2019	Financing cash flows	Non cash		31 March 2019
			Interest accrual	Other	
Bank borrowings	75,397,282	173,686	(211,774)	-	75,359,194
Leasing payables	208,846,814	(25,092,335)	-	-	183,754,479
Lease Liabilities	-	(59,600,073)	-	1,666,225,846	1,606,625,773
	<u>284,244,096</u>	<u>(84,518,722)</u>	<u>(211,774)</u>	<u>1,666,225,846</u>	<u>1,865,739,446</u>

	1 January 2018	Financing cash flows	Non cash		31 March 2018
			Interest accrual	Other	
Bank borrowings	1,402,437,385	(118,555,585)	-	6,808,004	1,290,689,804
Leasing payables	306,573,922	(23,386,951)	376,802	-	283,563,773
	<u>1,709,011,307</u>	<u>(141,942,536)</u>	<u>376,802</u>	<u>6,808,004</u>	<u>1,574,253,577</u>



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### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE INTERIM PERIOD 1 JANUARY - 31 MARCH 2019

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#### 7. TRADE RECEIVABLES AND PAYABLES

	31 March 2019	31 December 2018
<u>Current trade receivables</u>		
Trade receivables	47,214,202	50,437,027
Trade receivables from related parties (Note 25)	22,746,158	27,362,610
Allowance for doubtful receivables (-) (Note 26)	(8,179,948)	(8,259,855)
	<u>61,780,412</u>	<u>69,539,782</u>

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

There are no guarantee letters obtained for trade receivables as of 31 March 2019 and 31 December 2018. As of 31 March 2019 the Group provided allowance for doubtful receivables amounting to TL 8,179,948 based on reference to past default experience (31 December 2018: TL 8,259,855).

As of 31 March 2019 and 2018 the movements of allowance for doubtful receivables are as follows:

	1 January- 31 March 2019	1 January- 31 March 2018
<u>Movement of Allowance for Doubtful Receivables</u>		
Balance at beginning of the period	(8,259,855)	(8,418,377)
Charge for the year (Not 22)	-	(30,791)
Foreign exchange gain / (loss)	-	(54,137)
Collections	79,907	120,825
Closing balance	<u>(8,179,948)</u>	<u>(8,382,480)</u>

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

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

The Group has concluded that, with the discontinuation of Teközel's Non-Şok operations in 2018, there is no need to make an additional provision in accordance with IFRS 9 due to fact nearly all of the group sales are collected by cash or credit card in store cash registers.

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

	31 March 2019	31 December 2018
<u>Short term trade payables</u>		
Trade payables	2,328,284,774	2,126,940,935
Due to related parties (Note 25)	350,743,064	357,587,212
	<u>2,679,027,838</u>	<u>2,484,528,147</u>

The interest rate used for discount of trade payables is 25.00% (31 December 2018: 23.49%), weighted average maturity is 88 days (2018: 99 days).

As of 31 March 2019 and 31 December 2018, the Group does not have any long term trade payables.

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

#### 8. OTHER RECEIVABLES AND PAYABLES

	31 March 2019	31 December 2018
<u>Short term other receivables</u>		
VAT receivables	4,923,803	1,205,352
Insurance receivables	2,385,609	2,284,423
Receivables from social security premium	3,605	3,605
Other receivables	321,269	146,540
	<u>7,634,286</u>	<u>3,639,920</u>
<u>Other short term payables</u>		
Other	778,522	555,874
	<u>778,522</u>	<u>555,874</u>
<u>Other long term receivables</u>		
Guarantee and deposits given	14,412,029	13,380,154
	<u>14,412,029</u>	<u>13,380,154</u>
<u>Other long term payables</u>		
Deposits and quarantees	885,108	885,105
	<u>885,108</u>	<u>885,105</u>

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**9. INVENTORIES**

	31 March 2019	31 December 2018
Trade goods	988,375,076	868,276,701
Allowance for diminution in value of inventories (-)	(9,797,215)	(10,297,215)
Other inventory	12,468,727	14,481,717
	<u>991,046,588</u>	<u>872,461,203</u>
	1 January 31 March 2019	1 January 31 March 2018
<u>Movement of allowance for net realizable value of inventories (-)</u>		
Balance at beginning of the year	10,297,215	5,208,706
Allowance released	(10,297,215)	(5,208,706)
Charge for the year	9,797,215	7,128,912
Closing balance	<u>9,797,215</u>	<u>7,128,912</u>

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

The Group has identified inventories that net realizable value lower than cost in the current period. Accordingly allowance for net realizable value of inventories amounting to TL 9,797,215 has been booked as of 31 March 2019 (31 March 2018 TL 7,128,912), net realizable value of inventories is TL 20,889,700 (31 December 2018: TL 17,162,025).

**10. PREPAID EXPENSES AND DEFERRED INCOME**

	31 March 2019	31 December 2018
<u>Short term prepaid expenses</u>		
Prepaid expenses	27,442,026	10,449,212
Work advances given	17,966	17,965
	<u>27,459,992</u>	<u>10,467,177</u>
	31 March 2019	31 December 2018
<u>Short term deferred income</u>		
Unearned revenues	4,445,138	5,649,718
Received advances	2,007,179	8,716,114
	<u>6,452,317</u>	<u>14,365,832</u>
	31 March 2019	31 December 2018
<u>Long term deferred income</u>		
Unearned revenues	4,264,843	4,472,693
	<u>4,264,843</u>	<u>4,472,693</u>

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**11. RIGHT OF USE ASSETS**

<u>Cost</u>	<u>Stores</u>	<u>Warehouses</u>	<u>Vehicles</u>	<u>Total</u>
Additions	1,564,554,589	82,059,878	19,611,379	1,666,225,846
Disposals	(194,098)	(100,600)	(9,907)	(304,605)
Closing balance as of 31 March 2019	<u>1,564,360,491</u>	<u>81,959,278</u>	<u>19,601,472</u>	<u>1,665,921,241</u>
<b><u>Accumulated Amortization</u></b>				
Charge for the year	79,432,872	3,910,344	3,750,839	87,094,055
Disposals	(194,098)	(100,600)	(9,907)	(304,605)
Closing balance as of 31 March 2019	<u>79,238,774</u>	<u>3,809,744</u>	<u>3,740,932</u>	<u>86,789,450</u>
Carrying value as of 31 March 2019	<u>1,485,121,717</u>	<u>78,149,534</u>	<u>15,860,540</u>	<u>1,579,131,791</u>

Depreciation expenses related to right of use assets amounting to TL 87,094,055 booked in marketing and selling expenses.

**12. PROPERTY AND EQUIPMENT**

	<u>Machinery and Equipment</u>	<u>Furniture and Fixture</u>	<u>Leasehold Improvements</u>	<u>Total</u>
<b><u>Cost</u></b>				
Opening balance as of 1 January 2019	87,784,959	1,222,647,953	454,005,272	1,764,438,184
Additions	-	89,125,540	12,151,461	101,277,001
Disposals	-	(40,904)	(1,631,333)	(1,672,237)
Closing balance as of 31 March 2019	<u>87,784,959</u>	<u>1,311,732,589</u>	<u>464,525,400</u>	<u>1,864,042,948</u>
<b><u>Accumulated Depreciation</u></b>				
Opening balance as of 1 January 2019	83,710,345	520,858,100	179,423,470	783,991,915
Charge of the year	289,268	40,291,535	11,141,895	51,722,698
Disposals	-	(16,091)	(851,138)	(867,229)
Closing balance as of 31 March 2019	<u>83,999,613</u>	<u>561,133,544</u>	<u>189,714,227</u>	<u>834,847,384</u>
Carrying value as of 31 March 2019	<u>3,785,346</u>	<u>750,599,045</u>	<u>274,811,173</u>	<u>1,029,195,564</u>

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

	<u>Machinery and Equipment</u>	<u>Furniture and Fixture</u>	<u>Leasehold Improvements</u>	<u>Total</u>
<b><u>Cost</u></b>				
Opening balance as of 1 January 2018	87,791,540	988,509,735	386,076,618	1,462,377,893
Additions	18,750	78,631,853	12,959,554	91,610,157
Disposals	-	(86,480)	(704,770)	(791,250)
Closing balance as of 31 March 2018	<u>87,810,290</u>	<u>1,067,055,108</u>	<u>398,331,402</u>	<u>1,553,196,800</u>
<b><u>Accumulated Depreciation</u></b>				
Opening balance as of 1 January 2018	82,010,078	380,627,844	150,209,857	612,847,779
Charge of the year	556,473	34,824,848	9,461,351	44,842,672
Impairment	-	(15,564)	-	(15,564)
Disposals	-	(18,487)	(242,463)	(260,950)
Closing balance as of 31 March 2018	<u>82,566,551</u>	<u>415,418,641</u>	<u>159,428,745</u>	<u>657,413,937</u>
Carrying value as of 31 March 2018	<u>5,243,739</u>	<u>651,636,467</u>	<u>238,902,657</u>	<u>895,782,863</u>

There is insurance coverage amounting to TL 946,829,285 on the furniture and fixtures and machinery. (31 December 2018: TL 906,580,360). No furniture and fixture was purchased via financial leasing for the period (31 December 2018: None) Net book value of leased property and equipment is TL 190,444,008 (31 March 2018: TL 261,626,354).

Current depreciation expense related to fixed assets amounting to TL 51,188,201 (2018: TL 44,345,327) booked in marketing and selling expenses and TL 534,497 booked in general administrative expenses (2018: TL 497,345) (Note 21).

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**13. INTANGIBLE ASSETS**

<b><u>Cost</u></b>	<b><u>Trademarks</u></b>	<b><u>Rights</u></b>	<b><u>Total</u></b>
Opening balance as of 1 January 2019	85,675,510	37,362,066	123,037,576
Additions	-	1,252,788	1,252,788
Disposals	-	(34,619)	(34,619)
Closing balance as of 31 March 2019	<u>85,675,510</u>	<u>38,580,235</u>	<u>124,255,745</u>
<b><u>Accumulated Amortization</u></b>			
Opening balance as of 1 January 2019	-	20,125,443	20,125,443
Charge for the year	-	1,348,625	1,348,625
Disposals	-	(10,799)	(10,799)
Closing balance as of 31 March 2019	-	<u>21,463,269</u>	<u>21,463,269</u>
Carrying value as of 31 March 2019	<u>85,675,510</u>	<u>17,116,966</u>	<u>102,792,476</u>
<b><u>Cost</u></b>	<b><u>Trademarks</u></b>	<b><u>Rights</u></b>	<b><u>Total</u></b>
Opening balance as of 1 January 2018	85,675,510	24,840,723	110,516,233
Additions	-	2,198,674	2,198,674
Disposals	-	(31,259)	(31,259)
Closing balance as of 31 March 2018	<u>85,675,510</u>	<u>27,008,138</u>	<u>112,683,648</u>
<b><u>Accumulated Amortization</u></b>			
Opening balance as of 1 January 2018	-	12,431,253	12,431,253
Charge for the year	-	1,423,174	1,423,174
Disposals	-	(14,210)	(14,210)
Closing balance as of 31 March 2018	-	<u>13,840,217</u>	<u>13,840,217</u>
Carrying value as of 31 March 2018	<u>85,675,510</u>	<u>13,167,921</u>	<u>98,843,431</u>

The amortization expense of intangible assets amounting to TL 1,348,625 is presented in marketing and selling expenses (2018: TL 1,423,174) (Note 21).

Assumptions used for brand impairment are explained in Note 2.8.

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#### 14. GOODWILL

The movement of the goodwill for the periods ended 31 March 2019 and 2018 is as follows:

	1 January- 31 March 2019	1 January- 31 March 2018
Opening balance	578,942,596	578,942,596
Closing balance	578,942,596	578,942,596

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

Company	Acquisition Date	31 March 2019	31 December 2018
Şok Marketler Ticaret A.Ş.	August 2011	245,485,151	245,485,151
Dia Sabancı Süpermarketleri Tic. A.Ş.	July 2013	301,974,645	301,974,645
Onur Ekspres Marketçilik A.Ş.	July 2013	27,524,000	27,524,000
Other	-	3,958,800	3,958,800
		578,942,596	578,942,596

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

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

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

#### 15. PROVISIONS, CONTINGENT ASSETS AND LIABILITIES

##### Provisions

Provisions for short term liabilities as of 31 March 2019 and 31 December 2018 are as follows:

	31 March 2019	31 December 2018
Lawsuits	36,966,931	37,295,795
	36,966,931	37,295,795

Provisions for lawsuits as of 31 March 2019 and 2018 are as follows:

	1 January- 31 March 2019	1 January- 31 March 2018
Balance at 1 January	37,295,795	30,856,336
Additional provisions recognized (Note 22)	-	2,121,963
Payments	(328,864)	-
Balance at 31 March	36,966,931	32,978,299

As of 31 March 2019, the provision amount related with the lawsuits is amounting to TL 36,966,931 (31 December 2018: TL 37,295,795).

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

In addition, fixed assets acquired with financial lease of the Group are pledged in favor of the lessor (Note 6). The book value of these liabilities is TL 190,444,008 (31 December 2018: TL 207,754,161).

#### 16. COMMITMENTS

	31 March 2019	31 December 2018
A. CPM's given in the name of its own legal personality		
<i>-Guarantees</i>	10,524,330	10,524,330
<i>-Mortgages</i>	-	-
<i>-Pledges</i>	-	-
B. CPM's given on behalf of the fully consolidated companies	4,300,740	4,300,740
C. CPM's given on behalf of third parties for ordinary course of business	-	-
D. Total amount of other CPM's given		
majority shareholder	-	-
ii) Total amount of CPM's given on behalf of third parties which are not in scope of B and C	-	-
iii) Total amount of CPM's given on behalf of third parties which are not in scope C	-	-
	<u>14,825,070</u>	<u>14,825,070</u>

(\* 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 March 2019 (2018: 0%).



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#### 17. EMPLOYEE BENEFITS

Liabilities within the scope of employee benefits:

	31 March 2019	31 December 2018
<u>Short-term benefits</u>		
Due to personnel	92,949,500	65,282,654
Social security premiums payable	55,171,048	23,358,308
	<u>148,120,548</u>	<u>88,640,962</u>
<u>Provisions for employee benefits</u>	31 March 2019	31 December 2018
Provision for unused vacation short term	19,401,982	15,007,661
Provision for unused vacation long term	34,803,106	29,341,724
	<u>54,205,088</u>	<u>44,349,385</u>

The movement of provisions for unused vacation for the periods ended 31 March 2019 and 2018 is as follows:

	1 January- 31 March 2019	1 January- 31 March 2018
Opening balance at 1 January	44,349,385	37,792,822
Charge for the period	11,139,338	7,762,191
Payments	(1,283,635)	(1,408,030)
Closing balance at 31 March	<u>54,205,088</u>	<u>44,146,983</u>

#### Retirement Pay Provision

	31 March 2019	31 December 2018
Retirement pay provision	10,896,673	12,245,551
	<u>10,896,673</u>	<u>12,245,551</u>

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

The amount payable consists of one month’s salary limited to a maximum of TL 6,017.60 for each period of service at 31 March 2019 (31 December 2018: TL 5,434.42).

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

The principal assumption is that the maximum liability for each year of service will increase in line with inflation. Thus, the discount rate applied represents the expected real rate after adjusting for the anticipated effects of future inflation. Consequently, in the accompanying financial statements as at 31 March 2019, the provision has been calculated by estimating the present value of the future probable obligation of the Group arising from the retirement of the employees. The provisions at the respective balance sheet dates have been calculated assuming an annual inflation rate of 7.14% and a discount rate of 14.81%, resulting in a real discount rate of approximately 7.16% (31 December 2018: 4.67%). Ceiling amount of TL 6,017.60 which is in effect since 1 April 2019 is used in the calculation of Groups’ provision for retirement pay liability (1 January 2019: TL 6,017.60).

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**17. EMPLOYEE BENEFITS (Continued)**

Movement for retirement pay provision for the periods ended 31 March 2019 and 2018 is as follows:

	1 January- 31 March 2019	1 January- 31 March 2018
Provision at 1 January	12,245,551	14,547,416
Service cost	3,964,664	705,754
Interest cost	211,514	411,447
Termination benefits paid	(2,860,192)	(2,609,677)
Actuarial (gain) / loss	(2,664,864)	2,250,817
Provision at 31 March	<u>10,896,673</u>	<u>15,305,757</u>

**18. OTHER ASSETS AND LIABILITIES**

	31 March 2019	31 December 2018
<u>Other current assets</u>		
VAT deductible	2,784,401	2,837,277
Prepaid taxes and funds	230,870	2,246,561
Other assets	99,254	55,043
	<u>3,114,525</u>	<u>5,138,881</u>
<u>Other short term liabilities</u>		
Taxes and dues payable	40,020,422	25,823,319
Other liabilities	2,213,374	1,535,745
	<u>42,233,796</u>	<u>27,359,064</u>

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

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE INTERIM PERIOD 1 JANUARY - 31 MARCH 2019

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

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

Shareholders	%	31 March		31 December	
		2019	%	2018	%
Turkish Retail Investments B.V.	24	144,000,000	24	144,000,000	
Gözde Girişim Sermayesi Yat.Ort. A.Ş.	23	140,400,327	23	140,400,327	
Turkish Holdings IV Cooperatief U.A.	5	31,571,531	6	36,000,000	
Templeton Strategic Emerging Markets Fund IV.LDC	6	36,000,000	6	36,000,000	
Yıldız Holding A.Ş.	5	33,428,571	5	33,428,571	
Free Float and Other	37	226,528,142	36	222,099,673	
Nominal Capital	100	<u>611,928,571</u>	100	<u>611,928,571</u>	
Capital Commitments		-		-	
Paid Capital		<u>611,928,571</u>		<u>611,928,571</u>	

The Group’s nominal capital has been divided into 611,928,571 registered shares with a par value of TL 1 per share (31 December 2018: 611,928,571 shares).

#### *Legal Reserves*

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

As of 31 March 2019 restricted reserves is TL 260,000 (31 December 2018: TL 260,000).

#### *Actuarial Loss / Gain*

As of 31 March 2019, actuarial loss / gain is negative TL 9,387,570 (31 December 2018: negative TL 11,519,461).

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

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

#### *Resources subject to Profit Distribution*

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

#### *Premium on Issued Shares*

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

#### *Repurchased Shares*

The amount of TL 199,789,445 arising from the transactions made within the scope of price stability transactions is presented under “Repurchased Shares” in the 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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**20. REVENUE AND COST OF SALES**

As of 31 March 2019 and 2018 the sales of Group are as follows:

**a) Revenue**

	1 January- 31 March 2019	1 January- 31 March 2018
Revenue from merchandises sold	3,559,115,009	2,593,376,739
Sales returns (-)	(35,713,465)	(23,865,136)
	<u>3,523,401,544</u>	<u>2,569,511,603</u>

**b) Cost of Sales**

	1 January- 31 March 2019	1 January- 31 March 2018
Cost of merchandises sold	(2,742,675,505)	(1,972,445,112)
	<u>(2,742,675,505)</u>	<u>(1,972,445,112)</u>

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

	1 January- 31 March 2019	1 January- 31 March 2018
<b>Marketing and selling expenses</b>		
Personnel expenses	(333,491,929)	(257,130,213)
Depreciation and amortization expenses (Note:11, 12, 13) (*)	(139,630,881)	(45,768,501)
Transportation expenses	(47,817,657)	(30,546,712)
Utility expenses	(47,322,501)	(33,956,575)
Rent expenses (*)	(11,120,254)	(122,512,317)
Packaging expenses	(13,843,605)	(10,284,008)
Advertising expenses	(10,237,242)	(12,971,070)
Tax expenses and duties	(2,121,172)	(3,993,871)
Maintenance expenses	(2,188,598)	(2,565,574)
Other marketing and sales expenses	(21,329,423)	(16,592,267)
	<u>(629,103,262)</u>	<u>(536,321,108)</u>

(\*) IFRS 16 Standard for the Group is effective for accounting periods beginning on or after 1 January 2019. Depreciation and amortization expenses before IFRS 16 amount to TL 52,536,826 and rent expenses amount to TL 160,530,738.

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**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
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**21. MARKETING, SELLING AND GENERAL ADMINISTRATIVE EXPENSES (Continued)**

	1 January- 31 March 2019	1 January- 31 March 2018
<b>General administrative expenses</b>		
Personnel expenses	(16,260,330)	(9,916,644)
Cash collection expenses	(3,550,936)	(1,935,256)
Outsourced expenses	(1,746,137)	(1,700,517)
Information technology expenses	(1,226,291)	(1,068,174)
Tax expenses and duties	(1,131,556)	(902,937)
Amortization expenses (Note 11)	(534,497)	(497,345)
Vehicle expenses	(248,845)	(195,792)
Other administrative expenses	(1,340,590)	(1,092,463)
	<u>(26,039,182)</u>	<u>(17,309,128)</u>

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

	1 January- 31 March 2019	1 January- 31 March 2018
<b>Other income</b>		
Unused provision	241,519	120,825
Gain on sale of property and equipment	8	50,213
Other income	111,859	556,653
	<u>353,386</u>	<u>727,691</u>

	1 January- 31 March 2019	1 January- 31 March 2018
<b>Other expense</b>		
Provision expense (Note 15)	-	(2,121,963)
Loss on sale of property and equipment	(797,715)	(242,470)
Allowance for doubtful receivables (Note 7)	-	(30,791)
Other expenses (-)	(404,371)	(2,697,698)
	<u>(1,202,086)</u>	<u>(5,092,922)</u>

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

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE INTERIM PERIOD 1 JANUARY - 31 MARCH 2019

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#### 23. FINANCIAL EXPENSES AND INCOME

For the periods ended 31 March 2019 and 2018 financial expenses are as follows:

	1 January- 31 March 2019	1 January- 31 March 2018
<u>Finance Expense</u>		
Financial expenses from credit purchases and discount on trade receivables	(134,842,090)	(89,354,534)
Interest on lease liabilities	(93,472,507)	-
POS cash collection expense	(22,876,470)	(10,685,220)
Interest on finance lease obligations	(7,127,409)	(10,205,720)
Interest on bank overdrafts and loans	(4,790,909)	(55,263,206)
Interest expense from related parties (Note 25)	(603,612)	(25,856,086)
Foreign exchange loss	-	(711,883)
Other	(2,008,188)	(453,700)
	<u>(265,721,186)</u>	<u>(192,530,349)</u>

For the periods ended 31 March 2019 and 2018 financial incomes are as follows:

	1 January- 31 March 2018	1 January- 31 March 2018
<u>Finance Income</u>		
Financial income from credit sales and discount on trade payables	15,047,590	29,644,508
Interest income	4,509,200	4,538,208
Foreign exchange gain	118,913	1,328,354
	<u>19,675,703</u>	<u>35,511,070</u>

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

	31 March 2019	31 March 2018
<u>Current tax asset / (liability)</u>		
Current corporate tax provision	(1,073,604)	(1,834,263)
Less: prepaid tax and funds	3,663,122	2,968,743
	<u>2,589,518</u>	<u>1,134,480</u>

##### Corporate Tax:

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

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

The effective tax rate in 2019 is 22% (2018: 22%) for the Group.

In Turkey, advance tax returns are filed on a quarterly basis. Advance corporate income tax rate applied in 2019 is 22%. (2018: 22% ) Losses can be carried forward for offset against future taxable income for up to 5 years. However, losses cannot be carried back for offset against profits from previous periods.

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

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE INTERIM PERIOD 1 JANUARY - 31 MARCH 2019

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

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

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

##### *Income Tax Withholding:*

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

##### *Deferred tax:*

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

The Group has used the 20% tax rate in calculating the deferred tax assets / liabilities for the related temporary differences in the financial statements as of 31 March 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 March 2019	31 December 2018	31 March 2019	31 December 2018
<u>Deferred tax assets / (liabilities) :</u>				
Losses to be deducted from prior year losses	1,573,327,274	1,474,050,589	329,156,750	309,301,413
Property and equipment and intangible assets	(301,096,830)	(292,572,083)	(60,219,366)	(58,514,417)
Leasing rights and obligations	31,156,080	-	6,231,216	-
Inventory	129,750,910	115,395,770	25,950,182	23,079,154
Provision for retirement payments	10,896,673	12,245,551	2,183,148	2,449,616
Provision for unused vacation	54,205,088	44,349,385	10,844,168	8,872,014
Effect of amortized cost method on receivables and payables	(127,923,100)	(113,416,050)	(25,584,620)	(22,683,210)
Provision for legal claims	36,966,931	37,295,795	7,393,386	7,459,158
Accrual of interest	133,380	(40,300)	26,676	(8,060)
Other	(3,461,890)	4,798,570	(692,378)	959,714
	<u>1,403,954,516</u>	<u>1,282,107,227</u>	<u>295,289,162</u>	<u>270,915,382</u>

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

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

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

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

	31 March 2019	31 December 2018
Expiring in 2018	197,188,600	197,188,600
Expiring in 2019	27,062,051	27,062,051
Expiring in 2020	20,453,443	20,453,443
Expiring in 2021	93,494,932	93,494,932
Expiring in 2022	31,713,783	31,713,783
Expiring in 2023	34,930,000	-
	<u>404,842,809</u>	<u>369,912,809</u>

The movement of deferred tax liability for the periods ended as of 31 March 2019 and 2018 is as follows :

	1 January- 31 March 2019	1 January- 31 March 2018
<u>Movement of deferred tax asset/ (liabilities):</u>		
Opening balance at 1 January	270,915,382	(47,093,900)
Recognised in income statement	24,906,752	(306,456)
Recognised in comprehensive income	(532,973)	450,162
Closing balance at 31 March	<u>295,289,161</u>	<u>(46,950,194)</u>

The amounts reflected in comprehensive statement of profit or loss of the periods ended at 31 March 2019 and 2018 are as follows:

	1 January- 31 March 2019	1 January- 31 March 2018
Current corporate tax provision	(1,073,604)	(1,834,263)
Deferred tax income / (expense)	24,906,752	(306,456)
Total tax income / (expense)	<u>23,833,148</u>	<u>(2,140,719)</u>

	1 January- 31 March 2019	1 January- 31 March 2018
<b><u>Tax reconciliation:</u></b>		
Loss from continuing operations before taxation	(121,310,588)	(117,112,433)
	<u>%22</u>	<u>%20</u>
Tax at the domestic income tax rate of 22% (2018: 22%)	26,688,329	23,422,487
Tax effects of:		
- Carryforward tax losses not recognized as deferred tax	(7,684,600)	(26,149,366)
- Expenses that are not deductible	-	1,340,726
- Other	4,829,419	(754,566)
Income tax expense recognised in profit or loss	<u>23,833,148</u>	<u>(2,140,719)</u>



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

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE INTERIM PERIOD 1 JANUARY - 31 MARCH 2019

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#### 25. RELATED PARTY BALANCES AND TRANSACTIONS

Balances with related parties	31 March 2019			
	Receivables		Payables	
	Current		Current	
	Trading	Non-trading	Trading	Non-trading
<u>Related parties</u>				
Yıldız Holding A.Ş.	2,634,630	-	58,105	-
<u>Related parties</u>				
Pasifik Tüketim Ürünleri Satış ve Tic. A.Ş.	-	-	179,230,074	-
Yeni Teközel Markalı Ürünler Dağıtım Hizmetleri A.Ş.	-	-	79,624,315	-
Unmaş Unlu Mamuller San. ve Tic. A.Ş.	-	-	39,317,626	-
Bizim Toptan Satış Magazaları A.Ş.	19,737,031	-	12,030	-
SCA Yıldız Kağıt ve Kişisel Bakım Üretim A.Ş.	-	-	18,677,880	-
Aytaç Gıda Yatırım San. Tic. A.Ş.	-	-	18,186,255	-
Asil Hamur Undan Mamüller Gıda San. ve Tic. A.Ş.	-	-	7,291,562	-
Önem Gıda San. ve Tic. A.Ş.	-	-	3,907,669	-
Azmüsebat Çelik San. Tic. A.Ş.	-	-	2,942,539	-
Penta Teknoloji Ürünleri Dağıtım Tic.A.Ş.	-	-	631,236	-
Other	374,497	-	863,773	-
	<u>22,746,158</u>	<u>-</u>	<u>350,743,064</u>	<u>-</u>

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

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

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

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

	1 January - 31 March 2019				
<u>Transactions with related parties</u>	<u>Purchases</u>	<u>Interest received</u>	<u>Interest paid</u>	<u>Other income / Sales</u>	<u>Other expense</u>
<u>Shareholders</u>					
Yıldız Holding A.Ş.	1,954	-	(603,612)	-	(54,495)
<u>Related parties</u>					
Pasifik Tüketim Ürünleri Satış ve Tic. A.Ş.	129,386,666	-	-	-	(44,130)
Unmaş Unlu Mamuller San. ve Tic. A.Ş.	89,777,902	-	-	160	-
Yeni Teközel Markalı Ürünler Dağıtım Hizmetleri A.Ş.	70,050,168	-	-	-	(6,141)
Bizim Toptan Satış Magazaları A.Ş.	101,007	-	-	25,107,690	-
SCA Yıldız Kağıt ve Kiş. Bak. Ür. A.Ş.	15,857,819	-	-	1,510	-
Aytaç Gıda Yatırım San. Tic. A.Ş.	15,569,173	-	-	175	-
Kerevitaş Gıda San. ve Tic. A.Ş.	-	-	-	3,909,873	-
Asil Hamur Undan Mamüller Gıda San. ve Tic. A.Ş.	6,504,748	-	-	50	-
Azmüsebat Çelik San. Tic. A.Ş.	1,665,222	-	-	-	-
Önem Gıda San. ve Tic. A.Ş.	-	-	-	-	(1,370,851)
Penta Teknoloji Ürünleri Dağıtım Tic.A.Ş.	604,450	-	-	-	(12,546)
Sağlam İnşaat Taahhüt Tic. A.Ş.	-	-	-	-	(297,238)
Donuk Fırın. Ür. San. ve Tic. A.Ş.	268,046	-	-	-	-
Diğer	-	-	-	165,163	(236,662)
	<u>329,787,155</u>	<u>-</u>	<u>(603,612)</u>	<u>29,184,621</u>	<u>(2,022,063)</u>

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

1 January - 31 March 2018					
Transactions with related parties	Purchases	Interest received	Interest paid	Other income / Sales	Other expense
<b>Shareholders</b>					
Yıldız Holding A.Ş.		4,842,756	(22,526,598)	270,521	(218,023)
<b>Related parties</b>					
Pasifik Tüketim Ürünleri Satış ve Tic. A.Ş.	108,095,472	-	(3,302,811)	-	(25,826)
Unmaş Unlu Mamuller San. ve Tic. A.Ş.	50,213,759	-	-	130	-
Enfesler Gıda Pazarlama A.Ş.	44,057,193	-	-	19,445	(684)
Bizim Toptan Satış Magazaları A.Ş.	40,572	-	-	42,211,219	-
Biskot Bisküvi Gıda San. ve Tic. A.Ş.	36,933,113	-	-	12,521	-
Kerevitaş Gıda San. ve Tic. A.Ş.	30,722,657	-	-	25,181	-
Aytaç Gıda Yatırım San. Tic. A.Ş.	23,225,332	-	-	-	(304)
Aktül Kağıt Üretim Pazarlama A.Ş.	17,543,306	-	-	6,150	-
Besler Gıda ve Kimya San. ve Tic. A.Ş.	13,925,372	-	-	32,972	-
Atademir Gıda San. ve Tic. A.Ş.	8,113,602	-	-	35	-
Poleks Gıda San. ve Dış Tic. A.Ş.	479,313	-	-	7,541,054	(1,286)
Marsa Yağ San. ve Tic. A.Ş.	7,966,924	-	-	-	-
Asil Hamur Und. Mam. Gıda San. ve Tic. A.Ş.	5,196,973	-	-	105	-
Azmüsebat Çelik San. Tic. A.Ş.	3,825,077	-	-	503	-
Polinas Plastik San. Tic. A.Ş.	3,735,624	-	-	9,544	-
Eksper Tüketim Mad. Sat. ve Paz. A.Ş.	-	-	-	3,687,396	(1,281)
Önem Gıda San. ve Tic. A.Ş.	205,620	-	(10,012)	3,961	(1,487,191)
G2m Dağıtım Pazarlama ve Tic. A.Ş.	-	-	-	1,585,218	(81,570)
Sun Doğal Gıda ve Ambalaj Sanayi A.Ş.	-	330,398	(8,431)	-	(247,578)
Donuk Fırın. Ür. San. ve Tic. A.Ş.	436,291	-	-	-	-
SCA Yıldız Kağıt ve Kiş. Bak. Ür. A.Ş.	20,329,021	-	-	8,811	-
Milhans Gıda Ürün. San. Tic. A.Ş.	7,539,642	-	-	35	-
Natura Gıda San. ve Tic. A.Ş.	4,802,049	-	-	-	-
CCC Gıda San. ve Tic. A.Ş.	2,944,341	-	-	-	-
Kellogg Med Gıda Tic. Lt d. Şt i.	917,234	-	-	-	(1,069)
Penta Teknoloji Ürünleri Dağıtım Tic.A.Ş.	4,247	-	-	-	(63,196)
Nissin Yıldız Gıda San. ve Tic. A.S.	52,128	-	(8,234)	-	(2,172)
PNS Pendik Nişasta San. A.Ş.	-	-	-	6,283	-
Diğer	1,271	95	-	138,460	(459,324)
	<u>391,306,133</u>	<u>5,173,249</u>	<u>(25,856,086)</u>	<u>55,559,544</u>	<u>(2,589,504)</u>

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

	1 January- 31 March 2019	1 January- 31 March 2018
Salaries and other short term benefits	18,134,965	1,398,134
	<u>18,134,965</u>	<u>1,398,134</u>

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

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE INTERIM PERIOD 1 JANUARY - 31 MARCH 2019

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

#### 26. NATURE AND LEVEL OF RISK RESULTED FROM FINANCIAL INSTRUMENTS

##### (a) Capital Risk Management

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

The capital structure of the Group consists of debt, which includes the borrowings disclosed in Note 6, other payables to non-related parties disclosed in Note 8, other receivables from related parties and other payables to related parties disclosed in Note 25, cash and cash equivalents disclosed in Note 5 and equity attributable to equity holders of the parent, comprising issued capital, reserves and retained earnings as disclosed in Note 19.

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

As of 31 March 2019 and 31 December 2018 net debt / total capital ratio is as follows:

	31 March 2019	31 December 2018
Total liabilities	259,113,673	284,244,096
Less: Cash and cash equivalents (Note 5)	(326,415,163)	(354,087,758)
Net debt	(67,301,490)	(69,843,662)
Total equity	167,643,474	262,989,023
Total capital	100,341,984	193,145,361
Gearing ratio	0%	0%

##### (b) Financial Risk Factors:

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

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

##### (c) Credit Risk Management

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

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE INTERIM PERIOD 1 JANUARY - 31 MARCH 2019

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

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

(c) Credit Risk Management (Continued)

<b>The credit risks exposed because of financial instrument types</b>	<b>Receivables</b>				<b>Deposits in banks</b>
	<b>Trade receivables</b>		<b>Other Receivables</b>		
	<b>Related Party</b>	<b>Other</b>	<b>Related Party</b>	<b>Other</b>	
<b>31 March 2019</b>					
Maximum net credit risk as of balance sheet date (i)	22,746,158	39,034,254	-	22,046,315	210,441,432
The part of maximum risk under guarantee with collateral (ii)	-	-	-	-	-
A. Net book value of neither past due nor impaired financial assets	22,746,158	8,974,298	-	22,046,315	210,441,432
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	-	30,059,956	-	-	-
D. Impaired asset net book value					
- Past due (gross amount)	-	8,179,948	-	-	-
- Impairment (-)	-	(8,179,948)	-	-	-
- 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 82,304,064 which holds no credit risk.

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE INTERIM PERIOD 1 JANUARY - 31 MARCH 2019

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

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

(c) Credit Risk Management (Continued)

<b>The credit risks exposed because of financial instrument types</b>	<b>Receivables</b>				<b>Deposits in banks</b>
	<b>Trade receivables</b>		<b>Other Receivables</b>		
	<b>Related Party</b>	<b>Other</b>	<b>Related Party</b>	<b>Other</b>	
<b>31 December 2018</b>					
Maximum net credit risk as of balance sheet date (i)	27,362,610	42,177,172	-	17,020,074	248,794,055
The part of maximum risk under guarantee with collateral (ii)	-	-	-	-	-
A. Net book value of neither past due nor impaired financial assets	27,362,610	2,672,076	-	17,020,074	248,794,055
B. Book value of restructured otherwise accepted as past due and impaired financial assets	-	-	-	-	-
C. Net book value of past due but not impaired assets	-	39,505,096	-	-	-
D. Impaired asset net book value					
- Past due (gross amount)	-	8,259,855	-	-	-
- Impairment (-)	-	(8,259,855)	-	-	-
- Net value collateralized or guaranteed part of net value	-	-	-	-	-
- Not over due (gross amount)	-	-	-	-	-
- Impairment (-)	-	-	-	-	-
- Net value collateralized or guaranteed part of net value	-	-	-	-	-
E. Off-balance sheet items bearing credit risk	-	-	-	-	-

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

(ii) Except for "the part of maximum risk under guarantee with collateral ", there is a credit card receivable amounting to TL 22,690,645 which holds no credit risk..

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

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE INTERIM PERIOD 1 JANUARY - 31 MARCH 2019**

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

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

(c) Credit Risk Management (Continued)

Aging of overdue receivables as 31 March 2019 and 31 December 2018 is as follows:

	<b>Trade Receivables</b>	
	31 March 2019	31 December 2018
Overdue between 1-30 days	29,759,877	38,966,874
Overdue between 1-3 Months	262,209	404,569
Overdue between 3-12 Months	37,870	133,653
<b>Total overdue receivables</b>	<b>30,059,956</b>	<b>39,505,096</b>
<b>The portion of under guarantee with collateral etc</b>	-	-

(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 March 2019**

	<b>Book value</b>	<b><u>Contractual</u></b>	<b><u>Up to 3</u></b>	<b><u>3-12</u></b>	<b><u>1-5 years</u></b>	<b><u>Over 5</u></b>
		<b><u>undiscounted</u></b>				
		<b><u>cash flow</u></b>				
		<b><u>(I+II+III+IV)</u></b>				
<b>Financial liabilities</b>						
Bank borrowings	75,359,194	84,287,288	84,287,288	-	-	-
Financial leasing payables	183,754,479	244,923,309	31,325,325	93,975,977	119,622,007	-
Lease liabilities	1,606,625,773	3,332,071,117	145,427,048	392,934,421	1,765,419,319	1,028,290,329
Trade payables	2,679,027,838	2,789,450,778	2,789,450,778	-	-	-
Other payables	1,663,630	1,663,630	-	778,522	885,108	-
<b>Total liability</b>	<b>4,546,430,914</b>	<b>6,452,396,122</b>	<b>3,050,490,439</b>	<b>487,688,920</b>	<b>1,885,926,434</b>	<b>1,028,290,329</b>

**31 December 2018**

	<b>Book value</b>	<b><u>Contractual</u></b>	<b><u>Up to 3</u></b>	<b><u>3-12</u></b>	<b><u>1-5 years</u></b>	<b><u>Over 5</u></b>
		<b><u>undiscounted</u></b>				
		<b><u>cash flow</u></b>				
		<b><u>(I+II+III+IV)</u></b>				
<b>Financial liabilities</b>						
Bank borrowings	75,397,282	84,287,288	84,287,288	-	-	-
Financial leasing payables	208,846,814	244,923,309	31,325,326	93,975,977	119,622,007	-
Trade payables	2,484,528,147	2,594,951,087	2,594,951,087	-	-	-
Other payables	1,440,979	1,440,979	-	555,874	885,105	-
<b>Total liability</b>	<b>2,770,213,222</b>	<b>2,925,602,663</b>	<b>2,710,563,701</b>	<b>94,531,851</b>	<b>120,507,112</b>	<b>-</b>



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

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE INTERIM PERIOD 1 JANUARY - 31 MARCH 2019**

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

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

(e) Market Risk Management

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

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

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

**Foreign currency risk management**

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

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

<b>31 March 2019</b>	TL Equivalent (Functional Currency)	US Dollar	Euro	Other
Trade receivables	216,327	-	34,236	-
Monetary financial assets	680,687	15,699	93,740	-
<b>CURRENT ASSETS</b>	<b>897,015</b>	<b>15,699</b>	<b>127,976</b>	<b>-</b>
Monetary financial assets	622,501	110,600	-	-
<b>NON CURRENT ASSETS</b>	<b>622,501</b>	<b>110,600</b>	<b>-</b>	<b>-</b>
<b>TOTAL ASSETS</b>	<b>1,519,516</b>	<b>126,299</b>	<b>127,976</b>	<b>-</b>
Trade payables	3,767,150	549,020	106,370	670
<b>CURRENT LIABILITIES</b>	<b>3,767,150</b>	<b>549,020</b>	<b>106,370</b>	<b>670</b>
<b>TOTAL LIABILITIES</b>	<b>3,767,150</b>	<b>549,020</b>	<b>106,370</b>	<b>670</b>
Net foreign currency position	(2,247,634)	(422,721)	21,606	(670)
Monetary items net foreign currency asset / liability position	(2,247,634)	(422,721)	21,606	(670)

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

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE INTERIM PERIOD 1 JANUARY - 31 MARCH 2019

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

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

##### Foreign currency risk management (Continued)

31 December 2018

	TL Equivalent (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)

##### Foreign currency sensitivity

The Company undertakes certain transactions denominated in US Dollar hence exposures to certain exchange rate fluctuations arise. As of 31 March 2019, a 20% strengthening of US Dollar against the TL, on the basis that all other variables remain constant, would have increased loss before taxation by TL 475,848 (31 December 2018: TL 532,375).

The Company undertakes certain transactions denominated in Euro hence exposures to certain exchange rate fluctuations arise. As of 31 March 2019, 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 27,305 (31 December 2018: 105,290 increase).

##### Interest rate sensitivity

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

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

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE INTERIM PERIOD 1 JANUARY - 31 MARCH 2019

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

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

##### Other price risks

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

#### 27. FINANCIAL INSTRUMENTS

Categories of financial instruments:

##### Categories of financial instruments and fair values

31 March 2018	Amortized cost	Financial assets fair value through other comprehensive income	Carrying value	Note
<u>Financial assets</u>				
Cash and cash equivalents	326,415,163	-	326,415,163	5
Trade receivables (including related parties)	61,780,412	-	61,780,412	7
Other receivables (including related parties)	22,046,315	-	22,046,315	8
<u>Financial liabilities</u>				
Borrowings and finance leases	259,113,673	-	259,113,673	6
Lease liabilities	1,606,625,773	-	1,606,625,773	6
Trade payables (including related parties)	2,679,027,838	-	2,679,027,838	7
Other liabilities (including related parties)	778,522	-	778,522	8
31 December 2018	Amortized cost	Financial assets fair value through other comprehensive income	Carrying value	Note
<u>Financial assets</u>				
Cash and cash equivalents	354,087,758	-	354,087,758	5
Trade receivables (including related parties)	69,539,782	-	69,539,782	7
Other receivables (including related parties)	17,020,074	-	17,020,074	8
<u>Financial liabilities</u>				
Borrowings and finance leases	284,244,096	-	284,244,096	6
Trade payables (including related parties)	2,484,528,147	-	2,484,528,147	7
Other liabilities (including related parties)	555,874	-	555,874	8

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

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

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE INTERIM PERIOD 1 JANUARY - 31 MARCH 2019

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

#### 28. EARNINGS PER SHARE

As of 31 March 2019 and 2018 loss per share calculation is as follows:

	1 January- 31 March 2019	1 January- 31 March 2018
<b>Earnings / (Loss) per share</b>		
Average number of shares during the period (full value)	611,928,571	360,000,000
Net loss for the period attributable to equity holder of the parents	(97,353,402)	(119,497,281)
Earnings per share from continuing and discontinued operations	(0.1591)	(0.3319)
Net loss for the period attributable to equity holder of the parents	<b>(97,353,402)</b>	<b>(119,497,281)</b>
Less: Profit from discontinued operations during the year	-	835,822
Net loss for the calculation of share income from continuing operations	(97,353,402)	(120,333,103)
Earnings per share from continuing operations	(0.1591)	(0.3343)
Profit from discontinued operations during the period	-	835,822
Earnings per share from discontinued operations	-	0.0023

#### 29. DISCONTINUED OPERATIONS

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

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

	1 January 31 March 2019	1 January 31 March 2018
<b>Profit for the period from discontinued operations</b>		
Revenue	-	118,417,854
Cost of sales (-)	-	(114,994,933)
<b>Gross profit</b>	<b>-</b>	<b>3,422,921</b>
Administrative expenses (-)	-	(957,591)
Marketing and sales expenses (-)	-	(836,790)
Other income and expenses from operating activities	-	(792,718)
<b>Profit from operations before taxation</b>	<b>-</b>	<b>835,822</b>

#### 30. EVENTS AFTER THE REPORTING PERIOD

In the Board of Directors meeting held on 3 April 2019; Within the scope of the Company's articles of association and remuneration policy, and taking into consideration that the Company's annual targets of 2018 were reached, our Board of Directors unanimously resolved to pay TL 9,558,111 additional bonuses in cash to the Senior Management due to their performance, on the condition that; as of the date of payment, the Senior Management shall purchase ŞOK shares which were acquired from the stock exchange with the price stability fund, amounting to nominal TL 985,373, at the rate of TL 9.70 per share in accordance with Borsa İstanbul A.Ş. Wholesale Transactions Procedures and Principles.

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

**SUPPLEMENTARY INFORMATION**

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

**APPENDIX 1 - SUPPLEMENTARY INFORMATION**

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

	1 January - 31 March 2019		Before IFRS 16 Effect	1 January - 31 March 2018
<b>Profit / (Loss) from continuing operations for the period</b>	<b>(97,477,440)</b>	<b>(24,924,862)</b>	<b>(72,552,578)</b>	<b>(120,088,974)</b>
Tax income / (expense)	23,833,148	6,231,216	17,601,932	( 2,140,719)
<b>Loss from continuing operations before taxation</b>	<b>(121,310,588)</b>	<b>(31,156,078)</b>	<b>(90,154,510)</b>	<b>(117,948,255)</b>
Financial income and expense net	( 246,045,483)	( 93,472,507)	( 152,572,976)	( 157,019,279)
Amortization and depreciation	( 140,165,378)	( 87,094,055)	( 53,071,323)	( 46,265,846)
<b>EBITDA</b>	<b>264,900,273</b>	<b>149,410,484</b>	<b>115,489,789</b>	<b>85,336,870</b>
Other income and expense net	( 848,700)		( 848,700)	( 4,365,231)
<b>Adjusted EBITDA</b>	<b>265,748,973</b>	<b>149,410,484</b>	<b>116,338,489</b>	<b>89,702,101</b>

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